



PRESS RELEASE

ACOTEL GROUP: interim report for three months ended 30 September 2013.

Consolidated results for 9M 2013:

- **Revenue €90.1 million (€72.9 million in 9M 2012)**
- **Negative EBITDA €2 million (positive €1.6 million in 9M 2012)**
- **Negative EBIT €7 million (negative €1.6 million in 9M 2012)**
- **Loss for period €8.6 million (loss of €2.8 million in 9M 2012)**

Consolidated results for Q3 2013:

- **Revenue €30.7 million (€21.9 million in Q3 2012)**
- **Positive EBITDA €640 thousand (negative €2 million in Q3 2012)**
- **Negative EBIT €422 thousand (negative €3.1 million in Q3 2012)**
- **Loss for period €1.6 million (loss of €3.3 million in Q3 2012)**

Net funds total €16.7 million.

Today's meeting of the Board of Directors of Acotel Group SpA has approved the Group's interim report for the three months ended 30 September 2013.

Results for 9M 2013

The Acotel Group reports revenue of approximately €90.1 million for the first nine months of 2013, up 24% on the €72.9 million of the same period of 2012. The performance primarily reflects the outcome increased investment in advertising in recent quarters and the different method of accounting for revenues, adopted following changes in the contracts governing the provision of services to consumers in certain countries in which the Group operates.

79% of revenue was generated by the Acotel Interactive business, 20% by the Acotel TLC business and the remaining 1% by the Acotel Net business.

In the **Acotel Interactive** business area, Digital Entertainment services generated revenues of €54 million, up 31% on the €41.3 million of the same period of 2012, whilst Mobile Services revenues amount to €17.3 million, up 13% on the €15.2 million of the same period of 2012.

Revenues generated by the **Acotel TLC** business amount to €17.8 million (up 17% on the same period of 2012), with 62% generated by the Mobile VAS technology segment, in which the subsidiary, Jinny Software, operates and the remaining 38% by Mobile Communications segment, in which the MVNO, Noverca Italia Srl, Acotel SpA and Acotel do Brasil Ltda operate.

Finally, revenues generated by the **Acotel Net** business, totalling approximately €1 million, regard the design, production and maintenance of electronic security systems in Italy by the subsidiary, AEM Acotel Engineering and Manufacturing SpA.

The geographical revenue breakdown confirms the high degree of diversification of the Group's revenue sources, with revenue generated as follows: Italy (31.1%), Latin America (27.5%), the Middle East (18.1%), North America (11.6%), other European countries (6.7%), Africa (3.1%) and the remaining 1.9% in Asia.



The consolidated gross operating loss (negative EBITDA) of approximately €2 million compares with the gross operating profit of €1.6 million recorded in the same period of 2012. After amortisation, depreciation, impairments of non-current assets and the goodwill impairment generated by subscription of Intesa Sanpaolo's unexercised portion of the rights issued by Noverca Srl and Noverca Italia Srl pursuant to article 2482-ter of the Italian Civil Code, the Group reports an operating loss (negative EBIT) of €7 million, compared with a loss of €1.6 million for the same period of 2012.

After net finance income of €0.2 million, estimated tax expense for the period (€1.6 million) and profit attributable to non-controlling interests (€205 thousand), the loss attributable to owners of the Parent amounts to €8.6 million (a loss of €2.8 million for the first nine months of 2012).

The Group's earnings were heavily impacted by the following: large-scale investment in advertising (€16.5 million, compared with the €9.6 million of the same period of 2012) by the Acotel Interactive business in order to acquire customers in new geographical markets and promote new services developed entirely in-house, above all targeting smartphone users; the losses reported by *Noverca Srl* and *Noverca Italia Srl* in the **Acotel TLC** business (which contributed a total loss of €5 million to the consolidated result); and investment in the human resources and technologies needed to complete and promote the commercial offering in the **Acotel Net** business, with particular reference to energy management services that enable users to measure energy consumption (electricity, gas and water) in order to monitor the efficiency of their equipment, optimise consumption and reduce their costs.

With regard to our commitment to the Noverca project (the two companies, whose balance sheets are from this year acquired at 100%, contributed a loss of €5 million to the Group's consolidated result), the Group is actively engaged in both the negotiation of agreements to support commercial operations and the search for solutions, including corporate transactions, that will enable us to take advantage of the opportunity created in May following Intesa's exit from its investment in *Noverca Srl* and *Noverca Italia Srl*.

As described below with regard to the results for the third quarter of the year, the return to profit of the Acotel Interactive business in the period enabled the Group to report positive EBITDA of €640 thousand for the third quarter.

Net funds at 30 September 2013 amount to €16,730 thousand, a reduction compared with the end of 2012 (down 43%) and 30 June 2013 (down 16%). This essentially reflects significant investment in promotions by the Acotel Interactive business, the financial support provided by the Group to make up for the losses incurred by Noverca Srl and Noverca Italia Srl in the first nine months of 2013, and the cost of renovating the premises owned in Rio de Janeiro.

Results for Q3 2013

Revenue for the third quarter, amounting to €30.7 million, is up 40% on the €21.9 million of the third quarter of 2012.

The gross operating loss (negative EBITDA) of €2 million for the third quarter of 2012 compares with the profit of €640 thousand recorded in the third quarter just ended. This result benefitted from returns on the Acotel Interactive business's large-scale investment in advertising during the quarter and, above all, in previous quarters. After amortisation, depreciation and



impairments of non-current assets, the Group reports an operating loss (negative EBIT) of €422 thousand (a loss of €3.1 million in the same period of 2012).

After net finance income of €111 thousand, estimated taxation for the period of €1.2 million and profit attributable to non-controlling interests of €74 thousand, the loss attributable to owners of the Parent for the third quarter of 2013 amounts to €1.6 million, compared with the loss of €3.3 million registered in the third quarter of 2012.

Significant events during the third quarter

In the Acotel Interactive business area, the Group continued to promote and expand its offering of new products for the consumer segment (Digital Entertainment), aimed exclusively at smartphone and web users: 5 new games, conceived and developed in-house, were launched, increasing the total range to 24 games, compared with the 19 on offer at the end of the second quarter of 2013. The number of installations and games played also saw strong growth compared with the previous quarter (up 188% and 199%, respectively).

The app launched in the second quarter of 2013, which enables users to subscribe to *Skillderby* services and to be kept up to date with all the latest commercial offerings, was downloaded 230 thousand times and made available in another three countries: Brazil, the UAE and Saudi Arabia.

During the quarter *Acotel Interactive Inc.* established a new company in India, called *Acotel Interactive India Private Limited*, in order to introduce its last generation Digital Entertainment services into the Indian market.

The Acotel TLC business area registered a strong performance from Jinny Software, with the company's order book up 65% on the same period of the previous year, thanks to the market success of its SMS-C and MMS-C messaging platforms. This growth was also accompanied by the acquisition of a major new order in south-east Asia.

In the Mobile Communications segment, Nòverca launched *Nòverca+* on the Italian market. This is a revolutionary application, developed in-house, offering the company's customers more than a traditional mobile communications service, enabling them to make and receive calls by exploiting their smartphone's data connectivity, as if they were using a VoIP application but with a distinct and unique feature: *Nòverca+* is in fact the first and only app to be linked to a mobile number, thus effectively converting the smartphone into a dual SIM device. In the same way, a simple WiFi tablet can become an actual *smartphone* and make and receive calls using the *Noverca+* app. Calls made by Nòverca customers using *Noverca+* are completely free.

Finally, as regards security systems, the Acotel Net business continued to carry out maintenance of remote surveillance equipment installed at certain provincial branches of the Bank of Italy, at Italian police headquarters and at a number of companies in the Acea group.

In the Energy and Health segments, trials of the Group's energy and water management systems continued in cooperation with prestigious partners, such as Poste Italiane and Acea, in Italy and the Italian Embassy in Brazil. During the quarter the Group also installed devices in preparation for trials at a number of premises used by Coni (the Italian Olympic Committee) in Rome.

Other information

This October Acotel took part in the *Smart Energy Expo* held at the Verona Exhibition Centre, presenting its innovative solution for managing the consumption of energy, water and gas,



developed entirely in-house. The system has so far been tested with a number of prestigious partners, with extremely positive results in terms of quality and reliability of the service. Acotel's new commercial offering provides users with real-time information about the amounts of energy, water and gas used at various times of day, enabling them to identify peaks in consumption and devise a strategy to reduce their costs and eliminate waste.

The new version of the *Nòverca+* app, enabling Nòverca users to also communicate via an ordinary 3G data network using the data connection available on their SIM, was also released during the month. In this way the VoIP service can also be used when there is no WiFi connection.

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 30 September 2013 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.

Rome, 14 November 2013

Note: the condensed income statement and statement of financial position included in the interim report for the three months ended 30 September 2013 approved today by the Board of Directors are attached.

For further information contact:

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ACOTEL GROUP
Consolidated income statement

(€000)	Q3			9M		
	2013	2012	Inc./Dec.	2013	2012	Inc./Dec.
Revenues	30,695	21,880	8,815	90,100	72,880	17,220
Other income	21	50	(29)	455	1,460	(1,005)
Total	30,716	21,930	8,786	90,555	74,340	16,215
Change in work in progress, semi-finished and finished goods	6	(92)	98	101	(18)	119
Raw materials, semi-finished and finished goods	(510)	(209)	(301)	(1,383)	(1,517)	134
External services	(22,579)	(16,603)	(5,976)	(69,935)	(50,516)	(19,419)
Rentals and leases	(444)	(446)	2	(1,323)	(1,481)	158
Staff costs	(6,061)	(6,168)	107	(18,724)	(18,240)	(484)
Internal capitalised costs	90	61	29	666	633	33
Other costs	(578)	(510)	(68)	(1,970)	(1,573)	(397)
Gross operating profit/(loss)	640	(2,037)	2,677	(2,013)	1,628	(3,641)
Amortisation and depreciation	(1,072)	(1,069)	(3)	(3,198)	(3,165)	(33)
Goodwill impairment	-	-	-	(1,720)	-	(1,720)
Impairment losses/reversal of impairment losses on non-current assets	10	(1)	11	(64)	(36)	(28)
Operating profit/(loss)	(422)	(3,107)	2,685	(6,995)	(1,573)	(5,422)
Net finance income/(costs)	111	574	(463)	230	1,138	(908)
PROFIT/(LOSS) BEFORE TAX	(311)	(2,533)	2,222	(6,765)	(435)	(6,330)
Taxation	(1,233)	(749)	(484)	(1,604)	(2,229)	625
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	(1,544)	(3,282)	1,738	(8,369)	(2,664)	(5,705)
Profit/(Loss) attributable to non-controlling interests	74	50	24	205	113	92
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	(1,618)	(3,332)	1,714	(8,574)	(2,777)	(5,797)
Earnings per share	(0.39)	(0.81)		(2.08)	(0.68)	
Diluted earnings per share	(0.39)	(0.81)		(2.08)	(0.68)	



ACOTEL GROUP
Consolidated statement of financial position

(€000)	30 September 2013	31 December 2012 (*)	Inc./ (Dec.)
Non-current assets:			
Property, plant and equipment	9,962	10,445	(483)
Intangible assets	14,231	14,299	(68)
Other assets	3,593	3,578	15
TOTAL NON-CURRENT ASSETS	27,786	28,322	(536)
Net current assets:			
Inventories	759	721	38
Trade receivables	35,023	32,742	2,281
Other current assets	4,647	4,833	(186)
Trade payables	(25,411)	(23,850)	(1,561)
Other current liabilities	(6,370)	(8,414)	2,044
TOTAL NET CURRENT ASSETS	8,648	6,032	2,616
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	(2,936)	(2,578)	(358)
NON-CURRENT PROVISIONS	(627)	(629)	2
NET INVESTED CAPITAL	32,871	31,147	1,724
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	56,074	64,866	(8,792)
Profit/(Loss) for the period	(8,574)	(6,053)	(2,521)
Non-controlling interests	1,017	812	205
TOTAL EQUITY	49,601	60,709	(11,108)
Net cash and cash equivalents:			
Current financial assets	(6,979)	(16,722)	9,743
Cash and cash equivalents	(15,094)	(11,853)	(3,241)
Current financial receivables	-	(1,646)	1,646
Current financial liabilities	5,343	659	4,684
	(16,730)	(29,562)	12,832
NET FUNDS RECEIVABLE FROM OTHERS	(16,730)	(29,562)	12,832
TOTAL EQUITY AND NET FUNDS RECEIVABLE FROM OTHERS	32,871	31,147	1,724

(*) Amounts at 31 December 2012 have been partially restated to reflect the impact of IAS 19 (revised).



ACOTEL GROUP
Analysis of consolidated net funds

(€000)

	30 September 2013	30 June 2013	31 December 2012
A. Cash and cash equivalents	15,094	14,228	11,853
B. Assets held for trading	6,463	10,279	15,710
C. Liquidity (A + B)	21,557	24,507	27,563
D. Financial receivables due from related parties	-	-	1,646
E. Other current financial receivables	516	912	1,012
F. Current financial assets (D + E)	516	912	2,658
G. Current bank borrowings	(5,343)	(5,457)	(659)
H. Current financial liabilities (G)	(5,343)	(5,457)	(659)
I. Non-current debt	-	-	-
L. Net funds (C+F+H+I)	16,730	19,962	29,562
- receivable from related parties	-	-	1,646
- receivable from others	16,730	19,962	27,916