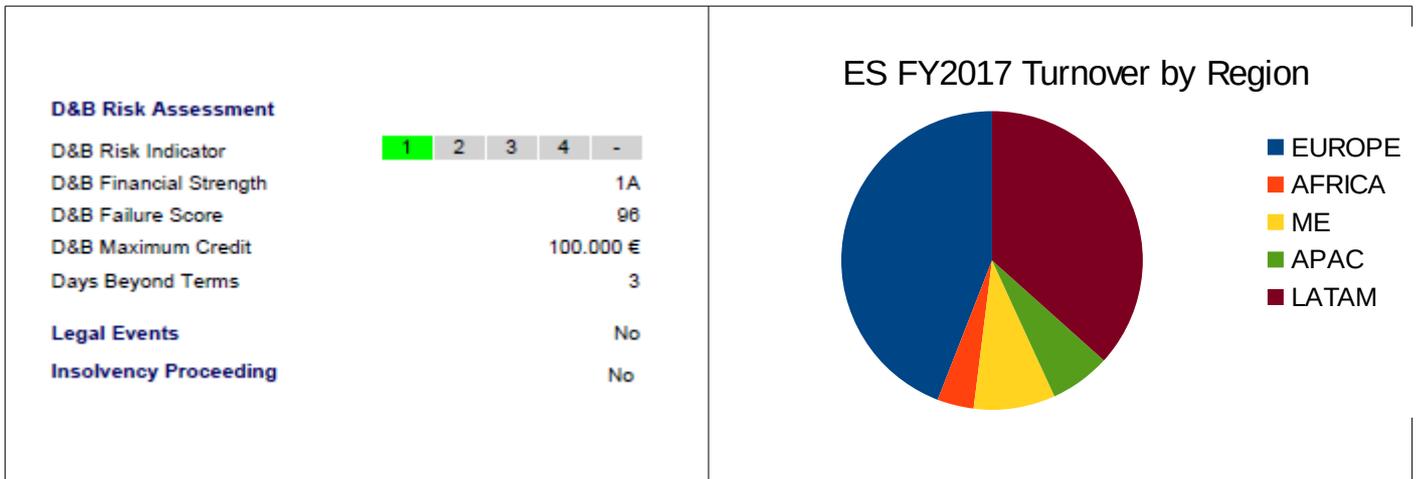


ES Annual Report 2017

FINANCIAL HIGHLIGHTS

ES closes a successful 2017 fiscal year with an 11% increasing turnover vs FY2016, above 2,5 Mio€. The new branding ZAFIRO led this figure, Hospitality customers asking for ZAFIRO were coming mainly from Europe 44% and LATAM 37%. Also progressing in requests from ME 9%, APAC 6% and Africa 4%.



Thanks to ES reinforcement in terms of internal procedures and a strong hiring policy, we think we are now prepared to full fill ES international strategy, to achieve medium term business growth commitments, business diversification, and to face the new 2020 technical challenges.

ES also renews its Corporate Sustainability commitment, as UN COP 2017 Advanced Level:

www.unglobalcompact.org/what-is-gc/participants/77371

Please note that Financial ES information is also available upon request in external websites, like D&B ES report FY2017.

CEO INSIGHTS TO STAKEHOLDERS:

Fiscal Year 2017 closes with a new ZAFIRO branding and an upgraded organization, so ENTERTAINMENT SOLUTIONS reinforces its global position to support Hoteliers requirements. ZAFIRO highlights IPTV technology capabilities, goes beyond IT initial goals. From the disruptive technology that supported the very first hotel in Europe to deploy IPTV to enhance TVs in 2007, till the marketing tool that supports Corporate strategies to engage guests at the best hotel chains in the world.

ZAFIRO is now recognised as a key technology, ES as a global player in the Hospitality competitive landscape. ES partnerships are growing, to support corporate strategy in terms of business growth. This leads into external recognition, 2017 ES effort has been awarded by DHL (ATLAS Export Spain Finalist) and a Spanish Chamber of Commerce (SME of the Year Finalist).

I am pleased to confirm that ENTERTAINMENT SOLUTIONS supports the ten principles of the Global Compact on human rights, labour, environment and anti-corruption. We continue our commitment and further implement those principles. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative project which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. ENTERTAINMENT SOLUTIONS is a zero-tolerance of corruption company. ES makes a clear statement.

I would personally appreciate your continuous effort to keep this outstanding company spirit in the breaking point, supporting new business units to enhance Infrastructures for our customers, and further explore new sectors to deploy our knowledge and styling, like Education or Residential. I have the strong feeling that open collaboration frames would lead us to contribute to long term goals in our Society. ZAFIRO's long term goal is to offer this possibility to develop and create their in-room Knowledge that will meet all Millennials' needs of today and the future, aligning infrastructures, content platforms and partners value propositions. Aligning OGSM players towards a better 2050 Society, from Information and Knowledge into Wisdom.

Best of luck for all of us to achieve 2018-2020 targets,



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I - MANAGEMENT REPORT

ES POSITION AT BUSINESS AND ECONOMIC ENVIRONMENT

IT means change management. High Tech means a strong vision towards long term objectives and challenges. IPTV is no longer a disruptive technology, as 3 years means obsolescence in IT life cycle.

ES position is clear: 10 Years after launching the first Hotel in Europe supporting IPTV, this brand new code fourth generation was born in 2017 as ZAFIRO, the new branding that means Marketing and Communication in Hospitality Sector.

ES position in the business and economic IT environment was to keep a small corporate size with the highest value. Together with a close collaboration with trend departments of global IT players.

Worldwide close collaboration with Hoteliers, Partners and Players, across boundaries and sectors. The Hotel becomes the centre of the guest world, they support your business, family or leisure activities, providing both local and international access to any services that travellers may demand. Millennials' are travelling most than ever, they have a global profile, challenging organizations faster than ever, with an inn-usual capacity of self organization. The elder generation is also travelling as never we did before, bringing their experiences from side to side of the planet. This new landscape means adaptation of the local products and services to the international demands, adding value and the best experience to bring back home, to invite new guests never met before.

How to combine the hotel beautiful spa with the new healthy treatment for your guest, together with access to Travelling Platforms, Social Media recommendations, or the nicest restaurant at your premises while your guest seeks for an in-room film? ES has not the answer, ES brings you ZAFIRO to generate this environment, check with your guests experience, and re-adapt as many times as the hotel expert management team decides. Combine Hotel branding and corporate colours with team ideas, propose an interface... and enjoy your business results! With a statistic careful study, the Hotel Chain may even decide the new corporate procedures, reward best practises, define seasonality approach, local adaptations... Imagination and collaboration seem to be the real ZAFIRO limit for Hotelier Teams.

Medium 2020 targets to 2050 long term vision would lead us to study how to deploy also this ZAFIRO Concepts and Learnings from Hospitality to Schools, from travellers to children and families. White Books are arising in Hospitality, knowledge to be reapplied to EScool at Education Sector. From content to knowledge, from information to wisdom. ES presents ZAFIRO in 2017 to provide this answers in 2020 with success stories to further draw and shape the future of the user – guest or student of high technology.

EXTERNAL COLLABORATIONS AND RECOGNITIONS

ES is a cross sectorial reference at national level, not just a beyond the limit of a high tech company that works to improve world wide Hospitality Sector. During this 2017 Fiscal Year, ES is awarded as:

- Finalist SME of the Year 2016 by a Spanish Chamber of Commerce. The Jury integrated also the organization of the Spanish chambers. And the winner won the national SME of the Year, too.
- FY2017 closes also in ES with the Finalist DHL ATLAS Export Award at Spanish level.

Duns & Bradstreet report qualifies ES as a 1A rating: ES is at top range in international comparison.

In terms of Sustainability, United Nations Communication On Progress 2017 – Advanced Level is public available at UN COP website, together with the highest recognized companies at worldwide level, 9.000 organizations where Hospitality Sector is also represented by top hotel chains.

AENOR Audit process in 2017 also leaded into a SME Innovative certification to ES R&D activities.

Best Practises and 2050 targets: ES shares knowledge and know how, works proactively with customers and players in Hospitality Sector and High Tech forums, in order to develop a long term vision and the highest quality products and services.

ES national commitment leads us to collaborate with the Worldwide Spanish Embassy structure in different ways, like integrating ICEX profiles in Business Development & Sales Team, participating in international events like QITCOM, or proactively working with Spanish delegates to better understand competitive landscape in countries like Australia, South Africa, Germany or United Kingdom, prior to decide resource allocation and activities in certain geographies.

II - ES TEAMS CONTRIBUTION TO ZAFIRO STRATEGY

Let's highlight main roles of the ES Organization, and major 2017 milestones achieved thanks to their members effort, fully aligned with the highest sustainability and responsibility standards pointed by United Nations:

BUSINESS DEVELOPMENT & SALES:

- Business Development & Sales is in charge of the market development, and provides awareness to the hospitality sector. BD&S delivers the necessary information relating to the company's capabilities in terms of its products, its services and its potential. It also works proactively to achieve that the customer orders are able to pilot the new scenarios in the real marketplace. According to the Ten Principles, BD&S looks for customers and partnerships who are also supporting UN strategies. This leads ES to a wide scope of deployments that could help us to further understand the trends and needs of a society, and to avoid any risk of discrimination, fraud or miss-use.
- 2017 main contribution of this team goes beyond Turnover. They generated ZAFIRO new branding and positioning at global forums, and in the most important hotel chains in the world. Their creative process leaded into current company positioning, from the cutting edge of the IPTV disruptive technology ten years ago, till the outstanding Marketing and Analytics tools that ES offers to the Hospitality Sector. This young and dynamic team grew up this year in order to better position ES ZAFIRO at local chains.

They have been the key success factor to reinforce strategic relationships with global key accounts:

- global chains based in or out of Spain.
- In America, ES Team is now working to stablish references, and good relationships with important hotel chains and partnerships.
- In Middle East, BD&S Team in very active in UAE, Bahrain, Qatar and Oman. Working very closely to achieve results in important ME Hotel Chains. And also in global chains with important presence in the region.
- International chains based in Thailand have recognized ES BD&S strong team work with a Preferred Vendor qualification. ES has installed local references to improve current ES visibility.
- References in Indonesia will reinforce ZAFIRO position.
- BD&S leads also India market study, to understand current challenges in key local customers. They also work proactively to improve relationships with local management in worldwide chains. The same approach to analyse current market potential in Sri Lanka and Maldivas thanks to specific offers in recognised world wide brands. There are other markets under business analysis in certain chains located in APAC region.

Thanks to BD&S proactive work in coordination with CS, ES partnerships have been reinforced in different countries. As an example, BD&S keeps close relationships with certain partners due to a close local engagement.

BD&S new challenges for next 2018-2020 is to massive deploy the new ZAFIRO capabilities in new and existing hotels, with a clear understanding of current competitive landscape. They would keep their current role at local hotel chains, global Hotel Chains certification processes and forums. They would also explore new possibilities of engagement in the marketplace, like White Books collaboration to enhance Hospitality Sector, and even go beyond to re-apply ZAFIRO concepts in new Sectors like Education (ZAFIRO ESchool).

Marketing and Communication has generated the new branding ZAFIRO. ES web and the rest of communication materials are now refurbished to support this new image, reinforced also from Social Media (LinkedIn, Facebook, Twitter), with a proactive participation and engagement of MKT&Comms team in global forums from Hospitality Sector. ES ZAFIRO news are periodically available, aligned with Marketing and Communication Plan to make ZAFIRO at the best positions, an IPTV top range recognized brand in Hospitality Sector.

As a result of the continuous technical surveillance, research & development, and business presence, ES is just about to launch in the marketplace: ZAFIRO Cast, ZAFIRO ESchool.

CUSTOMER SERVICE

- Customer Service ensures long term relationships with market players, existing and potential customers, to ensure ES vision of the sector's evolution, people's needs, and successful products in the market. As a key function for the social contribution of the company in the long term, CS ensures that the ES product & service portfolio it'self could help our customers to deliver their best offers to the right guest at the right time.

In terms of UN Global Compact, CS fully subscribes the Ten Principles. Asking proactively in the sector forums for a more in depth commitment to UN, and short term realisation of Principles. This is not just about information technologies, but also health, energy, water and food management; thanks to the availability of new emerging technologies.

- In 2017, DISTRIBUTION CHANNEL focus is to grow in terms of new partnerships to cover global customer requests, and to keep excellent relationships in already existing partners. Regional Managers close collaboration with ES Distributors and key players in the market doubled the number of reliable ES partners in the Hospitality Sector. They also supported ZAFIRO image thanks to global forum participation, on line demos, and personal approach to local needs at ES or Distributor premises.

This effort led into an increasing offer accuracy and acceptance, as Distributors may face their customers challenges with a better understanding of ZAFIRO capabilities to enhance their Hotels, Hospitals, Corporations... and user needs.

ES is proud of the value added that currently can be offered by its Distribution Channel. Let's highlight the excellent collaboration frames with recognised global players. Or proactive participation at international events and Hospitality Awards presentations.

For next 2018-2020 period, we think ES is now at the right point to massive deploy ZAFIRO thanks to Distribution Channel local approach, leading into increasing results, and pushing for new projects coming from very well established relationships.

Shortening current offer life cycling and maturity process would be a key priority for this team, empowering Key Decision makers to challenge their organizations thanks to the ZAFIRO collaborative framework to offer the best products and services to their guests and patients.

- Thanks to the outstanding cross functional work of this team, they have a daily commitment with customer needs and challenges. They manage ES and Hotel organizations to empower and converge Marketing & IT visions.

At the same time they keep on maintenance of the existing ZAFIRO products and services, they lead project expansions, installations and updates. They identify key improvement factors that may suit Hoteliers needs to better serve their guests.

ES has a new Territory segmentation to align projects and Customer Service assignment, that would lead into increasing customer loyalty. This group has been pushing for

- Pro Support contracts for key customers.
- Confidence management with existing customers to maintain their solutions.
- Infrastructures and devices renewal.

For next 2018-2020 period, keep pushing your ideas to ES Customers, listen them, and bring them all together to deliver excellent ZAFIRO new releases, across Sectors!

TECHNOLOGY:

- Technical Support, Research & Development, as the key engine of the company, our T-R&D team are committed to the growth of products and services, according to the highest standards of techs and reliability. They provide necessary support on a daily basis, either by on-site deployments or by remote assistance. The first IPTV solution in a European hotel was developed and deployed by ENTERTAINMENT SOLUTIONS ten years ago. Now, our T-R&D team evolve on a daily basis towards a better modular IPTV platform that can enable our customers to deliver excellent support to: the guests at a hotel; the patient in a hospital; the employee of a company; or the student at a university.

A very robust platform and a simple management, enables the T-R&D to customise services, to monitor, and to react to issues on-line. T-R&D are the core which support the Ten Principles, and provide a flexible tool to protect people and the environment wherever the IPTV platform is installed.

T-R&D are a diverse group of highly qualified professionals that support the UN strategy wherever they work, either at ES HQ or Customer Premises.

- 2017 RESEARCH AND DEVELOPMENT:

ZAFIRO V3.8 is ready in the Hospitality Sector, bringing different functionalities collected across territories and hotel chains.

This team integrates IT knowledge and technical trends thanks to international forums participation.

- 2017 TECHNICAL SUPPORT:

A positive 2017 balance: personal structure is consolidated and ready to support new collaborations, both in Zaragoza HQ and local Teams.

Validation process is improving thanks to this experience, leading into a living procedure whenever a new release or feature is available.

ES Data Center development also grows: it supports ES Processes, and becomes in 2017 a useful tool to understand customer needs and even colleagues insights.

Main ES DC developments in 2017 were:

- CRM to improve Sales Support. It included a massive data mining, to enhance cross-teams visibility and align Sales Strategy with top Management vision.
 - Personal Management Tools
 - Technical Ticket System.
- ES Support is of course the very first ES Department that enjoys the new Ticketing System, as it allows every single customer issue report and control. ES Support would keep improving the system, to make it even more simple and homogeneous.

Thanks to the new organization in this ES Team, local Support 8x5 is currently provided for every project, planning and start ups are better fitting customer requirements.

Testing ZAFIRO V3.8 has also helped to improve internal procedures, in order to minimize software issues at customer side. This new procedure has been in place thanks to ZAFIRO V3.8, successfully deployed at different locations.

PROCUREMENT AND LOGISTICS

- Procurement & Logistics, this function integrates and supports the supply chain; customer logistics; warehouse. In order to ensure the UN GC, this department develops the right supply chain to ensure the successful country deployments in the long term, together with the right customer support for a long term relationship. ES understands that a long term collaboration means having a respect for a global rule, both for people and environment. The highest standards have been supported by UN GP,

this is why the P&L Department proactively uses the Ten Principles to search for the right players in the marketplace to further develop the hospitality sector, and also to integrate this other feedback in the product roadmap.

- In 2017 SCM Procurement integrated new providers and distributors, in Spain and outside our country. Network Servers, Infrastructure Devices, Chromecast,... in close collaboration with very well recognised companies in the market like HP, DELL, Netgear, Cisco, D-Link, Huawei, Anevia, or Google.

New products are now in ES Portfolio, like the Trend Remote Control, Set Top Box Qp HDMI, PoE Splitter, Network server 4 ports, Google Chromecast, Chromecast Mount Case, Server R330.

Every month, ES acquires 4 new films, contents in HD and new languages to be distributed. And work to license new territories to show Hollywood & Adult movies.

- SCM Warehouse keeps its 0 stock policy, and supports the rest of Departments in their new layouts.
- SCM Logistics international effort has leaded ES to Finalist DHL ATLAS 2017 Award. New countries are supported every year by ES Team. ES-DHL licence to manage hazardous materials to authorized countries, like RT Control, that contains LiION batteries. Every single shipment has arrived on time to its destination, without lost materials, customs issues, or customer return. Thanks to a close collaboration with DHL (international) and Tourline Express (local), reliability and cost are on track and full fitting our customers higher expectations.

FINANCE & ACCOUNTING

- Finance & Accounting, reports the economic and financial results of the company. The responsibility of our F&A is to operate and report with complete transparency, according to the national rules and to international criteria. The daily contribution of ES to our 21st century society, is to show respect to our customers, to our employees, to our shareholders and to all the agents of the marketplace in the hospitality sector.
- ES closes a successful 2017 fiscal year with a 20% increasing turnover vs FY2015, and 11% vs FY2016. As stated before, the new branding ZAFIRO leaded this figure in Hospitality customers.
- Let's highlight some FY2017 figures vs previous fiscal years:
 - ES seeks for an increasing ZAFIRO rotation in next 2018-2020 period: 27 countries served in this FY2017, with a right balance between different regions, in order to consolidate or open new references. They come mainly from Europe 44% and LATAM 37%. Also progressing in requests from ME 9%, APAC 6% and Africa 4%.
 - ES Regions support both Hospitality customers that requests at HQ in a certain region, and the final Hotel that finally installs the system. This could be also in terms of certification vs order, reinforcing the ES vocation of global leadership and customer support.
 - New projects and references are deployed every year.

- Financing means less than half of FY2015.
- Maintenance Income also increases significantly, as countries are proactively requesting this ES offer in FY2017.
- Expansion, Installation & Update increased in many countries in FY2017.
- Royalties mainly due to film management increased in different countries.

HUMAN RESOURCES

- Human Resources, has the highest responsibility of taking care of our employees. Recruiting processes are open and transparent, with a long term integration of the candidates in the labour framework. Human resources allocates the right facility to the right team, respecting individual interests and the specific needs of a department. This is achieved through proactive internal and external training, flexible policies and open promotion. ES endeavours to go further than the UN GC objectives: our employees commitment and results will lead to a new society model, where professional and family balance is a reality. This, together with social respect, and with the contribution of the individual, helps to build a sustainable model in an environmentally friendly company.
- 2017 keeps growing in terms of HHRR to guarantee a successful achievement of 2020 ES strategy. Not just the Spanish team at Zaragoza HQ and Commercial Office in Madrid that increases, also worldwide sales staff and local support, that shows a significant growth to locally support customers business.

THANK YOU FOR YOUR SUPPORT & GO BEYOND 2020 TARGETS!
