



NOTIFICATION OF 2018 BUDGET GIGAS HOSTING, SA

29 January 2018

With a view to increasing transparency and providing greater disclosures on the key financial highlights and estimates of Gigas Hosting, S.A. (hereinafter, "GIGAS", the Company", or the "GIGAS Group"), the Company hereby presents this notice to the market with the 2018 budget approved by the Board of Directors at its meeting of 13 December 2017.

2018 BUDGET

The Company estimates gross sales (before accruals, discounts and promotions) of EUR 9.29 million and revenue of EUR 8.07 million in 2018. These figures, underpinned by investment in the commercial structure and the acquisition of a company in Spain, imply growth of around 35% in revenue from EUR 5.96 million for full-year 2017 (according to the estimate included in the price sensitive information disclosed on 8 November 2017). The acquisition of SVT early this year (see price sensitive information disclosed on 11 January 2018) is budgeted to contribute approximately 9% of gross sales in 2018, with organic growth making up the rest.

The Company intends to further strengthen its commercial and technical structure in 2018, with plans to increase headcount by 12 people, including SVT employees. Nevertheless, through operational leverage, cost optimisation and higher growth in sales vis-à-vis expenses, GIGAS forecasts EUR 1.34 million of EBITDA in 2018, up EUR 0.59 million from the estimate for full-year 2017 (see price sensitive information disclosed on 8 November 2017) and leaving an EBITDA margin of 16.6%.

The 16.6% EBITDA margin is above the 10-14% forecast range presented in the price sensitive information on the 2017 Budget disclosed on 1 March 2017, and leaves the Company poised to both deliver a net profit in the second half of the year and become cash flow positive. The Company has earmarked around EUR 1.05 million for capex this year on the purchase of IT equipment.

Gross income is budgeted to decline slightly in 2018 due to the larger number of datacenters in which the Company operates (six in 2018 compared to four in 2017, after the inclusion of two SVT datacenters) and the higher cost of licenses and equipment maintenance. Nonetheless, gross margin for the year is estimated to be around 75%, above the industry average, thanks mainly to the Company's proprietary cloud platform, which requires no payments to third parties.

The table below provides the breakdown of the 2018 budget by quarter for better monitoring during the year and easier comparisons in the quarterly earnings presentation. The budget was drawn up using the same criteria as for the historical financial information and is based on the Company's best estimates for 2018.

<i>EUR</i>	Q1	Q2	Q3	Q4	2018
Gross Sales	2,138,015	2,222,952	2,391,316	2,541,191	9,293,474
Accrued sales	(18,965)	39,143	8,865	(59,557)	(30,514)
Sales discounts and promotions	(288,006)	(287,715)	(305,554)	(310,116)	(1,191,392)
Revenue	1,831,044	1,974,380	2,094,627	2,171,517	8,071,568
Own R&D costs capitalised	54,708	55,083	53,788	54,368	217,947
Non-recurring income, grants and other	18,338	18,663	17,483	18,098	72,582
Cost of sales	(410,973)	(442,529)	(480,896)	(499,897)	(1,834,295)
Online and third-party customer acquisition costs	(18,505)	(19,190)	(18,416)	(20,564)	(76,675)
Datacenters and connectivity	(180,546)	(192,182)	(208,471)	(217,467)	(798,666)
Other supplies	(211,922)	(231,157)	(254,009)	(261,865)	(958,953)
Personnel expenses	(747,115)	(802,556)	(841,967)	(840,493)	(3,232,132)
Salaries and wages	(611,532)	(651,743)	(685,045)	(681,510)	(2,629,830)
Social security costs	(135,583)	(150,814)	(156,922)	(158,983)	(602,302)
Other operating expenses	(457,919)	(499,181)	(490,788)	(508,956)	(1,956,844)
External services	(420,995)	(460,966)	(441,929)	(459,405)	(1,783,295)
Professional services and other	(294,541)	(307,183)	(319,649)	(309,306)	(1,230,679)
Marketing and publicity	(46,427)	(59,272)	(35,166)	(58,527)	(199,391)
International expenses, except marketing	(80,027)	(94,511)	(87,114)	(91,572)	(353,224)
Losses, impairment and changes in trade provisions	(36,924)	(38,214)	(48,859)	(49,551)	(173,549)
Other income and expenses	-	-	-	-	-
EBITDA	288,083	303,859	352,247	394,637	1,338,827
<i>EBITDA margin, %</i>	<i>15.7%</i>	<i>15.4%</i>	<i>16.8%</i>	<i>18.2%</i>	<i>16.6%</i>
Gross Margin*	1,383,146	1,493,636	1,564,872	1,622,070	6,063,724
<i>Gross margin, %</i>	<i>75.5%</i>	<i>75.7%</i>	<i>74.7%</i>	<i>74.7%</i>	<i>75.1%</i>

NB *: Gross income is calculated 'Revenue' less 'Cost of sales' and 'Losses, impairment and changes in trade provisions' included under 'Other operating expenses'.

With the 2018 budget, the Company reiterates its ambitious targets and remains committed to pursuing a combination of strong organic growth with M&A and takeovers that accelerate its growth. On this front, the Company continues to look at corporate deals that could generate value for its shareholders and which would boost the forecasts presented herein.

Madrid, 29 January, 2018.

Diego Cabezudo Fernández de la Vega Chief
Executive Officer
GIGAS HOSTING, S.A.