



PRESS RELEASE

ACOTEL GROUP: Board approves interim report for Q1 2014

Consolidated results:

- **Revenue €20.4 million (€28.1 million in Q1 2013)**
- **Negative EBITDA €2.1 million (negative €2.8 million in Q1 2013)**
- **Negative EBIT €3.2 million (negative €3.8 million in Q1 2013)**
- **Net loss €3.7 million (a loss of €4.3 million for Q1 2013)**

Net funds €18.8 million (€18.2 million at 31 December 2013).

Today's meeting of the Board of Directors of Acotel Group SpA has approved the interim report for the three months ended 31 March 2014.

The Acotel Group reports consolidated revenue of approximately €20.4 million for the first quarter of the year, down 27% on the €28.1 million of the same period of the previous year. The reduction primarily reflects the decision taken by US mobile operators not to sell value added services created by third parties to their customers, and a decrease in turnover in the Italian and Middle Eastern markets.

77% of revenues was generated by the Acotel Interactive business, 22% by the Acotel TLC business and around 1% by the Acotel Net business.

In the **Acotel Interactive** business area, Digital Entertainment services generated revenues of approximately €12.1 million, down 32% on the same period of 2013. Mobile Service revenues amount to around €3.5 million (€4.9 million in the same period of 2013) and include revenues generated by the subsidiaries, Info2cell Llc, Acotel do Brasil Ltda and Acotel SpA.

Revenues generated by the **Acotel TLC** business area amount to €4.5 million (€5 million in the first quarter of 2013), with 54% generated by Noverca Italia Srl, Acotel SpA and Acotel do Brasil Ltda, who operate in the Mobile Communications segment, and 46% by the subsidiary, Jinny Software Ltd, from the supply of telecommunications equipment and the related maintenance.

Finally, revenues generated by the **Acotel Net** business area, totalling €281 thousand, essentially regard the design, production and maintenance of electronic security systems in Italy by the subsidiary, AEM Acotel Engineering and Manufacturing SpA.

Revenue breaks down as follows by geographical segment: Latin America (36.9%), Italy (33.7%), Middle East (17.5%), other European countries (4.6%), North America (3.3%), Africa (3.2%) and Asia (0.8%).

The consolidated gross operating loss (negative EBITDA) is a €0.7 million improvement from the loss of €2.8 million registered in the first quarter of 2013 to the loss of €2.1 million of the first quarter of the current year. This reflects the positive return on the large-scale investment carried out by the Acotel Interactive division in the previous year.



After amortisation and depreciation (€1 million), the consolidated operating loss (negative EBIT) is approximately €3.1 million, compared with a loss of €3.8 million in the first quarter of 2013.

After net finance costs of €56 thousand, estimated tax expense for the period (€524 thousand), and the loss attributable to non-controlling interests (€8 thousand), the loss attributable to owners of the Parent for the first quarter of 2014 amounts to €3.7 million (a loss of €4.3 million for the same period of the previous year).

Net funds at 31 March 2014 amount to approximately €18.8 million, compared with €18.2 million at 31 December 2013.

Significant events during the first quarter

The results for the first quarter have benefitted from the results of the Acotel Interactive business (positive EBITDA of €1.2 million), whilst being negatively impacted by the reduction in revenues generated by the three business areas in which the Group operates and by the losses reported by the Acotel TLC and Acotel Net business (negative EBITDA of €2.9 million and €0.4 million, respectively).

The Group's Acotel Interactive business area continued to promote its offering of new products for consumers (Digital Entertainment), aimed exclusively at smartphone and web users.

In the Acotel TLC business area, the subsidiary, *Jinny Software Ltd.*, has signed its first commercial contracts for its *Diameter Router* solution. Turnover in the Mobile VAS technology segment, in which this company operates (€2.1 million), is down on the same period of 2013 (€2.8 million), reflecting delays in completing a number of orders. In contrast, the value of the order backlog is up from €5.8 million at 31 December 2013 to €6.4 million at the end of March 2014.

In the Mobile Communications segment of the Acotel TLC business area, Noverca Srl proceeded with the process of enabling the customers with which it concluded commercial agreements at the end of last year to operate as mobile virtual network operators. The company has also entered into an agreement with a well-known internet provider, wishing to offer mobile telecommunications services to its customers, to provide Mobile Virtual Network Aggregator services.

During the quarter, Noverca Italia Srl increased its customer base by over 38,000, including almost 30,000 via mobile number portability. This was achieved thanks primarily to the innovative technological solutions developed (Noverca+) and the commercial strategy based on the partner programme launched during last year.

During the first quarter, the Acotel Net business area successfully completed a number of key trials of the energy management solutions developed by the Group to monitor electricity, water and gas consumption. The Group shortly expects to sign the related supply contracts, which will mark the completion of Acotel's transformation, enabling us to assume a leading role in our new main market.



Declaration by the manager responsible for financial reporting

The manager responsible for the Group's financial reporting, Luca De Rita, hereby declares, pursuant to article 154-*bis*, paragraph 2, of Legislative Decree 58/1998 (the Consolidated Law on Finance), that the accounting information contained in this press release is consistent with the underlying accounting records.

Availability of company documents

The interim report for the three months ended 31 March 2014 will be available to the public, within the deadline established by art. 154-*ter* of Legislative Decree 58/1998 (the Consolidated Law on Finance), at the Company's registered office. A copy of the document is also available on the Company's website at www.acotel.com.

Note: the condensed income statement and statement of financial position and the analysis of net funds included in the interim report for the three months ended 31 March 2014 approved by the Board of Directors are attached.

Rome, 14 May 2014

For further information contact:

<p>Acotel Group Investor relations Tel. +39 06 61141000 e-mail: investor.relator@acotel.com</p>



ACOTEL GROUP

Consolidated income statement

Statement 1 of 3

(€000)	<u>Q1 2014</u>	<u>Q1 2013</u>	<u>Increase/ (Decrease)</u>
Revenues	20,383	28,091	(7,708)
Other income	46	74	(28)
Total	20,429	28,165	(7,736)
Movements in work in progress, semi-finished and finished goods	104	14	90
Raw materials	(333)	(506)	173
External services	(15,361)	(23,507)	8,146
Rentals and leases	(423)	(443)	20
Staff costs	(6,265)	(6,110)	(155)
Internal capitalised costs	208	78	130
Other costs	(454)	(480)	26
Gross operating profit/(loss)	(2,095)	(2,789)	694
Amortisation and depreciation	(1,001)	(992)	(9)
Impairment charges/reversal of impairment charges on non-current assets	-	(1)	1
Operating profit/(loss)	(3,096)	(3,782)	686
Net finance income/(costs)	(56)	(20)	(36)
PROFIT/(LOSS) BEFORE TAX	(3,152)	(3,802)	650
Taxation	(524)	(330)	(194)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	(3,676)	(4,132)	456
Profit/(Loss) attributable to non-controlling interests	(8)	141	(149)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	(3,668)	(4,273)	605
Earnings per share	(0.89)	(1.04)	
Diluted earnings per share	(0.89)	(1.04)	



ACOTEL GROUP

Consolidated statement of financial position

Statement 2 of 3

(€000)

	31 March 2014	31 December 2013	Increase/ (Decrease)
Non-current assets:			
Property, plant and equipment	8,929	9,180	(251)
Intangible assets	14,072	14,147	(75)
Other assets	3,679	3,726	(47)
TOTAL NON-CURRENT ASSETS	26,680	27,053	(373)
Net current assets:			
Inventories	745	526	219
Trade receivables	29,056	32,997	(3,941)
Other current assets	4,216	4,056	160
Trade payables	(24,200)	(24,748)	548
Other current liabilities	(8,361)	(7,987)	(374)
TOTAL NET CURRENT ASSETS	1,456	4,844	(3,388)
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	(2,899)	(2,939)	40
NON-CURRENT PROVISIONS	(653)	(812)	159
NET INVESTED CAPITAL	24,584	28,146	(3,562)
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	44,916	54,916	(10,000)
Profit/(Loss) for the period	(3,668)	(10,661)	6,993
Non-controlling interests	1,027	1,036	(9)
TOTAL EQUITY	43,359	46,375	(3,016)
Net cash and cash equivalents:			
Current financial assets	(8,765)	(7,257)	(1,508)
Cash and cash equivalents	(15,814)	(16,377)	563
Current financial liabilities	5,804	5,405	399
	(18,775)	(18,229)	(546)
NET FUNDS RECEIVABLE FROM OTHERS	(18,775)	(18,229)	(546)
TOTAL EQUITY AND NET FUNDS RECEIVABLE FROM OTHERS	24,584	28,146	(3,562)



ACOTEL GROUP
Analysis of consolidated net funds

Statement 3 of 3

(€000)

	31 March 2014	31 December 2013	Increase/ (Decrease)
A. Cash and cash equivalents	15,814	16,377	(563)
B. Assets held for trading	8,753	7,000	1,753
C. Liquidity (A + B)	24,567	23,377	1,190
D. Other current financial receivables	12	257	(245)
E. Current financial assets (D)	12	257	(245)
F. Current bank borrowings	(5,804)	(5,405)	(399)
G. Current financial liabilities (F)	(5,804)	(5,405)	(399)
H. Non-current debt	-	-	-
I. Net funds (C+E+G+H)	18,775	18,229	546