

Lleida, 16 January 2017

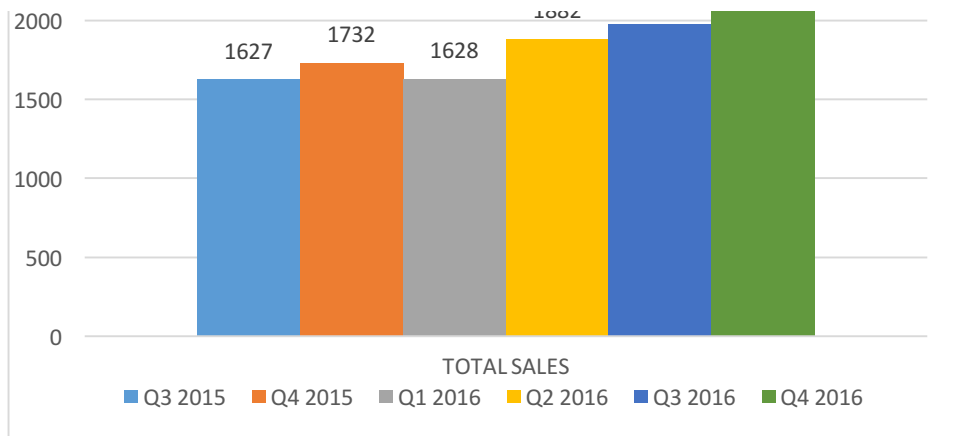
### **RELEVANT EVENT: 2016 ESTIMATED RESULTS**

Under the provisions of Article 17 of the Regulation (EU) No 596/2014 regarding market abuse and article 228 of the modified text of the Spanish Stock Market Act, approved by Spanish Royal Legislative Decree 4/2015, of 23 October and related provisions, as well as Circular 15/2016 of the Spanish Alternative Investment Market (MAB), we are hereby informing you of the following information relating to LLEDIANETWORKS SERVEIS TELEMÀTICS, S.A. (hereinafter, "Lleida.net" or the "Company")

The information outlined in this report is an estimate of the LLEIDA.NET Income Statement for fiscal year 2016 which was prepared based on the unaudited accounting information made available to the Board of Directors. Therefore, this information does not in any way substitute or may be considered the equivalent of the annual financial information provided for by Circular 15/2016 MAB, which will be communicated within the term established in said Circular.

### **OUTSTANDING FACTS:**

- The quarterly sales figure has increased 14% compared to the third quarter published on the Relevant Event dated October 26, 2016. Sales in the second half are 26% higher than those of the same period in 2015.
- The annual gross margin increased by 29% compared to 2015.
- The gross margin of the fourth quarter has reached 56% and represents a 44% increase over the same period of 2015.
- SaaS (Software as a Service), namely registered communications and data validation products, currently contribute 40% of the total gross margin of the company and are 151% more than in 2015
- In the fourth quarter the EBIDTA totalled 410 million euros accounting for an EBIDTA for the semester two of 769 thousand euros, being the second consecutive semester with positive EBITDA in 2016



	Q3	Q4	Two semestre 2015		One semest 2016			Two Semeste 2016		Cumulati 2016
	Q3	Q4	2015	Q1	Q2	2016	Q3	Q4	2016	
<b>Profit and Loss Account (thousands of</b>										
Turnover	1,648	1,751	3,399	1,628	1,882	3,510	1,977	2,290	4,267	7,777
Supplies	(993)	(978)	(1,971)	(898)	(1,070)	(1,968)	(887)	(1,016)	(1,903)	(3,871)
<b>Gross Margin</b>	<b>655</b>	<b>773</b>	<b>1,42</b>	<b>730</b>	<b>812</b>	<b>1,542</b>	<b>1,090</b>	<b>1,27</b>	<b>2,36</b>	<b>3,90</b>
<b>% Gross Margin out of sales</b>	<b>40%</b>	<b>44%</b>	<b>8</b>	<b>45</b>	<b>43</b>	<b>44</b>	<b>55</b>	<b>4</b>	<b>4</b>	<b>6</b>
<i>Inter-quarter sales growth</i>		6%	<b>42</b>	%	%	%	%	<b>56</b>	<b>55</b>	<b>50</b>
Own work capitalized	271	266	537	280	257	537	194	190	384	921
Personnel expenses	(478)	(572)	(1,050)	(465)	(490)	(955)	(552)	(485)	(1,037)	(1,992)
Other operating expenses	(347)	(704)	(1,051)	(446)	(465)	(911)	(371)	(571)	(942)	(1,853)
Other Extraordinary expenses				(100)	(382)	(482)			0	(482)
<b>EBIDTA</b>	<b>101</b>	<b>(237)</b>	<b>(136)</b>	<b>(1)</b>	<b>(268)</b>	<b>(269)</b>	<b>361</b>	<b>408</b>	<b>769</b>	<b>500</b>
Depreciation	(279)	(263)	(542)	(304)	(303)	(607)	(267)	(267)	(534)	(1,141)
Impairment and earnings for					(481)	(481)				(481)
<b>EBIDT</b>	<b>(178)</b>	<b>(500)</b>	<b>(678)</b>	<b>(305)</b>	<b>(1,052)</b>	<b>(1,357)</b>	<b>94</b>	<b>141</b>	<b>235</b>	<b>(1,122)</b>
Financial Earnings	(25)	262	237	(42)	(21)	(63)	(28)	(19)	(47)	(110)
<b>Earnings before Tax</b>	<b>(203)</b>	<b>(238)</b>	<b>(441)</b>	<b>(347)</b>	<b>(1,073)</b>	<b>(1,420)</b>	<b>66</b>	<b>122</b>	<b>188</b>	<b>(1,232)</b>

## 1. TURNOVER AND GROSS MARGIN EVOLUTION

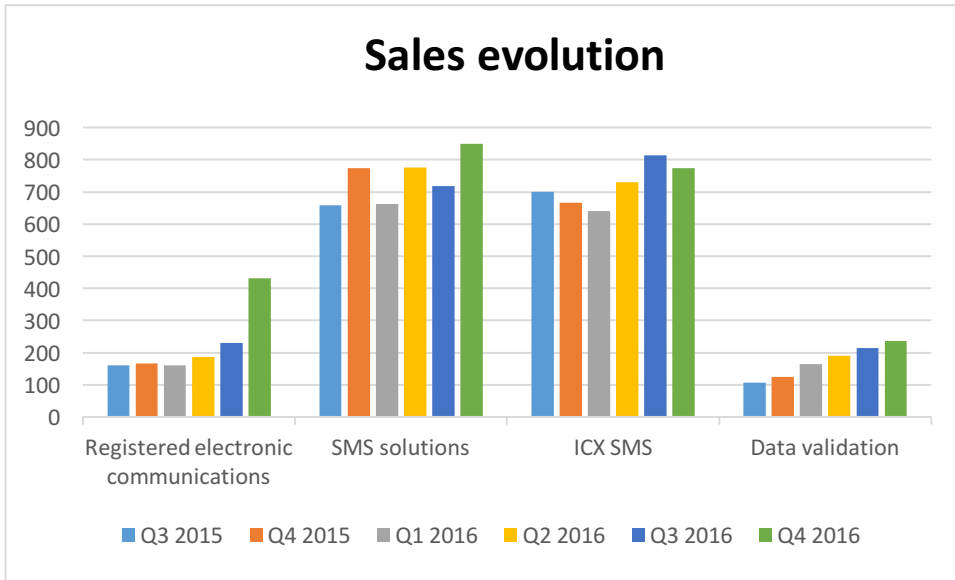
The company has continued with the commercial strategy discussed in the relevant event of the forecast of the third quarter earnings for fiscal year 2016, which focuses on boosting its international sales thanks to being an operator not only in Spain, but also in the United Kingdom, France, the United States and Colombia.

There has been a sustained quarterly sales growth due both to the larger amount of customers, and to the increase in the consumption of the existing ones.

The sales itemized by products are as follows:

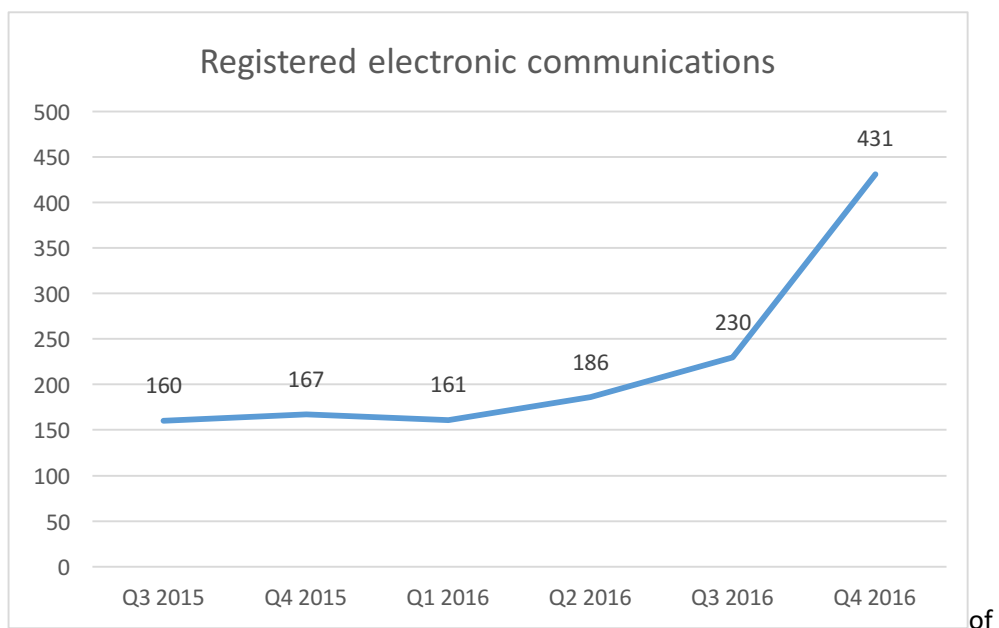
Sales by business line (thousand euros)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Registered electronic communications	160	167	161	186	230	431
SMS solutions	659	774	662	776	719	849
ICX SMS	701	667	640	730	814	774
Data validation	107	124	165	190	214	236
Other operations	21	19				
<b>TOTAL SALES</b>	<b>1,648</b>	<b>1,751</b>	<b>1,628</b>	<b>1,882</b>	<b>1,977</b>	<b>2,290</b>

The turnover corresponding to the third quarter totalled 1.9 million euros, a sum that consolidates the positive trend in the evolution of sales.



The main milestones reached by business lines are as follows:

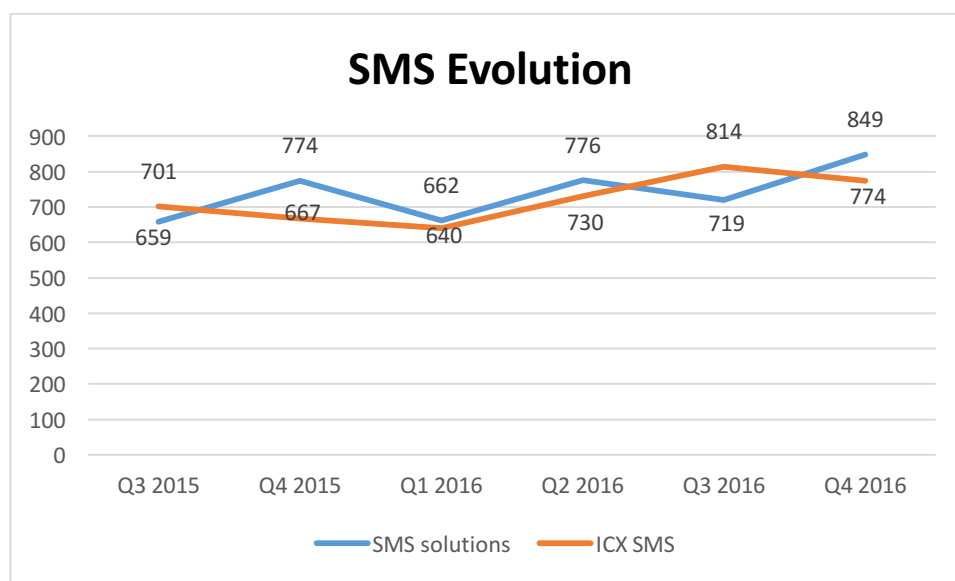
- Electronic communications sales increased by 88% compared with the previous quarter, and a 158% in comparison with the prior 2015-year quarter. The growth is driven by the implementation of the services in large corporations, like Banco Pichincha, Bankinter Consumer Finance and other corporations that have contributed to boost the contracting services. The total sales of registered services for the financial year 2016 accounts for one million euros and represents over 20% the Company's gross margin.



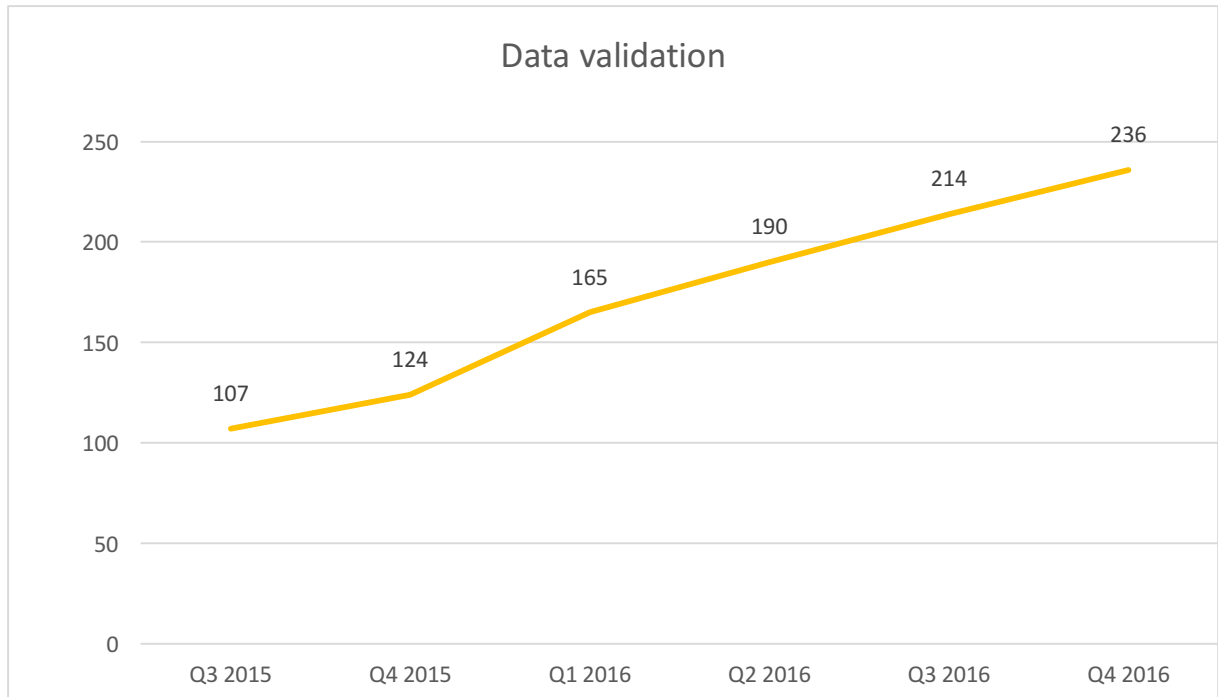
- Cumulative figures of sales of SMS Solutions increased from 1,533 thousand euros in the third quarter to 1,623 thousand euros in the last quarter of 2016, which represents an increase of 6%. It also represents an increase of 12% compared to the figures for the fourth quarter of fiscal year 2015.

While it is an upward trend, this line of services has a smaller margin. During fiscal year 2016, the Company's strategy was focused on obtaining margin rather than looking for an exponential increase in sales with almost zero margin. The increase in the margin is explained by the greater volume of international destinations, where Lleida.net is in continuous negotiations with market players to benefit from the best opportunities, as well as by the improvements of the profitability of the existing routes.

Developments in R + D + i have enabled Lleida.net to have a more dynamic and fast platform that allows to set the best rates in a much shorter time which results in a higher SMS traffic and increased margins.



- Turnover for data validation increased by 10% with respect to the same third quarter of fiscal year 2016. The total amount of sales for financial year 2016 is 805 thousand euros, which reflects the upward trend, thanks to the acquisition of new customers, with a 58% increase compared to 2015.

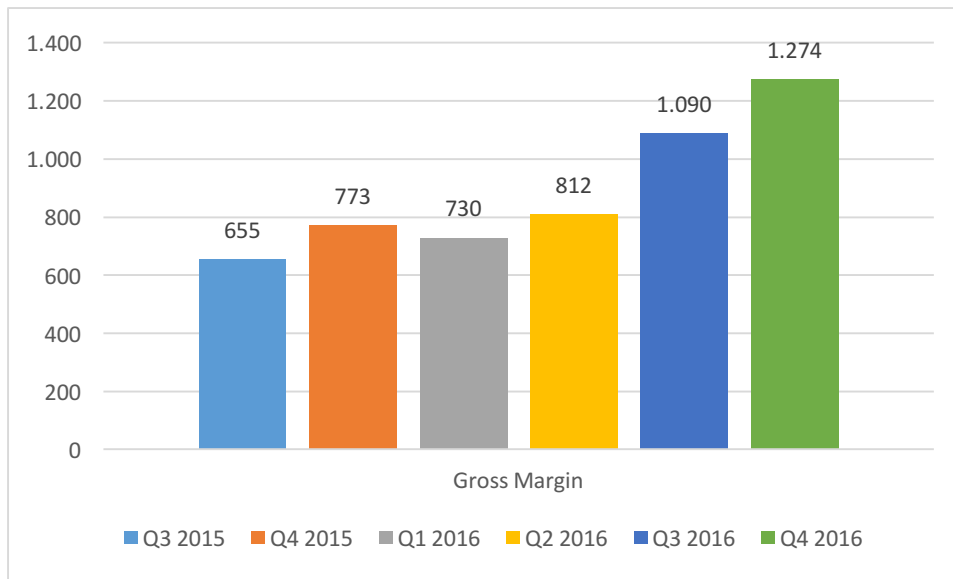


## **2. GROSS MARGIN EVOLUTION**

The Company's gross margin increased to 55% in the third quarter and being global for the exercise of 50% on sales, which represents 3,906 thousand euros.

The gross margin growth is based on the following factors:

- The change in the sales mix, with an increasingly weight in registered communications and data validation sales.
- The optimization of the processes through the R & D projects have enabled a more efficient management of the traffic of the SMS giving as a result an increase in their profitability.
- The globalization of the Interconnection (ICX) and sales department have given rise to new clients and to potential suppliers



### **3. EVOLUTION OF OPERATING EXPENSES AND PERSONNEL EXPENSES:**

In terms of staff costs, there has been no significant staff change over the last quarter. This decrease, compared to the third quarter, is defined by the compensation that took place in the third quarter.

The remaining operating expenses have increased due to the appointment of Manuel Gallo as Chief operations officer EMEA as well as to investments in R&D and business fairs.

### **4. EBITDA EVOLUTION:**

In the third quarter, the EBITDA was positive at 408 thousand euros, totalling 769 thousand euros during the second half of first year 2016.

This represents a 385% increase with regard to the first half of the year, when the Company was penalized for extraordinary expenses due to the French operator fine.

The EBITDA for fiscal year 2016 totals 500 thousand euros and it would have achieved 982 thousand euros based solely on extraordinary expenses of the first half of the year.

## 5. MAIN MAGNITUDES ON THE BALANCE SHEET

Figures in thousands of euros	31/12/2015	30/06/2016	30/09/2016	31/12/2016
INTANGIBLE FIXED ASSETS	4,292	3,843	3,843	3,819
TANGIBLE FIEX ASSETS	424	395	384	447
INVESTMENTS IN GROUP AND ASSOCIATED COMPANIES	1,849	1,715	1,724	1,773
LONG-TERM FINANCIAL INVESTMENTS	30	30	35	34
DEFERRED TAX ASSETS	138	138	138	138
<b>TOTAL NON-CURRENT ASSETS</b>	<b>6,733</b>	<b>6,121</b>	<b>6,124</b>	<b>6,211</b>
SUPLIER ADVANCES	33	5	-	-
TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE	2,190	1,875	2,082	2,204
SHORT INVESTMENTS IN GROUP AND ASSOCIATED COMPANIES	35	57	57	79
SHORT TERM FINANCIAL INVESTMENTS	250	1,050	1,053	1,253
SHORT TERMS ACCRUALS	156	165	201	220
CASH AND OTHER EQUIVALENT LIQUID ASSETS	4,033	2,018	1,662	1,299
<b>TOTAL CURRENT ASSETS</b>	<b>6,697</b>	<b>5,170</b>	<b>5,055</b>	<b>5,055</b>
<b>TOTAL ASSETS</b>	<b>13,430</b>	<b>11,291</b>	<b>11,179</b>	<b>11,266</b>
CAPITAL	321	321	321	321
ISSUE PREMIUM	5,244	5,244	5,244	5,244
RESERVES	1,378	1,509	1,408	1,508
(EQUITY SHARES)	(696)	(866)	(781)	(898)
NEGATIVE EARNINGS CARRIED OVER	-	(394)	(394)	(394)
results of the analysis	(394)	(1,420)	(1,354)	(1,232)
<b>TOTAL EQUITY</b>	<b>5,853</b>	<b>4,394</b>	<b>4,444</b>	<b>4,549</b>
LONG TERM DEBTS	2,692	2,593	2,593	1,924
<b>TOTAL NON- CURRENT LIABILITIES</b>	<b>2,692</b>	<b>2,593</b>	<b>2,593</b>	<b>1,924</b>
SHORT TERM PROVISIONS	-	219	177	159
SHORT TERM DEBTS	3,823	3,067	2,787	3,174
TRADE PAYABLES AND OTHER ACCOUNST PAYABLE	1,062	1,018	1,180	1,460
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,885</b>	<b>4,304</b>	<b>4,144</b>	<b>4,793</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,430</b>	<b>11,291</b>	<b>11,181</b>	<b>11,266</b>



The main variations compared to the first half of the year were as follows:

- Variation in tangible fixed assets is due to the new technology machinery purchases necessary to improve Lleida.net services efficiency
- The Investments in group companies increased compared to the third quarter due to new loans that have been given to the Brazilian subsidiary to obtain the operator license in the country.
- The sales receivables figure increased during the last months, and not because of overdue debts.
- On the liabilities side, there was a drop in Lleida.net debt. On 31 December the amount of the debt is 5.1 million euros compared to 5.4 million euros of the previous quarter.
- The creditors and other accounts payable is explained by an increase in purchases and not because of an extension of the terms of payments.

The Company's goal for this final quarter is to continue the upwards trend in sales already seen from the previous quarters while keeping the current gross margin levels and reinforcing Lleida.net's internationalization.

Sincerely, Lleida, 16 January 2017

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.  
Francisco Sapena Soler  
CEO and Chairman of the Board of Directors