Datalex plc –
findings from the accounting review and 2018 results update

Dublin, Ireland – 27 March 2019: Datalex plc (Euronext Dublin: DLE) ("**Datalex**" or the "**Company**"), a leading provider of digital commerce solutions to global travel retailers, today provides an update to its trading update announced on 15 January 2019 (the "**January trading update**").

The January trading update revised Datalex's previously published guidance for the financial year ended 31 December 2018, principally to reflect a shortfall in the Group's previously anticipated services revenue and changes in the timing of recognition by the Datalex Group (the "**Group**") of certain other contracted revenue. The January trading update also noted that the Group's revenue, adjusted EBITDA and profit for the half year ended 30 June 2018 may have been misstated principally due to the accelerated recognition of revenue associated with a significant customer deployment.

The Board appointed PwC to conduct an independent review (the "**Review**") of the accounting issues relating to revenue recognition referred to in the January trading update, and the related sequence of events, and to identify any similar revenue recognition issues. The Board established a Special Committee, which comprises Board members Roger Conan, John Bateson and Peter Lennon, to oversee the Review and related matters. The findings from the Review have recently been presented to the Group's Board and Special Committee.

Scope of the Review

The issues announced on 15 January 2019 had been identified following an internal management review of the Group's accounting books and records during preparation of the Group's full year results for 2018. The Board appointed PwC to conduct an independent review during which PwC had such access to the Group's accounting books and records and the Group's personnel as they required.

The Review focused on the Group's recognition of services revenue during the year ended 31 December 2018, particularly with respect to the Group's recognition of services revenue under a fixed fee contract for a significant customer deployment (the "**Deployment**").

The Group has to date recognised services revenue under a revenue recognition policy which, for fixed fee contracts such as the Deployment, uses the stage of completion method under IAS 18 which measures the percentage of completion (or "**POC**") based on labour hours incurred as a percentage of labour hours expected to be allocated to the contract.

Key findings

The following key findings and assumptions are noted from the Review and the Board's further internal analysis:

- the Board has concluded that the Group's revenue, adjusted EBITDA and profit for the half year ended 30 June 2018, as announced on 28 August 2018, were misstated;
- the Review confirmed that the Group's recognition of services revenue for the half year ended 30 June 2018 was not in line with the Group's accounting policy and was materially overstated;

- the Review found that the Group failed to apply IFRS 15 appropriately in its results for the half year ended 30 June 2018;

- the Review found that the Group incorrectly recognised approximately US$3.5 million of services revenue associated with the Deployment in its results for the half year ended 30 June 2018 (this was corrected at 31 December 2018 and reflected in the Group's 2018 guidance included in the January trading update);

- the Deployment is a fixed fee contract and initial estimates of time to completion of the Deployment were significantly underestimated, with estimates of time to completion significantly increased over the period resulting in a reduction of POC for the 2018 financial year;

- the Review identified approximately US$2.9 million of other services and platform revenue that was incorrectly recognised in H1 2018, of which c.US$0.7 million has been determined not to be recoverable, with the balance being revenue that will be recognised in H2 2018 or in the 2019 financial year (this was corrected at 31 December 2018 and reflected in the Group's 2018 guidance included in the January trading update);

- the Review identified significant accounting irregularities during the period as the underlying cause for the Group's overstatement of revenues, noting material weaknesses in the internal control environment; the Group's accounting process in this area has been largely manual, and dependent on individual judgement, and not subject to internal audit oversight; and there has been a failure by the Group to track sufficiently operational and financial performance on the Deployment and to retain sufficient supporting documentation for accounting entries; and

- the Review confirms that the Board was not informed of these revenue recognition issues until January 2019.

2018 results and next steps

For the Group, as for other listed entities, the implementation in 2018 of the new revenue standard IFRS 15 is complex with significant judgments impacting the timing of when revenue is recognised. The 2018 guidance announced in the January trading update was prepared on the basis of IAS 18, being the basis on which revenue was recognised by the Group in 2017, before any impact of IFRS 15. The Group will continue to undertake a detailed review of its FY 2018 outcome and the transition to IFRS 15 until finalisation of the FY 2018 annual accounts and audit, which is targeted to conclude in April 2019.

The Group will restate its results for the six month period to 30 June 2018 and present the restated results along with its results for the six month period to 30 June 2019 in H2 2019.

Corrective and other actions

In addition to the Review, the Board is continuing to assess the Group's material risks and the effectiveness of its internal controls. The Review indicates that issues arose due to a combination of factors. The Board has engaged PwC to follow-up the Review with a review of the Group's internal controls and processes in order to identify areas for improvement. The Board will continue to investigate the failings leading to the issues, including with PwC and the external auditors, to ensure all appropriate lessons are learnt and actions are taken accordingly.

Since the issues were identified, the Company has commenced a transformative change programme which has included the implementation of a number of urgent measures to enhance internal controls, including:

- reorganising the finance function and substantially adding to the Group's finance function capability by the appointment of two senior resources as Head of Finance and Head of Commercial Finance, in early January 2019;

- implementing new accounting processes in the Group in relation to revenue recognition; and

- establishing a new and enhanced budgeting process in respect of the 2019 financial year.

The Group has drawn up, and is currently implementing, plans to further reorganise its finance function that will involve the creation of a number of new roles to enhance the Group's accounting and financial control capability. In addition, a process has commenced to procure an outsourced internal audit service. The process to identify and appoint a new CFO is underway and an announcement will be made in due course.

Paschal Taggart, Chairman, said "*The events of recent weeks have been distressing for the shareholders, directors and for all of the Company's stakeholders. The Review has confirmed accounting irregularities and material historical internal system and control failures. These are now being addressed and the Board is committed to implementing all necessary improvements. We have said that 2019 will be a year of transition but the fundamentals of the business remain strong and we remain confident in Datalex's future growth*."

Funding position

The Company announced on 14 March 2019 that it had raised proceeds of c. €3.86 million by way of a placing of 3.859 million new ordinary shares of US$0.10 each to IIU Nominees Limited at a price of €1.00 per share (the "**Placing**"). The Placing completed on 14 March 2019.

The Company also announced that it had entered into a €6.14 million secured loan facility agreement with an investment vehicle owned and controlled by Mr Dermot Desmond, conditional on shareholder approval (the "**Loan**"). The Loan will be non-amortising, will have a term of 18 months and will incur interest at 10% per annum (compounding monthly, to be rolled up until maturity). The Loan will be secured by a fixed and floating charge over the Company's assets and other Datalex Group assets.

As Mr Desmond is classed as a related party of the Company for the purposes of the Listing Rules of Euronext Dublin, the obligations of the parties under the Loan are conditional upon, among other matters, the approval of the Company's shareholders at a general meeting of the Company proposed to be held in late April 2019. The Company expects to publish a circular, including the notice of general meeting, in early April 2019.

The Company will use the proceeds of the Placing and Loan to fund working capital and for general corporate purposes.

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no statement in this document should be interpreted to mean that earnings per share for the current or future financial years would necessarily match or exceed the historical published earnings per share.

Statements contained in this announcement are based on the knowledge and information available to the Board at the date it was prepared and therefore facts stated and views expressed may change after that date.

The financial information in this announcement is not audited and does not constitute statutory financial statements of Datalex plc. The statutory financial statements for FY 2018 will be prepared in accordance with International Financial Reporting Standard 15 "Revenue from contracts with customers" (IFRS 15) which came into effect on 1 January 2018. The main impact of the new standard relates to the timing of when revenue and costs are recognised during a customer contract (in particular on new deployments). Any guidance outlined above is before any impact from IFRS 15.

Nothing in this announcement is intended to constitute an invitation or inducement to engage in investment activity. This announcement does not constitute or form part of any offer for sale or subscription of, or any solicitation of any offer to purchase or subscribe for, any securities nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract, commitment or investment decision in relation thereto. This announcement does not constitute a recommendation regarding any securities.