



Lleida, le 27 Avril 2017

Mesdames, messieurs,

Conformément à la circulaire Circular 15/2016 du Marché Alternatif Boursier et pour la mise en disposition au publique, Lleidanetworks Serveis Telemàtics, S.A présente les informations suivantes

1. Rapport annuel de clôture de l'exercice 2016 et premier trimestre provisoire 2017
2. Rapport d'audit et Comptes annuels individuels de l'exercice 2016
3. Rapport d'audit et Comptes annuels consolidés de l'exercice 2016

À Lleida, le 27 avril 2017

Francisco Sapena Soler

PDG et Président Conseil Administration

## **ANNUAL REPORT CLOSING 2016 YEAR AND ADVANCES FIRST QUARTER**

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, we inform LLEIDANETWORKS 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 2017 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.

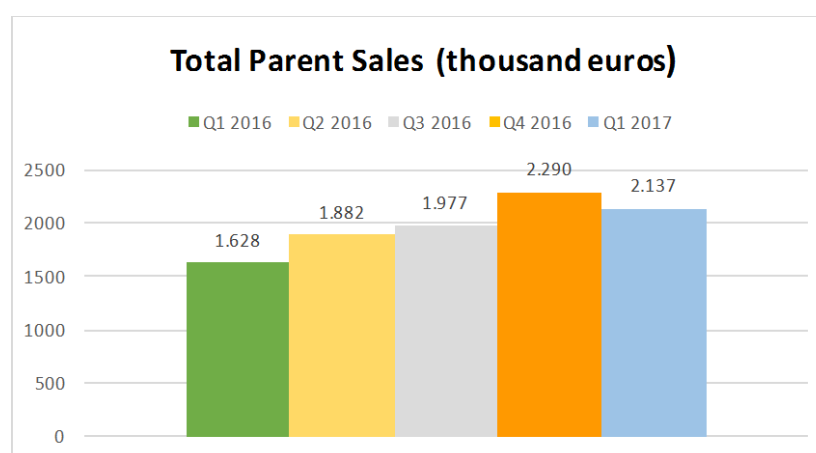
### **OUTSTANDING FACTS**

- The quarterly sales figure has increased 31% up to 2.1 million euros compared to the third quarter published the previous year
- The gross operating profit is 59% higher in 2017 compared to the same period in 2016 (an increase of 428 thousand euros).
- In percentage terms, the gross margin for the first quarter stood at 54% when it was 45% in the first quarter of 2016 and 50% throughout the year 2016.
- There was an increase of eight employees in the first quarter to deal with the company's international projects.
- EBIDTA, with no exceptional expenditures or activations, is positive at 53 thousand euros, represents an increase of 234 thousand euros compared to the first quarter of 2016.
- For the first time, the consolidated annual accounts of the group audited by BDO for the 2016 fiscal year are published although the relative weight of the other subsidiaries is insignificant with respect to the parent's results.
- Likewise, for the first time the consolidated quarterly results of Lleida.net are presented with a negative impact on profits for the first quarter of 2017 of EUR 24 thousand (before tax). Excluding the extraordinary expenses related to severance payments, the earnings before tax would have been positive at 43 thousand euros.
- Lleida.net has obtained 10 new patents in the first quarter of 2017, being the European patent for registered email, the cornerstone for internationalization.

<i>Figures in thousands of euros</i>	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016 ANNUAL ACCOUNTS	Q1 2017
Sales:						
Sales costs	1,628 (898)	1,882 (1,070)	1,977 (887)	2,290 (1,016)	7,777 (3,871)	2,137 (979)
<b>Gross Margin</b>	<b>730</b>	<b>812</b>	<b>1,090</b>	<b>1,274</b>	<b>3,906</b>	<b>1,158</b>
Personnel expenses	(465)	(490)	(467)	(484)	(1,906)	(628)
External services	(446)	(465)	(371)	(569)	(1,851)	(482)
Other incomes						5
<b>EBIDTA with no exceptional expenditures or activations</b>	<b>(181)</b>	<b>(143)</b>	<b>252</b>	<b>221</b>	<b>149</b>	<b>53</b>
Activations	280	257	194	188	919	184
<b>EBIDTA with no exceptional expenditures</b>	<b>99</b>	<b>114</b>	<b>446</b>	<b>409</b>	<b>1,068</b>	<b>237</b>
Other results	(100)	(382)			(482)	0
Staff compensation			(85)		(85)	(67)
<b>EBIDTA</b>	<b>(1)</b>	<b>(268)</b>	<b>361</b>	<b>409</b>	<b>501</b>	<b>170</b>
Depreciation	(305)	(303)	(267)	(267)	(1,142)	(251)
Impairment and earnings for disposal		(481)		(174)	(655)	
<b>Ordinary activities results</b>	<b>(306)</b>	<b>(1,052)</b>	<b>94</b>	<b>(32)</b>	<b>(1,296)</b>	<b>(81)</b>
Financial	(42)	(21)	(28)	(20)	(111)	(36)
<b>Earnings before Tax</b>	<b>(348)</b>	<b>(1,073)</b>	<b>66</b>	<b>(52)</b>	<b>(1,407)</b>	<b>(117)</b>

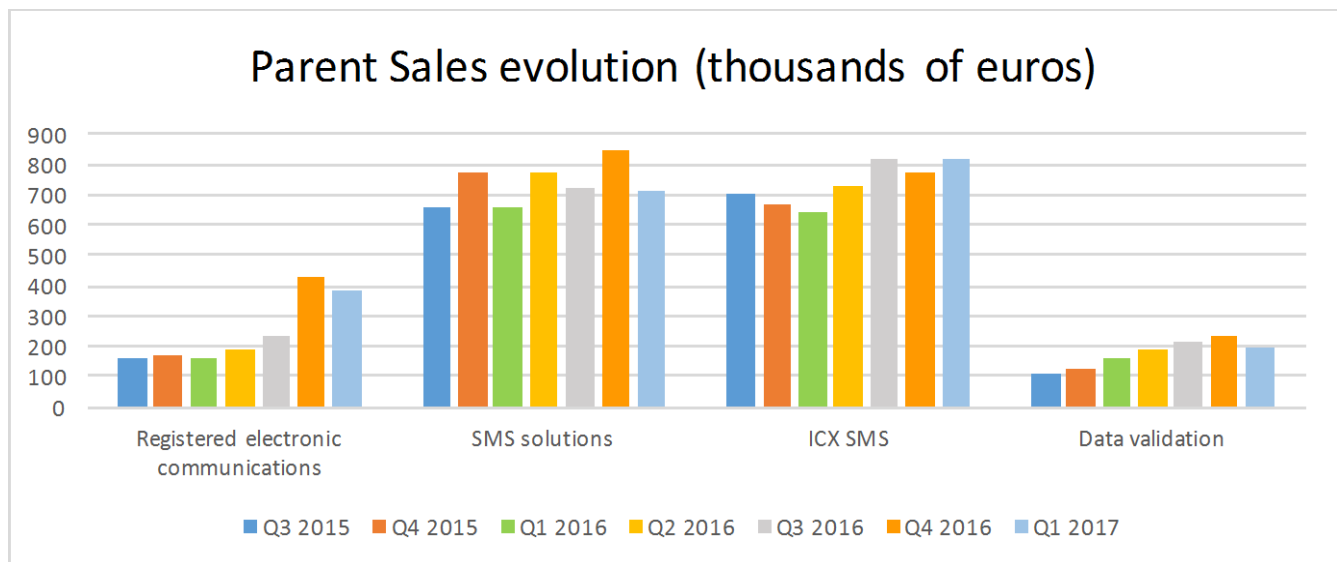
## 1. TURNOVER AND GROSS MARGIN EVOLUTION

Turnover of 2.1 million euros in the first quarter of 2017 represents an increase of half a million euros compared to the same period in 2016. Sales follow a positive trend, although it should be noted that the first quarter is usually lower than the fourth quarter due to seasonality.



Lleida.net continues to focus its commercial efforts in attracting new clients, mainly leading corporations in Spain, as well as internationally, and taking advantage of being operator in the United States, United Kingdom, France and Colombia. The publication of international patents for our products is easing the entry into new countries such as Romania and France.

Sales per business line ( Thousand euros)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Registered electronic communications	160	167	161	186	230	431	387
SMS solutions	659	774	662	776	719	849	711
ICX SMS	701	667	640	730	814	774	814
Data validation	107	124	165	190	214	236	201
Other results							24
<b>TOTAL SALES</b>	<b>1.627</b>	<b>1.732</b>	<b>1.628</b>	<b>1.882</b>	<b>1.977</b>	<b>2.290</b>	<b>2.137</b>



The main milestones achieved by business lines are:

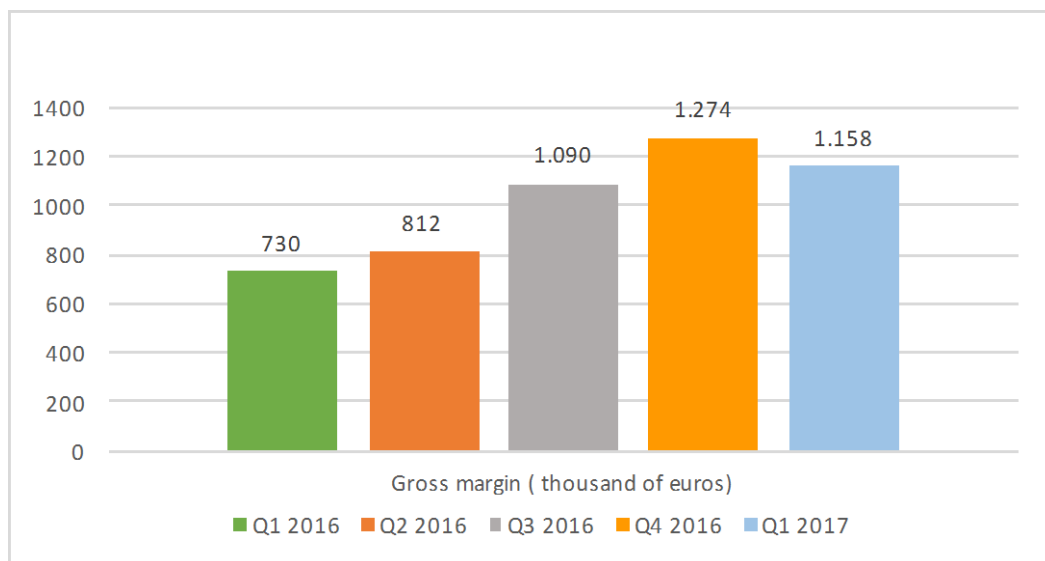
- Electronic communications sales increased by 140% compared with the previous year
- Turnover for data validation increased 36 million euros , a 22% with respect to the same third quarter of fiscal year 2016.
- Cumulative figures of sales of SMS Solutions increased from 1,525 thousand euros in the first quarter of 2017, which represents an increase of 17%. New interconnection routes and new customers of SMS solutions are behind this growth.

## 2. GROSS MARGIN EVOLUTION:

The company's gross margin stands at 54% compared to the sales during the first quarter of 2017 when it was 50% for 2016.

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 and sales department have given rise to new clients and to potential suppliers.



## 3. EVOLUTION OF OPERATING EXPENSES AND PERSONNEL EXPENSES

The Company has grown from an average workforce to March 31, 2016 from 43 people to 51 people in March 2017, an increase of 19%. This increase is reflected in personnel expenses over the first and last quarter of 2016 (an increase of 35% and 29%, respectively).

The incorporation of new staff is intended to strengthen the commercial department responsible for sales of registered products, as well as to the international departments.

As per external services we maintain our cost-containment policy. During the first quarter, the cost of participation in the Mobile World Congress (MWC) is highlighted since a large amount of the company's fair budget is spent. This year, Lleida.net has launched RIU (Remote Identification Unit) providing identity verification through videoconference.

**4. MAIN MAGNITUDES ON THE BALANCE SHEET (PARENT)**

Individual figures in thousand of euros	30/06/2016	30/09/2016	31/12/2016	31/03/2017
INTANGIBLE FIXED ASSETS	3,843	3,843	3,642	3,657
TANGIBLE FIEX ASSETS	395	384	447	431
INVESTMENTS IN GROUP AND ASSOCIATED COMPANIES	1,715	1,724	1,791	1,975
LONG-TERM FINANCIAL INVESTMENTS	30	35	34	31
DEFERRED TAX ASSETS	138	138	138	138
<b>TOTAL NON-CURRENT ASSETS</b>	<b>6,121</b>	<b>6,124</b>	<b>6,052</b>	<b>6,232</b>
SUPPLIER ADVANCES				
TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE	1,875	2,082	2,204	2,386
ST INVESTMENTS IN GROUP AND ASSOCIATED COMPANIES	57	57	79	79
SHORT TERM FINANCIAL INVESTMENTS	1,050	1,053	1,253	1,253
SHORT TERMS ACCRUALS	165	201	224	157
CASH AND OTHER EQUIVALENT LIQUID ASSETS	2,018	1,662	1,278	413
<b>TOTAL CURRENT ASSETS</b>	<b>5,170</b>	<b>5,055</b>	<b>5,038</b>	<b>4,288</b>
<b>TOTAL ASSETS</b>	<b>11,291</b>	<b>11,179</b>	<b>11,090</b>	<b>10,520</b>
CAPITAL	321	321	321	321
ISSUE PREMIUM	5,244	5,244	5,244	5,244
RESERVES	1,509	1,408	1,508	1,508
(EQUITY SHARES)	(866)	(781)	(898)	(894)
NEGATIVE EARNINGS CARRIED OVER	(394)	(394)	(394)	(1,801)
results of the analysis	(1,420)	(1,354)	(1,407)	(116)
<b>TOTAL EQUITY</b>	<b>4,394</b>	<b>4,444</b>	<b>4,374</b>	<b>4,262</b>
LONG TERM DEBTS	2,593	2,593	1,924	1,924
<b>TOTAL NON- CURRENT LIABILITIES</b>	<b>2,593</b>	<b>2,593</b>	<b>1,924</b>	<b>1,924</b>
SHORT TERM PROVISIONS	219	177	159	25
SHORT TERM DEBTS	3,067	2,787	3,185	2,568
TRADE PAYABLES AND OTHER ACCOUNST PAYABLE	1,018	1,180	1,448	1,741
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,304</b>	<b>4,144</b>	<b>4,792</b>	<b>4,334</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,291</b>	<b>11,181</b>	<b>11,090</b>	<b>10,520</b>

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

- Variation in tangible fixed assets is due to the cost of the patents. Currently the activation that is being carried out in R & D is lower than the previous R & D amortization.
- The increase in investments in group companies and associates corresponds to the acquisition of 2% of the company e.Kuantia EDE for an amount of 144 thousand euros. The Participation is part of the Platform for Equity program developed by Lleida.net.
- The rising number of Trade Debtors is explained by the increase of the sales of the last quarter.
- On the liabilities side, the decrease in short-term provisions comes from payments made to pay the fine of the French operator in the first half of 2016.
- Short-term debts have been reduced by the periodic amortization of loans, as well as the drop in the use of the policies contracted by the Company. The Company's debt as of March 31, 2017 amounts to 4,492 thousand euros and represents a decrease of 618 thousand euros compared to the closing of December 31, 2016.

- Included in trade creditors is the advance deposit deposited by e.Kuantia EDE for an amount of 144 thousand euros for the use of registered services. No payments to suppliers were deferred.

## **5. LLEIDA.NET CONSOLIDATED PROFIT AND LOSS ACCOUNT**

The comparative figures for the first quarter are presented below with the individual data of the parent and of the consolidated.

*Figures in thousands of euros*

	Q1 PARENT	Q1 CONSOLIDATED	DIFFERENCE
Sales:	2,137	2,243	106
Sales costs	(979)	(938)	41
<b>Gross Margin</b>	<b>1,158</b>	<b>1,305</b>	<b>147</b>
Personnel expenses	(628)	(637)	(9)
External services	(482)	(527)	(45)
Other incomes	5	5	0
<b>EBIDTA with no exceptional expenditures or activations</b>	<b>53</b>	<b>146</b>	<b>93</b>
Activations	184	184	0
<b>EBIDTA with no exceptional expenditures</b>	<b>237</b>	<b>330</b>	<b>93</b>
Other results	0	0	0
Staff compensation	(67)	(67)	0
<b>EBIDTA</b>	<b>170</b>	<b>263</b>	<b>93</b>
Depreciation	(251)	(251)	0
Impairment and earnings for disposal	0	0	0
<b>Ordinary activities results</b>	<b>(81)</b>	<b>12</b>	<b>93</b>
Financial	(36)	(36)	0
<b>Earnings before Tax</b>	<b>(117)</b>	<b>(24)</b>	<b>93</b>

The parent figures represent 95% of the group's sales. The consolidated margin improved to 58% compared to 54% of the individual figures.

The EBIDTA of the consolidated data improves by 93 thousand euros compared to the consolidated due to the cost containment strategy in subsidiaries until they become profitable.

## **6. DIFFERENCES BETWEEN INDIVIDUAL ANNUAL ACCOUNTS AND FORECAST OF JANUARY 2017, AND CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR 2016.**

The comparative data, the data of the parent company presented in the relevant event published on January 16, 2017 (Relevant Event January 2017), the data presented in the annual accounts made by the individual board of directors (CCAA INDIVIDUAL) and consolidated (CCAA consolidated) are shown in the below table.

<i>Figures in thousands of euros</i>	<b>2016 CLOSING</b>		
	<b>RE JANUARY 2017</b>	<b>INDIVIDUALS AACC</b>	<b>CONSOLIDATED AACC</b>
Sales:	7,777	7,777	8,054
Sales costs	(3,871)	(3,871)	(3,910)
<b>Gross Margin</b>	<b>3,906</b>	<b>3,906</b>	<b>4,144</b>
Personnel expenses	(1,992)	(1,992)	(2,013)
External services	(1,853)	(1,849)	(2,004)
Other incomes	0	(1)	(1)
<b>EBIDTA, with no exceptional expenditures or activations</b>	<b>61</b>	<b>64</b>	<b>126</b>
Activations	921	919	919
<b>EBIDTA with no exceptional expenditures</b>	<b>982</b>	<b>983</b>	<b>1,045</b>
Other results	(482)	(482)	(486)
<b>EBIDTA</b>	<b>500</b>	<b>501</b>	<b>559</b>
Depreciation	(1,141)	(1,142)	(1,147)
Impairment and earnings for disposal	(481)	(655)	(655)
<b>Ordinary activities results</b>	<b>(1,122)</b>	<b>(1,296)</b>	<b>(1,243)</b>
Financial	(110)	(111)	(183)
<b>Earnings before Tax</b>	<b>(1,232)</b>	<b>(1,407)</b>	<b>(1,426)</b>

Comparing the individual and consolidated annual accounts for 2016, 96% of sales are explained by the parent company accounts, where the rest of the group companies provide 277 thousand euros out of a total of 8 million euros. There is an improvement in the gross margin, in the consolidated to 51.4% compared to 50% of the parent, and that is an additional 238 thousand euros. The consolidated EBIDTA amounts to 559 thousand euros, when the reflected in the individual accounts is 501 thousand euros.

Consolidated financial statements is negative at 1,426 thousand euros, and individual accounts are negative at 1,407 thousand euros.

If we compare the data presented in the Relevant Event corresponding to the parent company, with the individual annual accounts we see that, in the profit and loss account, the only significant difference is in the section of Impairment and gain or loss on disposal of fixed asset where there is a difference of 171 thousand euros. It corresponds to the depreciation made due to the prudence of the R & D projects, due to the reports received on their valuation. It has been decided to depreciate these projects up to the amount fixed in the reports, although there is no doubt of their recoverability, they are projects that are patented in some cases



<b>ASSETS (Thousands of euros)</b>	<b>2016 CLOSING</b>		
	<b>RE JANUARY 2017</b>	<b>INDIVIDUALS AACC</b>	<b>CONSOLIDATED AACC</b>
Intangible fixed assets	3,819	3,642	3,642
Tangible fix assets	447	447	463
Lt investments in group and associated companies	1,773	1,791	25
Long-term financial investments	34	34	38
Deferred tax assets	138	138	138
<b>Total non-current Assets</b>	<b>6,211</b>	<b>6,052</b>	<b>4,306</b>
Supplier advances			
Trade receivables and other accounts receivable	2,204	2,204	2,279
St investments in group and associated companies	79	79	
Short term financial investments	1,253	1,253	1,253
Short terms accruals	220	224	224
Cash and other equivalent liquid assets	1,299	1,278	1,494
<b>Total current assets</b>	<b>5,055</b>	<b>5,038</b>	<b>5,250</b>
<b>TOTAL ASSETS</b>	<b>11,266</b>	<b>11,090</b>	<b>9,556</b>

<b>ASSETS (Thousands of euros)</b>			
Capital	321	321	321
Issue premium	5,244	5,244	5,244
Reserves	1,508	1,508	(453)
(Own shares)	(898)	(898)	(898)
Negative earnings carried over	(394)	(394)	30
External partners			1
Profit	(1,232)	(1,407)	(1,429)
<b>Total equity</b>	<b>4,549</b>	<b>4,374</b>	<b>2,816</b>
Long term debts	1,924	1,924	1,924
<b>Total non- current liabilities</b>	<b>1,924</b>	<b>1,924</b>	<b>1,924</b>
Short Term amortizations	159	159	159
Short term debts	3,174	3,185	3,185
Trade payables and other account payable	1,460	1,448	1,472
<b>Total current liabilities</b>	<b>4,793</b>	<b>4,792</b>	<b>4,816</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,266</b>	<b>11,090</b>	<b>9,556</b>

The main difference in the assets of the balance between the data published in the Relevant Event and the information included in the annual accounts comes from the depreciation made to intangible assets, which means that the item falls from 3,819 thousand euros to 3,642 thousand euros.

The remaining individual balance sheet accounts do not have significant variations with respect to the Relevant Event published in January 2017, which includes the forecast.

In relation to the differences between the individual and consolidated accounts, they are marked by the elimination of holdings in group companies and the incorporation of both the treasury of subsidiaries and debtors' balances. It entails a decrease in assets of 1.5 million euros.

In liabilities, the main difference comes from total equity, where valuations have gone from a positive amount of 1,508 thousand euros, to a negative amount of 453 thousand euros. It is explained by the accumulated losses of the subsidiaries in previous years, in particular 1 million euros in the USA office 553 thousand euros in the Irish one. Within the Lleida.net project, there is no evidence suggesting any doubts about the feasibility of the recovery of the losses of both subsidiaries. The US society has been on track for positive results since 2015 and the Irish society is attracting large European contracts.

Globally, Lleida.net is developing an active strategy to open up business lines in European and Middle Eastern countries, thanks to the European patent, and continues with the market entry strategy in Latin America and the United States.

Sincerely, Lleida, April 2017

LLEIDANETWORKS SERVEIS TELEMÀTICS. S.A

Francisco Sapena Soler

CEO and Chairman of the Board of Directors