



PRESS RELEASE

ACOTEL GROUP: Board approves interim report for Q1 2015

Consolidated results:

- **Revenue €15.6 million (€18.1 million in Q1 2014)**
- **Negative EBITDA €2 million (negative €0.9 million in Q1 2014)**
- **Negative EBIT €2.5 million (negative €1.7 million in Q1 2014)**
- **Net loss €0.9 million (a loss of €3.7 million for Q1 2014)**

Net funds €22.4 million (€23.1 million at 31 December 2014).

Claudio Carnevale re-elected CEO

Today's meeting of the Board of Directors of *Acotel Group SpA* has approved the interim report for the three months ended 31 March 2015.

The Acotel Group reports consolidated revenue of approximately €15.6 million for the period, down 14% on the €18.1 million of the same period of the previous year. This essentially reflects reduced turnover at the **Acotel Interactive** business area.

79% of revenue was generated by the Acotel Interactive business area, 18% by the Acotel TLC business area and the remaining 3% by the Acotel Net business area.

In the **Acotel Interactive** business area, Digital Entertainment services generated revenues of approximately €8.7 million (€12 million in the first quarter of 2014), thanks to the contributions of *Acotel Interactive Inc.* and its direct subsidiaries, *Acotel SpA* and *Info2cell Llc*. Mobile Service revenues amount to around €3.5 million (in line with the same period of 2014) 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 €2.9 million, up 20% on the €2.4 million of the same period of the previous year. This reflects increased turnover at the subsidiary, *Noverca Italia Srl*, which operates in the Mobile Communications segment. In the Mobile Virtual Network Aggregator ("MVNA") segment of the same business area, the Group generated revenues of €198 thousand from the services provided to *Ringo Mobile SpA* in order to enable it to operate as a Mobile Virtual Network Operator ("MVNO"), and from the phone traffic generated by the customers of *Noitel Italia Srl* (an airtime reseller) and *Linkem SpA* (an MVNO).

Finally, revenues generated by the **Acotel Net** business area, totalling approximately €0.4 million, are up 51% on the same period of 2014. They include €271 thousand generated by the Security Systems segment in Italy and €153 thousand generated by the Energy segment, almost entirely in Italy.

The geographical revenue breakdown shows how revenue sources remain well diversified, with 36.1% of revenues generated in Italy, 34% in Latin America, 20.6% in the Middle East, 8.2% in India, 1% in other European countries and the remaining 0.1% in North America and Africa.



The consolidated gross operating loss (negative EBITDA) is approximately €2 million (a loss of €0.9 million in the same period of 2014). This reflects the losses incurred by *Acotel Interactive Inc.*, in part due to large-scale spending on advertising (up 71% on the first quarter of 2014) in order to complete the launch of its services in India, where revenues for the first quarter of 2015 are up by over 30% on the last quarter of the previous years.

After amortisation and depreciation (€0.5 million), the consolidated operating loss (negative EBIT) is approximately €2.5 million, compared with a loss of €1.7 million in the first quarter of 2014.

After net finance income of €0.3 million, estimated tax expense for the period (€0.5 million), the profit from discontinued operations (€1.7 million) and the loss attributable to non-controlling interests (€82 thousand), the loss attributable to owners of the Parent for the period amounts to approximately €0.9 million (a loss of €3.7 million in the first quarter of 2014).

Net funds at 31 March 2015 amount to approximately €22.4 million, down on the €23.1 million of 31 December 2014.

Significant events during the first quarter

The Group completed a number of important corporate transactions during the first quarter of 2015, involving the sale of assets no longer deemed to be core and the consolidation of existing businesses.

On 9 January 2015, an agreement was signed with *Telecom Italia SpA* regarding the transfer of approximately 170,000 customers of Noverca to TIM. The sale will enable the **Acotel TLC** business area to reduce the variable costs linked to the management of retail customers and to retain the licenses needed in order to continue operating as an MVNA, whilst also ensuring that the Group has access to its own Machine to Machine SIM cards, representing a further competitive advantage for the **Acotel Net** business area.

Noverca's customers were able to transfer their numbers to TIM from February, whilst substantially maintaining the same price plans.

Noverca is to receive a consideration that will depend on the number and type of customer transferring: at 31 March 2015, as a result of approximately 97,000 customers migrating from *Noverca*, income of €1,949 thousand has been recognised in "Profit/(Loss) from discontinued operations", in accordance with IFRS 5.

On 26 February 2015, an extraordinary general meeting of *Noverca Italia Srl's* shareholders voted to place the company in liquidation.

Again in February 2015, *Acotel SpA* and *Flycell Italia Srl* extended their agreement with *Telecom Italia SpA* until 31 December 2016. This covers the provision of services using Decade 4 premium-rate numbers assigned to *Telecom Italia SpA* and aimed at customers of TIM and those of other mobile operators (the **Acotel Interactive** business area).

In the same month, *Acotel SpA* extended its agreement with *Telecom Italia SpA* covering the supply of ScripTIM branded services through to 31 December 2016.

At the end of March, *Acotel Interactive Inc.* exited the Turkish market with the sale of its 100% stake in *Flycell Telekomunikasyon Hizmetler A.S.*, in the belief that this market does not have sufficient revenue potential. As a result of this transaction, in accordance with IFRS 5, a loss of



€245 thousand has been recognised in "Profit/(Loss) from discontinued operations". Income statement amounts attributable to *Flycell Telekomunikasyon Hizmetler A.S.* for the first quarter of 2015 and, for comparative purposes, the first quarter of 2014 have been classified in "Profit/(Loss) from discontinued operations". Income statement amounts attributable to *Jinny Software Ltd.* and all its subsidiaries, which were sold in 2014, have also been classified in this line item.

From a strictly operational viewpoint:

- in the **Acotel Interactive** business area, the Group has continued with the activities linked to both the launch of our new Digital Entertainment services for consumers in the countries in which we already have a commercial presence, and the expansion of our customer base in the Indian market;
- in the **Acotel TLC** business area, in addition to managing the migration of *Noverca's* retail customers to TIM, the Group has continued with the process of enabling our customer, *Ringo Mobile SpA*, to operate as an MVNO, and providing MVNA services to customers already enabled to operate as airtime resellers and MVNOs;
- in the **Acotel Net** business area, in addition to proceeding with work on the development of products and services for managing the consumption of energy, water and gas, talks have continued with a number of major commercial partners. During the period, the delivery and activation of devices in around 8,500 offices belonging to *Poste Italiane* continued.

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 information 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 2015 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.

Other resolutions

The Board of Directors of *Acotel Group SpA* have elected Claudio Carnevale as the Company's Chief Executive Officer, granting him the powers necessary to ensure effective and timely management of the Company.

At the same meeting Acotel Group SpA's Board of Directors also assessed the continuing independence of the Directors, Francesco Ago and Prof. Rubens Esposito, verifying the absence of all the instances mentioned in article 3.C.1. of the Corporate Governance Code.

In this regard, it should be noted that, based on the activities of, and the offices held by, Mr Francesco Ago during the term of office of the previous Board of Directors – Chairman of the Remuneration Committee and a member of the Internal Audit Committee – the Board of



Directors adjudged his authority and independence to not have been in any way undermined by his position as a Director of the Company for more than nine years out of the last twelve.

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 2015 approved by the Board of Directors are attached.

Rome, 15 May 2015

For further information contact:

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Reclassified consolidated income statement (*)

<i>(€000)</i>	Q1 2015	Q1 2014	Increase/ (Decrease)
Revenues	15,573	18,097	(2,524)
Other income	48	46	2
Total	15,621	18,143	(2,522)
Movements in work in progress, semi-finished and finished goods	(42)	104	(146)
Raw materials	(95)	(245)	150
External services	(13,129)	(14,511)	1,382
Rentals and leases	(335)	(310)	(25)
Staff costs	(3,856)	(3,994)	138
Internal capitalised costs	247	208	39
Other costs	(404)	(281)	(123)
Gross operating profit/(loss)	(1,993)	(886)	(1,108)
Amortisation and depreciation	(479)	(861)	382
Operating profit/(loss)	(2,472)	(1,747)	(726)
Net finance income/(costs)	335	21	314
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(2,137)	(1,726)	(412)
Taxation	(512)	(521)	9
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(2,649)	(2,247)	(402)
Profit/(Loss) from discontinued operations	1,704	(1,429)	3,133
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	(945)	(3,676)	2,731
Profit/(Loss) attributable to non-controlling interests	(82)	(8)	(74)
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(863)	(3,668)	2,805
Earnings per share	(0.21)	(0.89)	
Diluted earnings per share	(0.21)	(0.89)	

(*): The subsidiary, Flycell Telekomunikasyon Hizmetler A.S., was sold on 30 March 2015. As a result, income statement amounts have been classified in "Profit/(Loss) from discontinued operations". The estimated proceeds, at 31 March 2015, from the transfer of Növerca's customer base to TIM have also been classified in this item. Amounts for 2014 have been reclassified, for comparative purposes and in accordance with IFRS 5, to take account of the sale of Jinny Software Ltd. in 2014.



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Reclassified consolidated statement of financial position

(€000)

	31 March 2015	31 December 2014	Increase/ (Decrease)
Non-current assets:			
Property, plant and equipment	7,448	7,881	(433)
Intangible assets	3,822	3,759	63
Other assets	4,313	4,198	115
TOTAL NON-CURRENT ASSETS	15,583	15,838	(255)
Net current assets:			
Inventories	461	442	19
Trade receivables	18,413	19,278	(865)
Other current assets	2,957	3,091	(134)
Trade payables	(23,173)	(24,767)	1,594
Other current liabilities	(5,452)	(5,459)	7
TOTAL NET CURRENT ASSETS	(6,794)	(7,415)	621
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	(3,768)	(3,665)	(103)
NON-CURRENT PROVISIONS	(620)	(519)	(101)
NET INVESTED CAPITAL	4,401	4,239	162
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	26,447	45,396	(18,949)
Profit/(Loss) for the period	(863)	(19,347)	18,484
Non-controlling interests	88	170	(82)
TOTAL EQUITY	26,756	27,303	(547)
Net cash and cash equivalents:			
Current financial assets	(14,099)	(17,063)	2,964
Cash and cash equivalents	(13,924)	(11,548)	(2,376)
Current financial liabilities	5,668	5,547	121
	(22,355)	(23,064)	709
NET FUNDS	(22,355)	(23,064)	709
TOTAL EQUITY AND NET FUNDS	4,401	4,239	162



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Analysis of consolidated net funds

(€000)

	31 March 2015	31 December 2014	Increase/ (Decrease)
A. Cash and cash equivalents	13,924	11,548	2,376
B. Assets held for trading	12,499	15,463	(2,964)
C. Liquidity (A + B)	26,423	27,011	(588)
D. Other current financial receivables	1,600	1,600	-
E. Current financial assets (D)	1,600	1,600	-
F. Current bank borrowings	(5,668)	(5,547)	(121)
G. Current financial liabilities (F)	(5,668)	(5,547)	(121)
H. Non-current debt	-	-	-
I. Net funds (C+E+G+H)	22,355	23,064	(709)