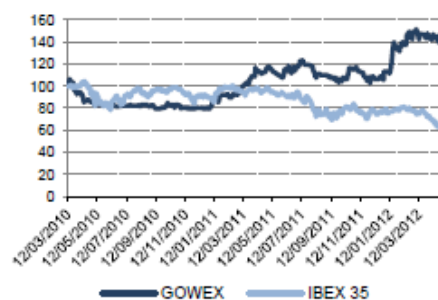


- Gowex, a company that operates in the telecommunications sector, has positioned itself as leader in the Spanish market in the installation and management of WiFi access points networks and is listed on the Alternative Stock Market (MAB), part of the Spanish Stock Exchange.
- The company has centred its business model on the Wireless Division, which provides 80% of its gross profit, in contrast with the firm's original activity, the telecommunications pool. The Wireless Division activities comprise WiFi management and operation, a wireless Roaming platform and advertising. The Telecom Division manages and operates a commercial exchange platform in the B2B telecommunications market.
- The company has shown recurrent and increasing profit since 2008 at all levels of its results and recorded significant growth in 2011 (+34% in revenue, +76% in EBITDA and +41% in net profit). Its business margins and profitability indicators are high.
- Gowex shows a healthy financial situation, with low borrowing and net treasury of €22.1 million. Its business model requires low levels of investment, thus enabling rapid expansion.
- It is a pioneer firm that does not have, at the present time, any significant competition in Spain and which is gradually increasing its penetration in international markets. The main threat to the company is the entry in the market of operators with capacity to finance large projects; technological obsolescence linked to the development of new technology also poses certain risk.
- AFI's assessment of Gowex shows a share value of €10.30 per share, which constitutes a potential for revaluation of 67% on the current listed price. Notwithstanding this, our forecasts are less favourable than those published by the company. We consider that the multiples implicit in the valuation are attractive for a company with the Gowex's growth potential.
- In short, in our opinion Gowex constitutes an attractive investment opportunity, based on its appropriate strategic positioning, together with its recurrent capacity to generate treasury and availability of liquidity to finance international growth.
- The valuation of €10.30 per share is the central scenario of a relatively wide range, based on the possible volatility of Gowex's results due to the nature of its business.

BASIC TRADING DATA (28 May 2012)				
TICKER	GOW			
PRICE (EUR)	6.17			
SECTOR	TELECOMMUNICATIONS			
NO. OF SHARES ISSUED (No. SHARES)	12,934,268			
CAPITALISATION (EUR)	79,804,400			
FREE FLOAT (%)	29.6%			
AVERAGE DAILY VOLUME, 2012 (NO. SHARES)	11,260			
MAX/MIN PRICE - 12 MONTHS (EUR)	6.40/4.33			
COMPARED EVOLUTION (Gowex vs. IBEX 35)				
	3M	6M	12M	YTD
ABSOLUTE	-1.9%	34.7%	34.3%	28.8%
RELATIVE	23.0%	55.5%	71.3%	55.0%

Gowex vs. IBEX 35 since the start of trading



KEY FINANCIAL DATA (EUR)				
	2008	2009	2010	2011
SALES	24,191,422	35,179,613	49,640,989	66,697,902
EBITDA	2,307,690	5,518,174	9,371,277	16,517,015
NET PROFIT	862,191	2,876,561	5,130,355	7,220,340
ROE	9.1%	23.0%	22.4%	20.5%
DATA PER SHARE (EUR)				
	3M	6M	12M	YTD
DIVIDEND PER SHARE		0.00	0.09	0.08(*)
PROFIT PER SHARE		0.29	0.45	0.57
(*) Dividend pending approval				
VALUATION RATIOS (TIMES/%)				
	6M	12M	YTD	
PER (PRICE/PROFIT)	20.6 x	13.5 x	10.1 x	
EV/EBITDA (CAPITALISATION + NET BORROWING/EBITDA)	-	3.1 x	2.6 x	
PRICE/BOOK VALUE	-	3.0 x	2.1 x	
PROFITABILITY PER SHARE	0.00%	1.54%	3.31%	

Source: FactSet

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## DESCRIPTION OF THE COMPANY

Gowex, a company operating in the telecommunications sector providing neutral infrastructures management and operator interconnection services, has positioned itself as leader in the Spanish market in the installation and management of WiFi access points networks. Furthermore, Gowex manages a wireless Roaming platform and carries out geolocalised advertising via wireless networks, which consists in sending each client advertising based on the place in which they are located.

The company, which was set up in 1999 as Iber Band Exchange, S.A., changed its name to its current one in 2007. Gowex's shareholding is made up mainly of its CEO, Jenaro García and the rest of the top management, who control 70.4% of the group, with a free-float on the Stock Exchange of 29.6%, 16.3% of which corresponds to institutional investors.

Jenaro García began his professional career with the financial firm FA Smith Barney, his enterprising spirit leading him to centre his activities in the telecommunications sector.

On 12 March 2010 the company began trading on the Spanish Alternative Stock Market (MAB) via a Shares Subscription Offer that yielded €6 million, with an opening price of €3.5 per share. On 15 June 2010 it also began trading on the French Alternative Stock Market, Alternext, which forms part of NYSE Euronext. In January 2012 Gowex began trading continuously on the MAB.

In 2011, the company showed consolidated revenue of €66.7 million, with a gross margin of €29.8 million and EBITDA of €16.5 million. The company's net profit stood at €7.2 million.

Gowex's net worth at 31 December 2011 was €35.1 million, its gross financial debt was €9.2 million and it held cash and liquid assets for an amount of €31.3 million, with which the company showed a net financial profit of €22.1 million.

The company operates in two main business lines:

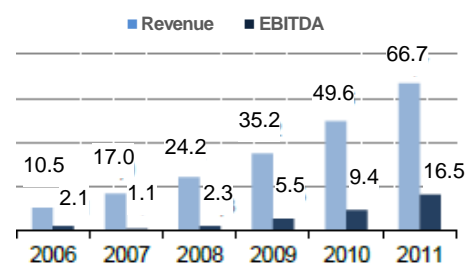
- Gowex Wireless, which provides services related to wireless telecommunications. Specifically, these services comprise management and operation of WiFi networks, the wireless Roaming platform and geolocalised electronic advertising and electronic commerce over the wireless networks.
- Gowex Telecom manages and operates a commercial exchange platform for B2B telecommunications products and services, as well as providing supplementary services to companies.

SHAREHOLDERS		
SHAREHOLDER	No. SHARES	%
JENARO GARCÍA MARTIN	7,725,324	59.7%
REST OF MANAGEMENT	1,378,432	10.7%
FREE-FLOAT	3,830,512	29.6%
	<b>12,934,268</b>	<b>100.0%</b>

Source: FactSet

## 2006 - 2011 REVENUE & EBITDA

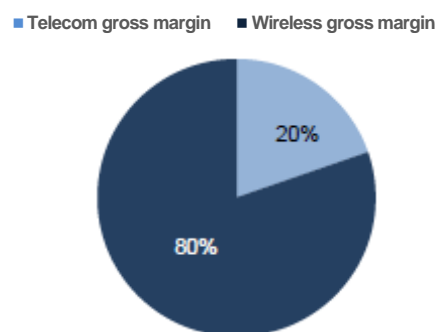
Amounts in € millions



Source: Gowex

## BREAKDOWN OF 2011 GROSS MARGIN

Amounts in %



Source: Gowex

## › ANALYSIS OF GOWEX'S BUSINESS

Initially the company centred its activities in the Telecom business line; however, over the last few years and given the growth potential of the Wireless Division, the company changed its business focus and there has been significant growth in this latter division. Thus in 2011, Gowex Wireless accounted for 80% of the growth margin, whilst Gowex Telecom brought in 20%.

### GOWEX WIRELESS

This division encompasses the company's three major growth lines: the Roaming platform, the WiFi networks consultancy services and the WILOC commerce and geolocalised electronic advertising platform. In 2011, this division provided 70% of the consolidated revenue and 80% of the gross margin.

#### Roaming Platform

Given the exponential growth in the wireless telecommunications market, Gowex decided to change the focus of the company's business strategy and in 2004 it began to reinforce this line of business.

The Roaming platform enables interconnection between the different landline, mobile and wireless operators, allowing them to share their infrastructures and access points, thus extending their clients' Internet coverage, both at national and international level. Gowex charges for each connection to the platform and for each transaction carried out.

This business model has low capital requirements whilst offering high margins, as it is carried out over the Internet and does not require any physical interconnected circuits, which in turn means low investment needs. The platform operates in a neutral and transparent manner, without competing with the operators as it does not need a licence and there is no contact with the operators' end-users or clients.

The platform has a similar structure as that offered by wireless Internet services providers (WISPs). At the moment over 95 operators in different countries use the platform, forming a network that has over 400,000 access points, converting the clients of these operators in potential consumers of Gowex's Roaming services.

On the other hand, Gowex provides access to users that are not clients of a user member, for which a Gowex account needs to be opened. There are two modalities available: free modality, with limited connection speed, restriction on certain content and with advertising, and the Premium modality, for which there is a charge but which offers the entire bandwidth and no advertising. Between the two modalities, the company has over 900,000 users registered.

The revenue from the Roaming platform comes from:

- Single installation fee (*non-recurrent*): charged to new clients that connect to the platform.
- Monthly subscription fee (*recurrent*): the operators pay a variable monthly fee based on their size, to maintain the platform connection and take advantage of the support services provided.
- Commission for Roaming (*recurrent*): Gowex charges a commission for each Roaming transaction carried out between the different operators.

This business line accounts for 32% of the Wireless Division revenue.

### WiFi networks consultancy

Gowex offers consultancy, installation and maintenance services for WiFi networks access points. This business line is addressed to all agents interested in deploying a WiFi access points network, such as public administrations, public transport companies, universities and private enterprises.

The company divides the process in three differentiated sections: project design (consultancy), deployment supervision (installation) and network maintenance (management). In this respect, the company focuses on the high added value activities, carrying out the entire consultancy stage and outsourcing the installation and management. For the installation processes it has agreements with companies such as Indra or the Chinese CRSCS and it subcontracts specialists for the physical maintenance.

The revenue from the consultancy comes from:

- Consultancy and preliminary study fee study fee (*non-recurrent*): the amount of these fees depends on the size and complexity of the project in question.
- Revenue from installation implementation (*non-recurrent*): this amount depends on the number of accesses and their deployment time. This revenue is invoiced mainly by the firms entrusted with the physical installation, from which Gowex takes a small cut in concept of technical project management.
- Network maintenance fee (*recurrent*): Gowex receives an annual fee in concept of network maintenance, calculated as a percentage of the initial payment for installation. Remote maintenance via the Internet is carried out by Gowex, whilst physical maintenance on installations is subcontracted out.

Gowex is currently managing 19,000 of the more than 400,000 access points the make up its global network. In our opinion the number of access points is one of the business's key variables. These access points are used by almost a million users.

The company is leader in municipal WiFi network consultancy and management, including such important projects as "*La Vida WiFi*" or "*Mantente WiFi Ciudad*", deployed in Madrid, Malaga, Burgos, Aviles and Avila, for the creation of municipal WiFi networks.

This business line accounts for 58% of the Wireless Division revenue.

The fact that Gowex uses patented technology, together with the maintenance of trade secrets, constitutes its main industrial property protection. The network effect also gives the company a certain competitive edge; however, the existence of a network of networks with its interconnection possibilities limits the impact of this type of defence.

### WILOC electronic commerce and geolocalised advertising platform

WILOC is an advertising content and geolocalised electronic commerce platform that enables Gowex to capitalise on the number of end-users that use its network access points. Through this platform, advertising is inserted based on the location of the final user, providing geo-marketing for companies. This line of business generates recurrent revenue.

At the moment the geolocalised advertising platform has 19,000 connection points managed by Gowex, although the company is negotiating a joint venture with all the members of its Roaming platform, sharing the resulting profit.

This area of company also carries out street-marketing events combined with virtual marketing via the platform.

This business line accounts for 10% of the Wireless division revenue.

It should be noted that even though the global WiFi platform has the equivalent of 400,000 access points, Gowex only manages 19,000; the rest are managed by the operators linked to the platform, which significantly reduces the new network creation costs, although it creates dependence in terms of these links.

The rapid development of WiFi networks in Spanish municipalities has enabled Gowex to attain a critical domestic volume and create an effective network. The cities with WiFi networks managed by Gowex worldwide represent more than 30 million inhabitants, who thus become potential users of its different platforms. This makes Gowex sufficiently attractive to entice new operators to form part of its WiFi networks, as well as providing its WILOC geolocalised advertising network with sufficient scope to encourage companies to consider advertising via this network.

The municipal concessions, at both domestic and international level, for the operation of WiFi networks operated by Gowex are for a term of 3-5 years in large cities and 5-10 years in smaller ones. Therefore, even though Gowex has reached the critical volume of users in Spain to generate a sufficiently attractive network effect, keeping the effect in place will depend, to a large extent, on renewal of the management contracts with these municipalities upon their expiry. The company has not disclosed the exact expiry dates of each contract with the public authorities and, therefore, it is not possible to precisely estimate for how long this recurrent revenue can be guaranteed.

Part of Gowex's revenue comes from Spanish town councils, which constitutes a risk for the company, given the limited solvency of most of them. In this respect, at the 2011 year-end, the company had funded a provision of €7.1 million against possible bad debts with municipalities.

The ample experience gained in the deployment of WiFi networks in different Spanish municipalities and the associated goodwill is facilitating Gowex's international expansion. Specifically, the company is carrying out projects in the Latin American market, which include contracts for the installation of WiFi access points networks in Buenos Aires, Costa Rica or Panama. Additionally, the company has signed a strategic alliance with the Chinese company CRSCS to carry out joint ventures in this Asian country; the first collaboration resulting from this agreement consisted in the installation of WiFi in the high speed rail network between Shanghai and Beijing. Gowex is also in the process of deploying a network in the city of Nanjing, the first Chinese city in its portfolio, where it is working with local operators.

#### **Gowex includes the above described services in its wireless business within its strategic concept Gowex Wireless Smart Cities 2.0**

Gowex offers cities the possibility of creating Wireless Smart Cities that offer free wireless Internet to citizens and improve the services provided through wireless connections. The Smart City is a tool that enables more efficient systems for electronic administration, better transport and good communications between citizens, improvements in energy management systems, more efficient security systems, better public and private transport infrastructures, and many other applications.

The benefits and improvements provided by a Smart City are:

- The Roaming and Wireless Offloading platform that enables the citizens that live in the municipality to access, free of charge, the dozens of WiFi cities that have the Wireless Smart Cities system, thus promoting tourism in the destination city and citizen mobility. Furthermore, citizens can also access the networks of the operators that are connected to this platform, with access to countries on all five continents.
- The platform owner of the content and advertising geolocalisation, which enables content segmentation based on the different WiFi zones (Smart Zones) where the citizens connect at any given time. This provides a business model that produces recurrent revenue from the sale of the geolocalised advertising and content services.
- The neutrality of the technological solutions and Gowex's positioning in respect of the other operators, which makes it possible to optimise the radio technologies data transfer networks in the city. This enables combined use of aerials, thus drastically reducing investment and the visual and acoustic contamination of these infrastructures on public thoroughfares. One single aerial on each element of public furnishing can be used by several operators, given that Gowex has the necessary technology, as well as the status of neutral operator.
- The integration with the different e-Government and e-Administration systems.

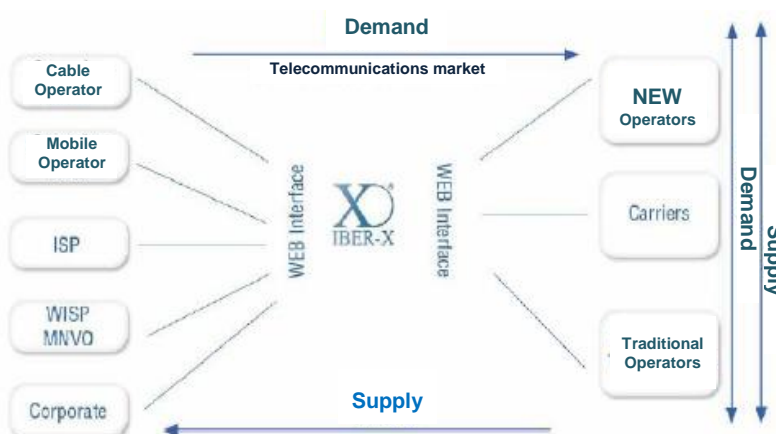
The Gowex Smart Cities 2.0 platform (patent pending) is a set of systems and subsystems designed to facilitate the implementation and integration of all kinds of Smart Series within an innovative Smart City environment.

## GOWEX TELECOM

Gowex Telecom is the business line in which the company initially centred its activities. It encompasses the management and operation of a neutral exchange platform or pool for telecommunications market products and services, called "Iber-X" or the "Telecommunications Pool", as well as for providing certain supplementary services.

Exchanges take place between providers (operators, carriers) and users (other operators, ISP, ASP and companies in the telecommunications sector), which mainly sell and buy Internet bandwidth, communication lines, voice services (traditional or VoIP) or private virtual networks.

### OPERATION OF THE TELECOMMUNICATIONS POOL (IBER-X)



Source: Gowex

The B2B connectivity solutions and services offered on the platform include:

- Bandwidth: facilitating the purchase and sale of bandwidth between operators, with the possibility of selecting the bandwidth quality to cater for the specific requirements of each operator.
- Point to point circuits: facilitating the purchase and sale of data transfer circuits, which makes large private data exchanges possible.
- Virtual private networks (VPN): offering consultancy services for the creation of optimum VPNs through the aggregation and organisation of VPN components of different operators, marketing them through the Telecommunications Pool. This type of VPN enables the extension of a company's local area network to a public network, such as the Internet.
- Management and monitoring panels: providing a management and monitoring system called Telecom Service Manager (TSM) that allows operators to access a transaction price index and obtain information on the quantity and quality of the bandwidth available, among other options, as well as enabling multiple criteria searches (circuit origin, distance available, capacity or price).
- Remote access VPN control panel: enabling clients to manage their remote VPN themselves.
- Transaction payment and settlement: a transaction system between operators has been developed that enables reservation and invoicing of all operations and electronic payment.

Additionally, Gowex Telecom provides its clients with supplementary services, such as technical support, infrastructure housing or advice on aspects such as strategic planning, international growth or the regulatory environment.



Via the Iber-X platform, Gowex is the only neutral operator in the centre of the Spanish telecommunications market and it constitutes a meeting point between all the interconnected agents, centralising the transactions with optimum efficiency. It enables members who access Iber-X to carry out transactions in real time, with the consequent savings in costs, resources and time in comparison to the traditional bi-lateral agreements. In turn, the platform allows operators to obtain additional income from the sale of their idle capacity in flexible manner.

The revenue from this division comes mainly from:

- Member subscription fee (*recurrent*): platform clients pay a monthly subscription fee to access the platform, as well as to take advantage of the different services provided by the company.
- Commission on transactions between members (*recurrent*): Gowex receives a commission for each purchase-sale transaction completed on the platform, which is determined as a percentage of the transaction's nominal amount.
- Installation of new members (*non-recurrent*): The company charges new clients for the installation and calibration of the platform connection.

Some of the similar platforms in Europe have been acquired by large telecommunications company; this is the case of the French trading Com Europe, which was purchased by Neuf Cegetel in 2007, or Arbinet in the U.S., purchased by Primus Telecom in 2010.

The platform has a client portfolio of more than 90 entities, in particular telecommunications operators (Level3, Comcast, IPSA) and companies such as Acciona, Telefónica, El Corte Inglés, Unión Fenosa and Suzuki.

During the last few years this division has gradually lost weight within the company, due to the significant growth of the Wireless Division. Thus in 2011, Gowex Telecom accounted for 30% of the revenue and 20% of the gross margin.

#### Companies comparable to Gowex

Gowex's operations are very specific and there are no perfectly comparable international references; some of its competitors are incorporated in more diversified companies.

Nevertheless, one of the alternatives to the wireless roaming business are the integrators, which aggregate operator networks to offer wireless services, of which the most important are Boingo or iPass, both U.S. companies.

- Boingo: Incorporated in the U.S. in 2011, this company manages 500,000 hotspots world-wide via which clients can access the Internet, located in the most important airports, hotel chains, cafeterias and conference centres, among others.
- iPass: Incorporated in the U.S. in 1996, this company provides mobile services to enterprises; these services include a WiFi network with more than 750,000 hotspots distributed throughout 120 countries.



> **SWOT**

**STRENGTHS**

- Non-intensive capital growth
- Recurrent profit generated at all levels on the Income Statement
- Ample business margins
- Solid financial position
- Leader in the Spanish and Latin American market
- Network in Spain is very attractive
- Stable relations with local public administrations
- Management experience to replicate the growth model at international level

**WEAKNESSES**

- Gowex owns only part of its access points network
- Dependence on external suppliers for infrastructure management in new markets
- Telecom Division with mature business
- Part of the revenue comes from Spanish public administrations

**OPPORTUNITIES**

- Availability of high liquidity for new investment
- Strong international development potential
- The exponential growth of smart phones means an increase in data exchange volume and saturation of cell phone networks
- Growth possibility via business purchases
- The low capital investment business model generates high yields

**THREATS**

- The entry of new competitors in the market, particularly mobile telephony operators capable of developing WiFi access points to compensate the saturation of cell networks
- Need to negotiate with telecommunications operators the migration of EAT-SIM cards to offer transparent Roaming WiFi-3G solutions.
- Risk of losing the municipal networks management concessions and the volume necessary to create the network effect
- Further drastic price reduction in the on-line advertising market

## ECONOMIC-FINANCIAL ANALYSIS

### INCOME STATEMENT

#### 2008 - 2011 INCOME STATEMENT

Amounts in € thousands	2008	2009	2010	2011
<b>Net turnover</b>	<b>24,191</b>	<b>35,180</b>	<b>49,641</b>	<b>66,698</b>
	% growth	42.6%	45.4%	41.1%
Expenses capitalisation	708	876	999	667
Operating subsidies	231	272	255	479
Other operating revenue	49	0	40	113
Supplies	(18,547)	(24,478)	(31,118)	(36,943)
Personnel expenses	(902)	(995)	(1,549)	(2,152)
Other operating expenses	(3,423)	(5,337)	(8,897)	(12,344)
<b>EBITDA</b>	<b>2,308</b>	<b>5,518</b>	<b>9,371</b>	<b>16,517</b>
	% growth	107.4%	139.1%	69.8%
	% EBITDA margin	9.5%	15.7%	18.9%
Amortisations	(760)	(1,035)	(1,563)	(3,419)
Provisions	(285)	(901)	(1,552)	(3,594)
<b>EBIT</b>	<b>1,262</b>	<b>3,582</b>	<b>6,256</b>	<b>9,504</b>
	% growth	530.0%	183.8%	74.7%
	% EBIT margin	5.2%	10.2%	12.6%
Financial results	(24)	(80)	53	131
Extraordinary results	(104)	2	0	0
<b>Results before tax</b>	<b>1,133</b>	<b>3,503</b>	<b>6,309</b>	<b>9,635</b>
Company tax	(270)	(627)	(1,179)	(2,415)
<b>Results after tax</b>	<b>863</b>	<b>2,877</b>	<b>5,130</b>	<b>7,220</b>
	% growth	-25690.8%	233.4%	78.4%
	% net margin	3.6%	8.2%	10.3%

Source: Gowex

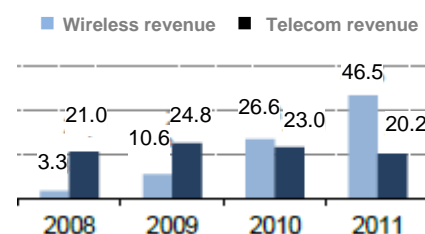
Gowex's revenue has grown significantly over the last few years, driven mainly by the growth of the Wireless business line.

In 2011, the consolidated revenue rose to €66.7 million, 34% more than in 2010, of which €46.5 million came from Gowex Wireless (70%) and €20.2 million from Gowex Telecom (30%).

Within the Wireless Division, 58% of the revenue came from consultancy activities, 32% from the Roaming platform and the remaining 10% from WILOC.

#### WIRELESS VS. TELECOM 2008-2011

Amounts in € millions



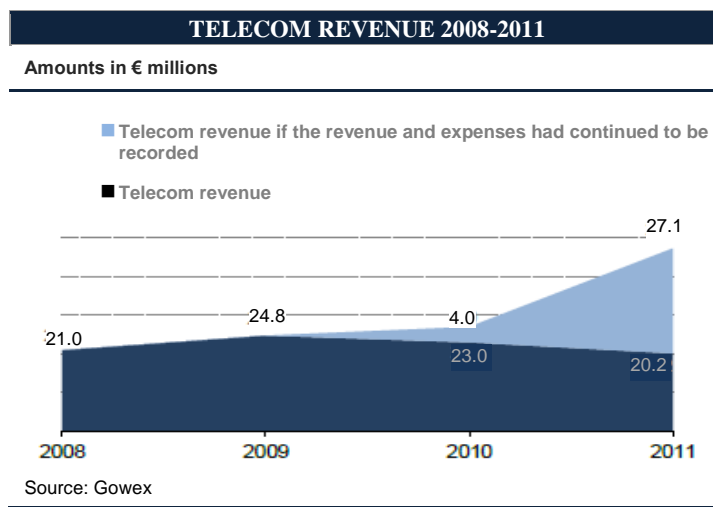
Source: Gowex

Since 2010, the company has been changing the way it records the revenue and expenses corresponding to mere mediation in the Gowex Telecom Division; this process will be completed in 2012.

Gowex Telecom's activities correspond mainly to mediation in the wholesale purchase and sale of telecommunications capacity services and, therefore, as from the 2010 financial year, the company stopped posting in the Income Statement the part of the expenses corresponding to the purchase of services acquired for sale, as well as the revenue obtained from said sales, in the same amount. Thus, when this modification process has been fully completed (2012), only the commissions invoiced for the mediation services and the revenue that constitutes added value for the company will be recorded on the Income Statement, as well as the expenses corresponding to the costs of the sales of these added value services.

The purpose of this measure is to adjust the company's accounting to true effect of the mediation in the wholesale purchase and sale of telecommunications capacity services.

As a result, the Income Statement has gradually shown a reduction in the revenue for sales and a reduction, in the same amount, in the expenses, which will continue to be recorded until completion of the accounting modification process in this division in 2012. Nevertheless, the gross margin, in absolute terms, has not been affected.



The weight of the supplies in revenue has dropped gradually over the last few years, and in 2011 the gross margin stood at €29.7 million, that is, 45% of the revenue and an increase of 61% compared to the previous year, which is higher than the growth recorded for revenue.

Personnel expenses have little weight in revenue (3.2% in 2011), although the company estimates that there will be an increase in coming years due to the company's growth plan. The rest of the operating costs (R&D expenses, professional services, advertising or maintenance, among others) accounted for 18% of the company's revenue in 2011.

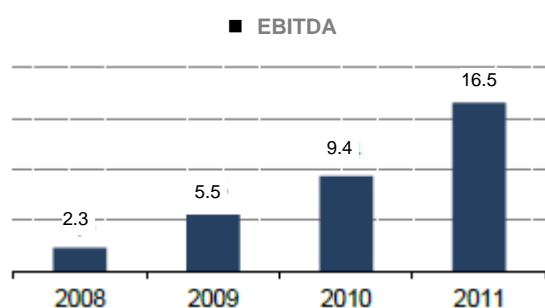
The EBITDA has grown significantly in the last few years, as a result of the increase in revenue and improvement in the operating margins, reaching €16.5 million (24.8% margin on revenue) at the 2011 year-end. The increase of the EBITDA margin in 2010 and 2011 was also helped by the changes in the accounting methods applied to Telecom revenue.

The company's level of amortisation has grown as new investments have begun operations, reaching €3.4 million in 2011. Since 2008 the company has been funding a provision for impairment of trade credits, which in 2011 was €3.6 million.

The EBIT increased greatly since 2008, reaching €9.5 million in 2011, which is 14.2% of revenue.

**EBITDA 2008-2011**

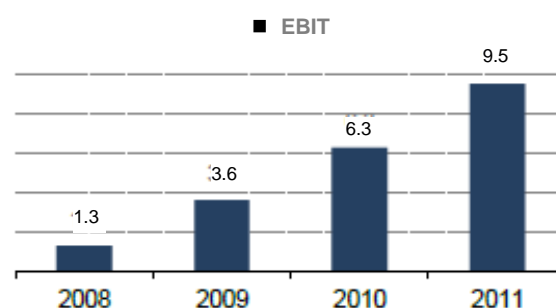
Amounts in € millions



Source: Gowex

**EBITDA 2008-2011**

Amounts in € millions



Source: Gowex

Due to its net financial treasury, the company shows financial profit, which, in 2011, amounted to €131,344.

Profit before tax was €9.6 million and the profit after tax was €7.2 million, with which the effective tax rate was 25%. The net margin for 2011 was 10.8%.

## BALANCE SHEET

### 2008 - 2011 BALANCE SHEET

Amounts in € Thousands	2009	2010	2011	2009	2010	2011	
				<b>Net worth</b>	<b>12,518</b>	<b>22,918</b>	<b>35,141</b>
				Own funds	11,529	22,111	34,600
				Subscribed capital	490	576	647
<b>Non-current assets</b>	<b>3,761</b>	<b>8,332</b>	<b>15,998</b>	Reserves	8,163	16,883	27,829
Intangible fixed assets	1,884	2,041	2,001	Own shares in portfolio	0	(478)	(1,095)
Tangible fixed assets	1,715	5,769	13,285	Results for the year	2,877	5,130	7,220
L.T. financial assets	31	59	349	Adjustments for value changes	0	0	4
Assets for deferred tax	132	463	363	Subsidies	989	807	536
				<b>Non-current liabilities</b>	<b>1,795</b>	<b>4,804</b>	<b>8,980</b>
				Long-term debts	1,215	3,346	6,216
				L.T. debt with credit entities	891	2,977	2,075
				Creditors for L.T. financial leases	209	91	0
<b>Current assets</b>	<b>26,524</b>	<b>41,173</b>	<b>41,294</b>	Other L.T. financial liabilities	115	277	4,141
Stock	0	0	53	Liabilities for deferred tax	580	1,458	2,764
Trade debtors and other accounts	20,721	25,932	9,893	<b>Current liabilities</b>	<b>15,972</b>	<b>21,784</b>	<b>13,171</b>
Short-term financial investment	335	11,076	28,342	Short-term debts	1,927	2,628	2,948
Short-term prepayments and deferrals	0	2	34	S.T. debt with credit entities	1,348	1,102	807
Cash and other liquid assets	5,469	4,163	2,971	Creditors for S.T. financial leases	100	109	91
				Other S.T. financial liabilities	479	1,417	2,050
				Trade creditors and other accounts	14,045	19,156	10,190
				S.T. prepayments and deferrals	0	0	33
<b>ASSETS</b>	<b>30,285</b>	<b>49,505</b>	<b>57,292</b>	<b>LIABILITIES</b>	<b>30,285</b>	<b>49,505</b>	<b>57,292</b>

Source: Gowex

Gowex's total assets at the 2011 year-end stood at €57.3 million, of which 72% corresponds to current assets (€41.3 million) and 28% to non-current assets (€16 million).

The main item in non-current assets is tangible fixed assets, which amounted to €13.3 million at the 2011 year-end. These correspond, in the main, to technical installations and computer equipment.

The main items in current assets are short-term financial assets and cash, which total €31.3 million and together account for 75.8% of the current assets.

### 2011 SHORT-TERM FINANCIAL INVESTMENT AND CASH

Amounts in € Thousands	2011
Short-term deposits	27,861
Guarantees and deposits	321
Other financial assets	158
CAM share fees	3
Cash	2,971
<b>Short-term investment and cash</b>	<b>31,313</b>

Source: Gowex

Part of the liquid assets corresponds to funds raised in the capital increase carried out in June 2011 which still have not been invested.

Another relatively important item in current assets is trade debtors, which amounts to €9.9 million and is 24.0% of the current assets. At the 2011 year-end the company had client accounts, mainly public administrations, for an amount of €14.5 million of which €7.1 million are covered by a provision for possible insolvencies. Additionally, the company has other credits with public administrations for an amount of €2.1 million, which includes debit balances in concept of VAT, among others.

2011 TRADE DEBTORS AND OTHER ACCOUNTS	
Amounts in € Thousands	2011
Clients	14.521
Credits with public administrations	2.085
Sundry debtors	395
Provision for insolvencies	(7.108)
<b>Trade debtors and other receivables</b>	<b>9.893</b>

Source: Gowex

Gowex's financial structure includes little leveraging, and the weight of the net worth in the balance sheet is approximately 60%. The company carried out two capital increases in 2010 and 2011, in which it raised €6 million and €6.9 million, respectively, to finance company growth in coming years, both organic and otherwise. The company has still to invest a significant part of the funds raised.

At the 2011 year-end, Gowex had own shares for an amount of €1.1 million as a result of its liquidity provision operations. The company has appointed Bankia Bolsa (MAB) and Aurel BGC (Alternext) as liquidity providers.

The company has a gross financial debt of €9.2 million. Given that it has cash and short-term financial investments for an amount of €31.3 million, its net treasury position is €22.1 million.

2011 NET FINANCIAL POSITION	
Amounts in € Thousands	2011
Long-term debt	6,216
Short-term debt	2,948
<b>Gross financial debt</b>	<b>9,163</b>
<b>Cash and liquid assets + S.T. financial investment</b>	<b>31,310</b>
<b>Net financial position</b>	<b>22,147</b>

Source: Gowex

In 2011 the company paid out a dividend against 2010 for €1 million.

## > VALUATION

Valuation has been carried out using the Discounted Cash Flow (DCF) method, based on the forecasted available operational cash flows for the period 2012-2016.

### VALUATION HYPOTHESIS

The Reduced Increase Document (RID) drawn up by the company in June 2011 included forecasts for the 2011 and 2012 financial years, which have been fulfilled in 2011 and which we have taken as the basis to draw up the forecasts for 2012-2016.

#### Revenue

We have estimated Gowex's revenue for the 2012-2016 period, differentiated by business line:

- Gowex Wireless: At the 2011 year-end Gowex had network presence in 52 cities. We have estimated revenue based on the hypothesis that the company will reach 125 cities in 2016, maintaining the number of cities from then on. Based on our previsions, forecast turnover in 2012 will account for 65% of the revenue forecast by the company in the RID.
- Gowex Telecom: We have maintained the forecasts included in the RID for 2012 and have assumed they will remain unchanged during the forecast period (no growth).

GOWEX ESTIMATED REVENUE 2012 - 2016						
Amounts in € Thousands	2011	2012e	2013e	2014e	2015e	2016e
Wireless revenue	46,529	69,246	82,068	95,375	109,181	123,501
<i>% growth</i>	75.0%	48.8%	18.5%	16.2%	14.5%	13.1%
Telecom revenue	20,169	12,245	12,245	12,245	12,245	12,245
<i>% growth</i>	-12.4%	-39.3%	0.0%	0.0%	0.0%	0.0%
<b>Total revenue</b>	<b>66,698</b>	<b>81,491</b>	<b>94,313</b>	<b>107,620</b>	<b>121,426</b>	<b>135,746</b>

Source: AFI

We have worked on the assumption that all the forecast revenue will be collected and, therefore, there are no planned provisions for potential unpaid trade credits.

#### Costs

We have forecast the supply costs maintaining the margins included by the company in the RID.

The results obtained are the following:



**GOWEX ESTIMATED SUPPLIES 2012 - 2016**

Amounts in € Thousands	2011	2012e	2013e	2014e	2015e	2016e
Wireless supplies	22,633	36,046	42,720	49,647	56,833	64,288
<i>% of Wireless revenue</i>	48,6%	52.1%	52.1%	52.1%	52.1%	52.1%
Telecom supplies	14,310	7,347	7,347	7,347	7,347	7,347
<i>% of Telecom revenue</i>	71.0%	60.0%	60.0%	60.0%	60.0%	60.0%

Source: AFI

The weight in gross margin obtained by the company in 2011 has been maintained for the rest of the operating costs, which means assuming that the company will need to reinforce its cost structure in accordance with the increase in its gross margin.

**GOWEX ESTIMATED OPERATING COSTS 2012 - 2016**

Amounts in € Thousands	2011	2012e	2013e	2014e	2015e	2016e
Personnel expenses	2,152	2,756	3,201	3,662	4,141	4,638
<i>% of gross margin</i>	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Other operating costs	11,085	14,194	16,484	18,861	21,327	23,885
<i>% of gross margin</i>	37.3%	37.3%	37.3%	37.3%	37.3%	37.3%

Source: AFI

**Investment in fixed assets (Capex)**

We have estimated investment in fixed assets as a percentage of sales, assuming that the company will have to increase its investment to tackle the planned future increase in revenue. The forecast investment in fixed assets is as follows:

**GOWEX CAPEX 2012 - 2016**

Amounts in € Thousands	2011	2012e	2013e	2014e	2015e	2016e
Capex intangible fixed assets	883	1,630	1,886	2,152	2,429	2,715
Capex tangible fixed assets	9,777	11,409	9,431	7,533	6,071	2,715
<b>Capex total</b>	<b>10,660</b>	<b>13,039</b>	<b>11,318</b>	<b>9,686</b>	<b>8,500</b>	<b>5,430</b>

Source: AFI

Investment in tangible fixed assets corresponds to growth of the platform and expansion of the WiFi networks. Investment in intangible fixed assets corresponds to activation of research and development expenses.

We have worked on the assumption that said investment will be amortised in a period of 10 years, applying the straight-line method.

**Investment in working capital**

We have estimated working capital considering the items of trade debtors in current assets and trade creditors in current liabilities, applying average collection and payment periods, in line with those recorded historically by the company. Forecast investment in working capital is as follows:

**GOWEX INVESTMENT IN WORKING CAPITAL 2012 - 2016**

Amounts in € Thousands	2011	2012e	2013e	2014e	2015e	2016e
Trade debtors	17,001	20,771	24,039	27,431	30,950	34,600
Trade creditors	10,190	12,218	14,120	16,094	18,142	20,266
<b>Working capital</b>	<b>6,810</b>	<b>8,553</b>	<b>9,919</b>	<b>11,337</b>	<b>12,808</b>	<b>14,334</b>
<b>Investment in working capital</b>		<b>1,743</b>	<b>1,366</b>	<b>1,418</b>	<b>1,471</b>	<b>1,526</b>

Source: AFI

**Tax rate**

We have applied a tax rate of 25% during the explicit forecast period, in line with that recorded in 2011 and which reflects the deductions applicable to the company. To calculate the cash flow in perpetuity we have applied a tax rate of 30%.

We have deducted, as a reduction in value of Gowex's equity, the liabilities for deferred taxes at the 2011 year-end, for an amount of €2.4 million.

**Cash flow forecasts**
**CASH FLOW FORECASTS 2012 - 2016**

Amounts in € Thousands	2011	2012e	2013e	2014e	2015e	2016e
<b>Revenue</b>	<b>66,698</b>	<b>81,491</b>	<b>94,313</b>	<b>107,620</b>	<b>121,426</b>	<b>135,746</b>
% growth	34.4%	22.2%	15.7%	14.1%	12.8%	11.8%
Supplies	(36,943)	(43,393)	(50,067)	(56,994)	(64,180)	(71,635)
% revenue	55.4%	53.2%	53.1%	53.0%	52.9%	52.8%
<b>Gross margin</b>	<b>29,755</b>	<b>38,099</b>	<b>44,246</b>	<b>50,626</b>	<b>57,245</b>	<b>64,111</b>
% growth	60.6%	28.0%	16.1%	14.4%	13.1%	12.0%
Personnel expenses	(2,152)	(2,756)	(3,201)	(3,662)	(4,141)	(4,638)
% gross margin	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Other operating expenses	(11,085)	(14,191)	(16,484)	(18,861)	(21,327)	(23,885)
% gross margin	37.3%	37.3%	37.3%	37.3%	37.3%	37.3%
<b>EBITDA</b>	<b>16,517</b>	<b>21,149</b>	<b>24,561</b>	<b>28,103</b>	<b>31,777</b>	<b>35,588</b>
% growth	76.3%	28.0%	16.1%	14.4%	13.1%	12.0%
% EBITDA margin	24.8%	26.0%	26.0%	26.1%	26.2%	26.2%
Amortisations	(3,419)	(4,361)	(5,493)	(6,461)	(7,311)	(7,854)
Provisions	(3,594)	0	0	0	0	0
<b>EBIT</b>	<b>9,504</b>	<b>16,788</b>	<b>19,068</b>	<b>21,641</b>	<b>24,466</b>	<b>27,734</b>
% growth	51.9%	76.6%	13.6%	13.5%	13.1%	13.4%
% EBIT margin	14.2%	20.6%	20.2%	20.1%	20.1%	20.4%
Tax on EBIT		(4,197)	(4,767)	(5,410)	(6,116)	(6,934)
<b>EBIT after taxes</b>		<b>12,591</b>	<b>14,301</b>	<b>16,231</b>	<b>18,349</b>	<b>20,801</b>
Amortisations		4,361	5,493	6,461	7,311	7,854
Provisions		0	0	0	0	0
Capex		(13,039)	(11,318)	(9,686)	(8,500)	(5,430)
Investment in working capital		(1,743)	(1,366)	(1,418)	(1,471)	(1,526)
<b>Available operating cash flow</b>		<b>2,170</b>	<b>7,110</b>	<b>11,589</b>	<b>15,690</b>	<b>21,699</b>

Source: AFI

#### Discount rate (WACC)

We have applied a WACC discount rate of 15.6%, based on the following parameters:

DISCOUNT RATE (WACC)	
<b>Cost of equity (Ke)</b>	<b>18.1%</b>
Cost of debt	7.5%
<b>Cost of debt net of taxes (Kd)</b>	<b>5.6%</b>
Equity	80%
Debt	20%
<b>Weighted average cost of capital (WACC)</b>	<b>15.6%</b>

Source: AFI

#### Residual value

We have estimated the residual value for 2016 as perpetual growth of the last forecast cash flow, adjusted assuming an amortisation level equivalent to the forecast investments (capex) and an investment in working capital in line with the estimated perpetual growth.

The "g" perpetuity growth rate applied was 2%, in line with the inflation trend scenario.

## VALUATION RESULTS

Amounts in € Thousands	VALUATION						Adj. F.
	2011	2012e	2013e	2014e	2015e	2016e	
<b>EBITDA</b>	<b>16,517</b>	<b>21,149</b>	<b>24,561</b>	<b>28,103</b>	<b>31,777</b>	<b>35,588</b>	<b>35,588</b>
% growth	76.3%	28.0%	16.1%	14.4%	13.1%	12.0%	
% EBITDA margin	24.8%	26.0%	26.0%	26.1%	26.2%	26.2%	
Amortisations	(3,419)	(4,361)	(5,493)	(6,461)	(7,311)	(7,854)	(5,430)
Provisions	(3,594)	0	0	0	0	0	
<b>EBIT</b>	<b>9,504</b>	<b>16,788</b>	<b>19,068</b>	<b>21,641</b>	<b>24,466</b>	<b>27,734</b>	<b>30,159</b>
% growth	51.9%	76.6%	13.6%	13.5%	13.1%	13.4%	
% EBIT margin	14.2%	20.6%	20.2%	20.1%	20.1%	20.4%	
Tax on EBIT		(4,197)	(4,767)	(5,410)	(6,116)	(6,934)	(9,048)
<b>EBIT after taxes</b>		<b>12,591</b>	<b>14,301</b>	<b>16,231</b>	<b>18,349</b>	<b>20,801</b>	<b>21,111</b>
Amortisations		4,361	5,493	6,461	7,311	7,854	<b>5,430</b>
Provisions		0	0	0	0	0	0
Capex		(13,039)	(11,318)	(9,686)	(8,500)	(5,430)	(5,430)
Investment in working capital		(1,743)	(1,366)	(1,418)	(1,471)	(1,526)	(287)
<b>Available operating cash flow</b>		<b>2,170</b>	<b>7,110</b>	<b>11,589</b>	<b>15,690</b>	<b>21,699</b>	<b>20,824</b>
Residual value						156,470	
<b>Flow to be discounted</b>		<b>2,170</b>	<b>7,110</b>	<b>11,589</b>	<b>15,690</b>	<b>178,169</b>	
<b>Net Present Value (NPV) of cash flow</b>		<b>109,901</b>					
(+) L.T. financial investment. at 2011 year-end		349					
<b>Enterprise value</b>		<b>110,250</b>					
(+) Net financial position at 2011 year-end		22,147					
(-) Liabilities for deferred tax at 2011 year-end		(2,402)					
<b>Equity value</b>		<b>129,995</b>					
No. of shares in circulation * (in shares)		12,659,242					
<b>Value per share (in €)</b>		<b>10.30</b>					

Source: AFI

\* Less the number of shares in the Treasury Portfolio

According to the valuation carried out, the value of Gowex's equity stands at €130 million. **The estimated share value is €10.30 per share.** The estimated value of Gowex's shares is above that of the company's listed price at the date of drawing up this report (28 May 2012), which is €6.17 per share and means a revaluation potential of over 67%.

The estimated valuation of Gowex at €10.30 per share gives an implicit EV/EBITDA multiple of 6.7 times and a PER of 18 times, calculated on the 2011 results, which we consider reasonable for a company with significant growth potential.

As regards comparable companies, the implicit EV/EBITDA multiple in Boingo's listed price at 28 May 2012 was 8.4 times. Gowex's lower multiple in respect of Boingo is coherent with the discounts with which the European telecommunications companies trade, compared with their American counterparts, and with the smaller size of Gowex. iPass showed a loss in 2011, with which it is not possible to calculate a valuation multiple.

#### DRAWN UP BY:

*Pablo Manueco Galindo*

*This report has been drawn up by Pablo Mañueco Galindo, member of Analistas Financieros Internacionales (hereinafter, AFI).*

*It has been drawn up using information provided by Gowex, as well as information of public knowledge relating to the corresponding sectors of activity. AFI has not verified the accuracy of the information supplied. In this respect, AFI declines all responsibility regarding the accuracy of the figures used or any consequences of this report.*

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