



ANNUAL REPORT 2018

Financial highlights

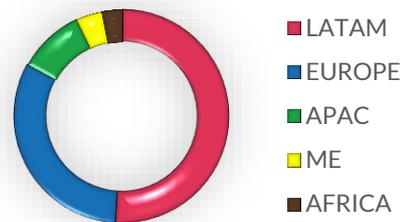
In this 2018 Fiscal Year, ES consolidates the sustainable growth strategy that started in 2016. ES evolves its increasing turnover, nearly doubling the growth figure from FY2017.

ZAFIRO branding consolidates its worldwide references, Hospitality customers asking for **ZAFIRO** & **EMERALD** were coming mainly from LATAM 51% and Europe 32%, also progressing in requests from APAC 10%, ME 4%, and Africa 3%.

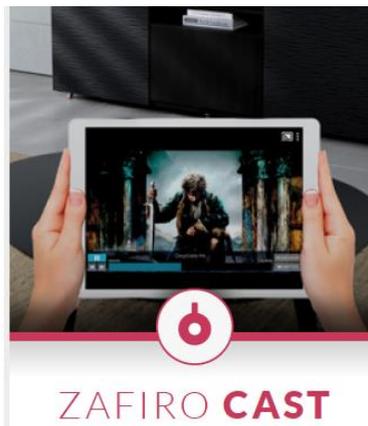
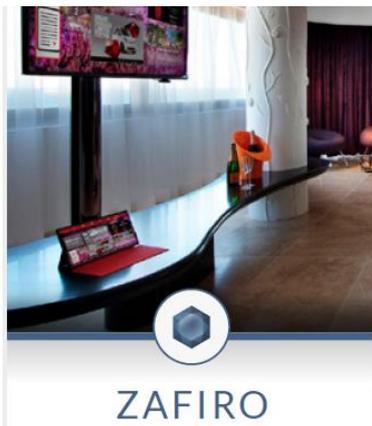
D&B Risk Assessment

	dun & bradstreet				
D&B Risk Indicator	1	2	3	4	-
D&B Financial Strength	2A				
D&B Failure Score	98				
D&B Maximum Credit	210.000 €				
Days Beyond Terms	0				
Legal Events	No				
Insolvency Proceeding	No				

ES FY2018 Turnover by Region



In 2018, ES launched **ZAFIRO Cast**, a straightforward solution to enable Google Chromecast for Hospitality services. And **EMERALD**, that consolidates the ES infrastructures value proposition (WiFi, GPON...).



Thanks to ES reinforcement in terms of internal procedures and a strong hiring policy, ES full fills its international strategy, planned to achieve medium term business growth commitments, business diversification, and to face the new 2030 technical challenges aligned with UN Sustainability Development Goals.

ES also renews its Corporate Sustainability commitment, as UN COP 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.



CEO insights to stakeholders

Fiscal Year 2018 closes with successful **ZAFIRO** & **EMERALD** deployments in 37% more countries than FY2017, and three times the number of IPTV Service Nodes that were deployed in previous year. This was possible thanks to the commitment of the new organization, which allowed ENTERTAINMENT SOLUTIONS to grow its global position to support Hospitality challenges in 2030 agenda.

ZAFIRO reinforces IPTV technology possibilities, into Marketing and F&A priorities. From the disruptive concept 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. And also available as **ZAFIRO Cast** in environments with cost constraints to serve their final users. On top of this, **EMERALD** is the ES answer to the infrastructure challenge, a WiFi & Optic Fiber mix landscape.

ZAFIRO & **EMERALD** is now recognised as a key technology, ES as a global player in the Hospitality Sector. ES corporate strategy also works on partnerships growth. This policy leads into external recognition, 2018 ES Hospitality customers effort has been awarded by different international forums, for instance: Best Heritage Hotel in Europe by International Hotel (Gran Meliá Palacio de los Duques), Best Entertainment by Crystal Apple (The Royal Suites Yucatán), Best Luxury Hotel by Spain Luxury Hotel (Gran Hotel Miramar), Best City Hotel in Italy by International Hotel (ME Milano Il Duca). A lesson learned from important 2017 international Awards, like Guest Review by Booking (Sofitel Athens), Luxury Eco Friendly Resort by Luxury Travel Guide (Banyan Tree Vabbinfaru), or Best Thematic Hotel in Spain by La Razón (Hard Rock Hotel Tenerife).

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 has zero-tolerance of corporate corruption. ES makes a clear statement.

I would personally appreciate your continuous effort to keep this outstanding company spirit in the breaking point, supporting our customers, and further explore new sectors to deploy our knowledge and styling, to cope with massive deployments of high tech. I have the strong feeling that open collaboration frames would lead us to contribute to long term goals in our Society. **ZAFIRO** & **EMERALD**'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.

Best of luck for all of us to achieve new 2030 challenges,

Entertainment Solutions

ES

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Mr. Miguel Mora Marín

Sole Director, authorised signature

Entertainment Solutions. S.L.

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. In 2018, **ZAFIRO Cast** answers the challenge of a straightforward solution for Hospitality Service Nodes, a brand new design that integrates Google Chromecast. And also the infrastructure learnings open **EMERALD** as a new vertical. **EMERALD** offers the current best approach in this wired-wireless mix landscape, where WiFi and Optic Fibers become the best alliance to generate premium guest experiences.

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 unusual 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, Cloud Applications, Social Media recommendations, or the nicest restaurant at your premises while your guest seeks for an in-room film? ES is the answer, ES brings you **ZAFIRO** & **EMERALD** 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** & **EMERALD** limit for Hotelier Teams.

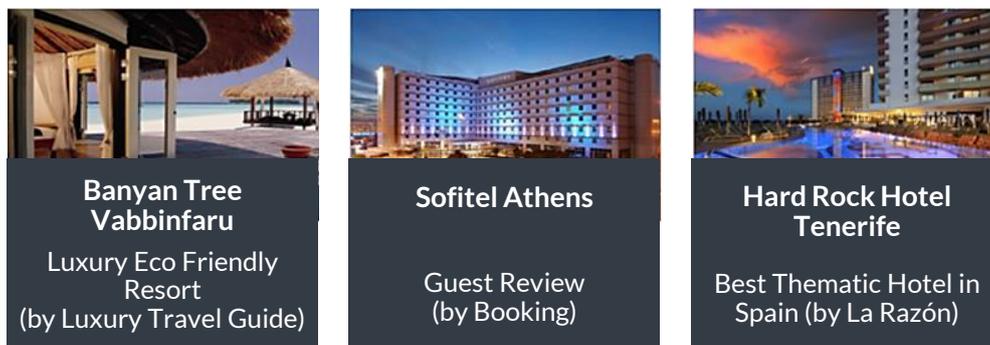
Medium 2020 targets to 2050 long term vision would lead us to study how to deploy also this **ZAFIRO** & **EMERALD** Concepts and Learnings from Hospitality to Residential, from travellers to children and families. White Books are arising in Hospitality, knowledge to be reapplied to last mile users. From content to knowledge, from information to wisdom. ES presents **ZAFIRO** & **EMERALD** in 2018 to provide this answers in 2020 with success stories to further draw and shape the future.

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 worldwide Hospitality Sector. During this 2018 Fiscal Year, ES is also proud to congratulate its Hospitality Customers in Social Media, awarded in different international categories:



An important lesson learned from 2017. It's really more important for ES Team to support customer success and enable their dreams, than attend personally an Awards Gala to get the prize:



Duns & Bradstreet report qualifies ES as a 2A rating: ES is at top range in international comparison.

In terms of Sustainability, United Nations Communication On Progress – 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 leaded into a SME Innovative certification to ES R&D activities, which of course are on track for the next years, with a roadmap that integrates needs and ideas from diverse sources.

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 also participates in Hospitality Corporate events and also leads Customer Groups in different regions to enable a healthy ideas sharing and Sector development.

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. Previous years of proactive work with Spanish embassies and delegates to better understand competitive landscape, leaded into successful new references in different geographies, with new resource allocation and activities.



II. ES teams contribution to ZAFIRO & EMERALD strategy

Let's highlight main roles of the ES Organization, and major 2018 milestones achieved thanks to their member's effort, fully aligned with the highest sustainability and responsibility standards pointed by United Nations:

BUSINESS DEVELOPMENT & MARKETING

Business Development & Marketing is in charge of the market development, and provides awareness to the Hospitality sector. BD&M 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&M 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.

2018 main contribution of this team goes beyond the 34% ES Turnover. They generated **ZAFIRO** new branding and positioning at global forums, and in the most important hotel chains in the world. Their creative process led 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. Thanks to BD&M proactive work in coordination with Sales and Customer Service, ES partnerships have been reinforced in different countries worldwide.

One of BD&M 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 like Hotel Tech Next Generation, HT-Next, International Hotel Technical Forum, Hotelier Network Middle East... 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.

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 (as mentioned above, HTNG, HT-Next, IHTF, HNME...). A database of contacts were subscribed to ES **ZAFIRO** news, aligned with Marketing and Communication Plan to make this product at the best positions, an IPTV top range recognized brand in Hospitality Sector.

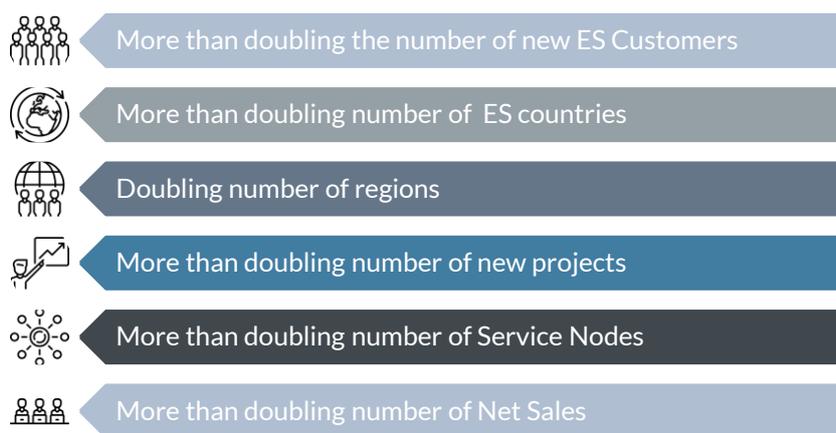
As a result of the continuous technical surveillance, research & development, and business presence, ES is just launching in the marketplace **ZAFIRO Cast** and **EMERALD**.

SALES

FY2018 started with a new Commercial Plan and an internal Sales reorganization to lead a growing figure of global sales increases vs FY2017.

Net Sales increases:

Customer relationships are reinforced, with a significant increase in order back log. And new customers are also increasing, including also strategic key accounts to deliver successful results in next year's horizon. New markets are also open thanks to this important pre-sales activity in FY2018, to reinforce geographies penetration, diversifying ES activities to drive market demand changes.



New products available in FY2018 have been the key for this sales diversification process. And those products with higher added value were very well positioned in the market, leading to a winning ES portfolio based on high range and ES value proposition for Hospitality Sector.

In 2018, Distribution Channel keeps growing in terms of new partnerships to cover global customer requests, and to keep excellent relationships with already existing partners. Sales & Regional Managers close collaboration with ES Distributors and key players in the market further improve the figure 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.



POST SALES

• Post Sales 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, PS ensures that the ES product & service portfolio itself could help our customers to deliver their best offers to the right guest at the right time.

• In terms of UN Global Compact, PS 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.

I. CUSTOMER SERVICE

• CS 2018 main contribution is to keep increasing turnover. Thanks to the outstanding cross functional work of this team, their 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, leading into a 23 % contribution to the ES turnover IN FY2018, which also means a 35% growth from FY2017.

• In 2018, Customer Service focus in the internal organization, in order to define an ES SPOC (Single Point of Contact) for key accounts. CS also promotes a new policy of direct contact to final customers to improve awareness, service and loyalty figures.

• "Post Set Up Meeting" was designed in 2018 in order to further improve ES understanding of customer needs immediately after a **ZAFIRO & EMERALD** is completed at customer premises.

• Eservices provided in FY2019 are currently above 92%, a 3% improvement vs FY2018: a massive awareness of Pro-support has been successfully upgrading customer maintenance contracts.

• Equipment renewals are also in place, and improving customer relationships lead into new offers and upselling (**ZAFIRO Cast**). This is extremely important, as a satisfied customer becomes a prescriptor, or upgrades its **ZAFIRO** value proposition for guests.

II. SUPPLY CHAIN – PROCUREMENT, LOGISTICS & WAREHOUSE

• PL&W, in order to ensure the UN GC, 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 PL&W 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 terms of new portfolio purchases, let's highlight new Google Chromecast integration and Huawei collaboration, on top of servers, access points, security locks... upgrades.

- ◆ And in Contents, there are a number of new territories in the four continents for Hollywood & Adult movies distribution. Four new titles acquired in monthly bases, 32 new films acquired in Filmbank and 16 in UIP, HD film distribution and new languages to be distributed, too.

- ◆ ES opens a number of new countries references, enhancing current logistics in four continents.

- ◆ ZERO issues at customs, thanks to the close collaboration with the main logistic partners, DHL (international) and Tourline Express (local).

- ◆ An impressive figure of logistic consolidation, as just 34% increased number of shipments, taking into account that the turnover was increasing a 83% vs FY2017.

- ◆ An outstanding performance also in terms of logistics management: increases 20% the RMAs (Return Merchandising Authorizations) in 2018 vs FY2017.

- ◆ This ES Team also managed a growth of just 11% in terms of the number of packing list vs previous FY2017, thanks to the coordination with Sales Team to get bigger and consolidated projects.

- ◆ ES keeps its ZERO Storage policy, so that new working places are designed for equipment pre-installation.

- ◆ In terms of visibility, ES will be a candidate in 2018 DHL International Awards – Spain, thanks to this FY2018 outstanding results, led by the global focus and vision of ES Team.



TECHNOLOGY

• Our Technical Support, Research & Development team, as the key engine of the company, is 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.

I. TECHNOLOGY - RESEARCH AND DEVELOPMENT

• R&D Team is evolving to face a growing internal organization based on Solutions, Network, UX/UI, Integrations & Support). Thanks to an active recruiting policy and an innovative planning process, new members are quickly on board, understanding product design and development (Trello for planning, Work Orders to facilitate Cost Analysis, periodic internal meetings).

• In terms of product, **ZAFIRO** V3.8 was ready in the Hospitality Sector at the end of FY2017. Bringing different functionalities collected across territories and hotel chains, R&D released V3.8.1 and V3.8.2 in FY2018, keeping V3.8.3 under development.

• R&D also released **ZAFIRO Cast** Standalone, before moving it to V3.8.2. And **EMERALD** NMS 1.0, to ensure ES infrastructure products and value proposition for the Hospitality Market.

• Internally, R&D worked on **ZAFIRO Cast** Apps (Config, Warehouse, Mix), **EMERALD** Configurator, and **EMERALD** Lab/Office equipment installation and configuration.

• These teams integrate IT knowledge and technical trends thanks to their close collaboration in customer and partners events, and working together with brands as Smartvel, Oracle, Huawei, Samsung, and Nokia.

II. TECHNOLOGY – SUPPORT & TESTING

◆ A positive 2018 balance: personal structure is growing thanks to new collaborations, to reinforce Zaragoza HQ, local Teams and on-site support during a year with a record number of **ZAFIRO** installations. At the same time, this ES Team keeps the commitment of 24x7 support in four continents with a growing figure of on-going projects. A couple of new **ZAFIRO** releases have been validated, and also the **ZAFIRO Cast** initial release.

◆ ES Data Center development also grows thanks to SCRUM methodology (seven sprints in FY2018). DC supports ES Processes, and becomes in 2018 a key tool to understand customer needs and even colleagues' insights. From transversal knowledge of the market place, till detailed customer status in terms of a certain delivery, ES DC grows on daily basis to support ES Team. In this FY2018, Customer Service new quiz for Hoteliers is in place, a new version of Sales Workflow, a new process of Internal Travel Expenses, a new Ticketing system to enhance current T-R&D process, a new Work Order system to analyse the tasks and timetable of every department, and support web design in other departments.

- In terms of Customer Technical Support, 70% of projects are now under ProSupport 24x7 contracts, which means a 20% increase vs FY2017. FY2018 also shows a growing figure of Hotels vs Hospitals and Corporate market segments.
- Issues Management Process split the tickets into 71% issues, 20% general support and 9% inquiries.
- 20% new installations in FY2018 vs FY2017, with a third of projects including different versions of **ZAFIRO Cast**.
- An outstanding FY2018 also in terms of new international installations, as this ES Team supported 47% above FY2017 (mainly Mexico, Thailand and UK), and 6 times more new pilots than FY2017.

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 2018 fiscal year with a 94% increasing turnover vs FY2016. As stated before, the excellent results of a three years window collaboration led this figure, thanks **ZAFIRO** & **EMERALD!**



Let's highlight some FY2018 figures vs previous fiscal years:

- ES seeks for an increasing **ZAFIRO** rotation in this 2018-2020 period: 51 countries served in this FY2018, with a right balance between different regions, in order to consolidate or open new references.
- 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 in FY2018 were coming thanks to close collaboration also from partners. Let's highlight again LATAM as the main region where new references are deployed.
- Financing terms in certain customers and operations could be an option to further support ES Hospitality customers.
- Maintenance Income also keeps growing, due to emphasis on the benefits of a Technical Support and Marketing guidance provided by Customer Service, an appreciated **ZAFIRO** added value in Hospitality.
- Expansion, Installation & Update, and Royalties mainly due to film management keep also on track, at the same time new features and value added services are deployed.

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.

2018 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 a 39% vs previous fiscal, in order to better support local partners and develop a global internal strategy. The final 2020 target would grow local support for customers' business cases in the four ES Worldwide Regions.



THANK YOU FOR YOUR SUPPORT & GO BEYOND 2030 TARGETS!



Entertainment Solutions

ES



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