



## **PRESS RELEASE**

**ACOTEL GROUP: interim report for three months ended 30 September 2014.**

### **Consolidated results for 9M 2014:**

- **Revenue €52.4 million (€79.1 million in 9M 2013)**
- **Negative EBITDA €6.9 million (negative €2.4 million in 9M 2013)**
- **Negative EBIT €9.6 million (negative €6.7 million in 9M 2013)**
- **Loss for period €14 million (loss of €8.6 million in 9M 2013)**

### **Consolidated results for Q3 2014:**

- **Revenue €17.2 million (€27.2 million in Q3 2013)**
- **Negative EBITDA €3.4 million (positive €0.8 million in Q3 2013)**
- **Negative EBIT €4.4 million (negative €0.1 million in Q3 2013)**
- **Loss for period €5.1 million (loss of €1.6 million in Q3 2013)**

**Net funds total €29.1 million (€16.4 million at 30 June 2014, €18.2 million at 31 December 2013).**

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 2014.

### **Results for 9M 2014**

In line with the decision to focus on the development and commercialisation of energy management solutions, on 1 August of this year the sale of Acotel Group's 100% interest in *Jinny Software Ltd.* (which alone made up the entire Mobile VAS Technology segment of the Acotel TLC business area) and all its subsidiaries to the Canadian group, *Enghouse Systems* (a company listed on the Toronto Stock Exchange), was completed.

The agreed sale price of €13.2 million was paid at the time of transaction closing, with €1.6 million to be held in an escrow account for 12 months until the current administrative and accounting due diligence process has been completed and to guarantee fulfilment of the seller's other contractual obligations.

In application of IFRS 5, an impairment loss of €3,621 thousand (after taxation of €7 thousand) was recognised in the Interim Report for the six months ended 30 June 2014. This was done to align the carrying amount of the net assets sold with the agreed sale price, less the costs directly attributable to the sale.

Cost and revenue items attributable to the Jinny group for the first nine months of 2014 and, for comparative purposes, those for the same period of 2013 have been classified in "Profit/(Loss) from discontinued operations".

Turning to the financial and operating performance during the nine months ended 30 September 2014, the Acotel Group generated revenue of approximately €52.4 million during the period, down 34% on the €79.1 million of the same period of 2013. The performance primarily reflects the decision taken by US mobile operators not to sell value added services created by third parties to their customers, and a slowdown in the Italian and Middle Eastern markets.

In terms of operating segment, 79% of revenue was generated by the Acotel Interactive business area, 19% by the Acotel TLC business area and the remaining 2% by the Acotel Net business area.



In the **Acotel Interactive** business area, Digital Entertainment services generated revenues of approximately €31.1 million, down 43% on the €54 million of the same period of 2013, whilst Mobile Service revenues of around €10.4 million are down 40% from the €17.3 million of the same period of 2013.

Revenues generated by the **Acotel TLC** business area amount to €9.7 million, up 43% on the €6.8 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.

The Mobile Virtual Network Aggregator segment of the same business area generated revenues of €210 thousand as a result of the provision of services enabling *Noitel Italia Srl* to operate as an airtime reseller and the current provision of services designed to enable *Linkem SpA* and other customers to operate as Mobile Virtual Network Operators.

Finally, revenues generated by the **Acotel Net** business area, totalling €1.1 million, are substantially in line with the same period of 2013. Revenues include €891 thousand generated by the Security Systems segment in Italy and €179 thousand generated by the Energy segment in Italy and Brazil.

The geographical revenue breakdown confirms the high degree of diversification of the Group's revenue sources, with 40% of revenues generated in Italy, 37.8% in Latin America, 17.1% in the Middle East, 3% in other European countries, 1.1% in India, 0.9% in North America and the remaining 0.1% in Africa.

The consolidated gross operating loss (negative EBITDA) of approximately €6.9 million (a loss of €2.4 million for the same period of 2013) was significantly influenced by the operating loss incurred by *Acotel Interactive Inc.* in the Acotel Interactive business area, in part due to the advertising expenses incurred in order to launch services in India. The operating results also reflects problems encountered in billing local operators in Mexico, the losses incurred by *Noverca Italia Srl* and *Noverca Srl* in the Acotel TLC business area and investment in personnel and technology by the Acotel Net business area.

After amortisation and depreciation (€2.7 million), the Group's consolidated operating loss (negative EBIT) is €9.6 million, compared with a loss of €6.7 million in the same period of the previous year.

After net finance costs of €27 thousand, estimated tax expense for the period (€1.6 million), the loss from discontinued operations (€3.6 million) and the loss attributable to non-controlling interests (€41 thousand), the loss attributable to owners of the Parent for the period amounts to €14 million (a loss of €8.6 million for the nine months of 2013).

Net funds at 30 September 2014, amounting to €29,079 thousand, are up on the figure for 30 June 2014 (an increase of 77%) and on the end of 2013 (up 60%). This reflects the proceeds from the sale of *Jinny Software*.

### **Results for Q3 2014**

The Acotel Group's revenue for the third quarter, amounting to €17.2 million, is down 37% on the €27.2 million of the third quarter of 2013.



The gross operating loss (negative EBITDA) for the quarter, amounting to €3.4 million, compares with a profit of €0.8 million reported in the same period of 2013. This essentially reflects the operating losses incurred by *Noverca Italia Srl* and *Acotel Interactive Inc.*. After amortisation and depreciation, the operating loss (negative EBIT) amounts to €4.4 million (€0.1 million for the same period of 2013).

After net finance costs of €102 thousand, estimated taxation for the period of €0.7 million and the loss attributable to non-controlling interests of €12 thousand, the loss attributable to owners of the Parent for the third quarter of 2014 amounts to €5.1 million, compared with the loss of €1.6 million registered in the third quarter of 2013.

### **Significant events during the quarter**

In the **Acotel Interactive** business area, the Group continued both to prepare for the launch of new services for consumers (Digital Entertainment) in the countries in which it already has a commercial presence, and to expand its customer base in the Indian market, where, during the previous quarter, the Group began to offer its latest generation Digital Entertainment services and where it has been signing up an average of 15,000 new customers a day.

In the Mobile Communications segment of the **Acotel TLC** business area, *Noverca Italia Srl*, a FULL MVNO operating in the Italian market, has increased its customer base by around 55 thousand, including over 38 thousand via mobile number portability.

In the Mobile Virtual Network Aggregator (MVNA) segment of the same business area, *Noverca Srl* proceeded with the process of enabling the customers with which had entered into commercial agreements to operate as mobile virtual network operators. The process of enabling *Noitel Italia Srl* to operate as an airtime reseller (ATR) was completed during the period and the activities involved in the process of enabling *Linkem SpA* and other customers to operate as Mobile Virtual Network Operators continued.

Turning to the **Acotel Net** business area, during the quarter the process of installing devices on customers' premises continued. These devices, which are connected to Acotel Net's central platform, enable access to the web interface that permits users to monitor their energy consumption and take all the necessary steps to implement energy saving initiatives. Revenues generated during the quarter, totalling €157 thousand, are primarily attributable to the commercial agreement that *AEM Acotel Engineering and Manufacturing SpA* has entered into with *Poste Italiane SpA* to manage energy consumption at around 8,500 post offices.

### **Other information**

For the second consecutive year, Acotel took part in the Smart Energy Expo held at the Verona Exhibition Centre in October. The Company presented its innovative products and services, conceived, designed and produced entirely in Italy. These range from solutions for managing the consumption of energy, water and gas, to "intelligent" lighting controls, security and automation.

During the Expo, Acotel and *Eni Retail Market G&P* announced a major agreement to develop new energy saving products and solutions. The partnership will give Acotel access to all segments of the market and allow Eni, in addition to supplying its customers with gas and



electricity, to offer them a service enabling them to keep a closer eye on their consumption and identify what action they need to take to achieve effective savings.

**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 nine months ended 30 September 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](http://www.acotel.com).

Rome, 13 November 2014

*Note: the condensed income statement and statement of financial position included in the interim report for the nine months ended 30 September 2014 approved today by the Board of Directors are attached.*

For further information contact:

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**ACOTEL GROUP**  
**Reclassified consolidated income statement (\*)**

(€000)	Q3			9M		
	2014	2013	Increase/ (Decrease)	2014	2013	Increase/ (Decrease)
Revenues	17.177	27.200	(10.023)	52.373	79.062	(26.689)
Other income	128	21	107	214	455	(241)
<b>Total</b>	<b>17.305</b>	<b>27.221</b>	<b>(9.916)</b>	<b>52.587</b>	<b>79.517</b>	<b>(26.930)</b>
Change in work in progress, semi-finished and finished goods	(4)	6	(10)	131	101	30
Raw materials, semi-finished and finished goods	(242)	(60)	(182)	(732)	(254)	(478)
External services	(16.656)	(22.006)	5.350	(46.337)	(67.978)	21.641
Rentals and leases	(339)	(340)	2	(981)	(994)	13
Staff costs	(3.553)	(3.765)	212	(11.512)	(11.668)	156
Internal capitalised costs	286	76	210	799	259	540
Other costs	(150)	(372)	222	(824)	(1.352)	528
<b>Gross operating profit/(loss)</b>	<b>(3.353)</b>	<b>760</b>	<b>(4.113)</b>	<b>(6.869)</b>	<b>(2.369)</b>	<b>(4.500)</b>
Amortisation and depreciation	(990)	(876)	(114)	(2.750)	(2.561)	(189)
Goodwill impairment	-	-	-	-	(1.720)	1.720
Impairment losses/reversal of impairment losses on non-current assets	-	-	-	-	(1)	1
<b>Operating profit/(loss)</b>	<b>(4.343)</b>	<b>(116)</b>	<b>(4.227)</b>	<b>(9.619)</b>	<b>(6.651)</b>	<b>(2.968)</b>
Net finance income/(costs)	(102)	30	(132)	(27)	38	(65)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(4.445)</b>	<b>(86)</b>	<b>(4.359)</b>	<b>(9.646)</b>	<b>(6.613)</b>	<b>(3.033)</b>
Taxation	(682)	(1.230)	548	(746)	(1.594)	848
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>	<b>(5.127)</b>	<b>(1.316)</b>	<b>(3.811)</b>	<b>(10.392)</b>	<b>(8.207)</b>	<b>(2.185)</b>
Profit/(Loss) from discontinued operations	-	(228)	229	(3.621)	(162)	(3.459)
<b>PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS</b>	<b>(5.127)</b>	<b>(1.544)</b>	<b>(3.583)</b>	<b>(14.013)</b>	<b>(8.369)</b>	<b>(5.645)</b>
Profit/(Loss) attributable to non-controlling interests	(12)	74	(86)	(41)	205	(246)
<b>PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>(5.115)</b>	<b>(1.618)</b>	<b>(3.497)</b>	<b>(13.972)</b>	<b>(8.574)</b>	<b>(5.399)</b>
Earnings per share	(1,24)	(0,39)		(3,40)	(2,08)	
Diluted earnings per share	(1,24)	(0,39)		(3,40)	(2,08)	

(\*): The subsidiary, Jinny Software Ltd., and all its subsidiaries were sold on 1 August 2014. The related cost and revenue items have, therefore, been classified in "Profit/(Loss) from discontinued operations". Amounts for 2013 have been restated for comparative purposes and to comply with IFRS 5 in order to separately report the results for 2013 deriving from assets sold during 2014.



**ACOTEL GROUP**

**Reclassified consolidated statement of financial position**

(€000)	30 September 2014	31 December 2013	Increase/ (Decrease)
<b>Non-current assets:</b>			
Property, plant and equipment	8.362	9.180	(818)
Intangible assets	3.735	14.147	(10.412)
Other assets	4.128	3.726	402
<b>TOTAL NON-CURRENT ASSETS</b>	<b>16.225</b>	<b>27.053</b>	<b>(10.828)</b>
<b>Net current assets:</b>			
Inventories	614	526	88
Trade receivables	18.873	32.997	(14.124)
Other current assets	3.052	4.056	(1.004)
Trade payables	(25.833)	(24.748)	(1.085)
Other current liabilities	(4.839)	(7.987)	3.148
<b>TOTAL NET CURRENT ASSETS</b>	<b>(8.133)</b>	<b>4.844</b>	<b>(12.977)</b>
<b>PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS</b>	<b>(3.618)</b>	<b>(2.939)</b>	<b>(679)</b>
<b>NON-CURRENT PROVISIONS</b>	<b>(596)</b>	<b>(812)</b>	<b>216</b>
<b>NET INVESTED CAPITAL</b>	<b>3.878</b>	<b>28.146</b>	<b>(24.268)</b>
<b>Equity:</b>			
Share capital	1.084	1.084	-
Reserves and retained earnings/(accumulated losses)	44.851	54.916	(10.065)
Profit/(Loss) for the period	(13.972)	(10.661)	(3.311)
Non-controlling interests	994	1.036	(42)
<b>TOTAL EQUITY</b>	<b>32.957</b>	<b>46.375</b>	<b>(13.418)</b>
<b>MEDIUM/LONG-TERM DEBT</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash and cash equivalents:</b>			
Current financial assets	(20.882)	(7.257)	(13.625)
Cash and cash equivalents	(13.699)	(16.377)	2.678
Current financial liabilities	5.502	5.405	97
	<b>(29.079)</b>	<b>(18.229)</b>	<b>(10.850)</b>
<b>NET FUNDS RECEIVABLE FROM OTHERS</b>	<b>(29.079)</b>	<b>(18.229)</b>	<b>(10.850)</b>
<b>TOTAL EQUITY AND NET FUNDS RECEIVABLE FROM OTHERS</b>	<b>3.878</b>	<b>28.146</b>	<b>(24.268)</b>



## ACOTEL GROUP

### Analysis of consolidated net funds

(€000)

	30 September 2014	30 June 2014	31 December 2013
A. Cash and cash equivalents	13,699	13,962	16,377
B. Assets held for trading	19,282	7,903	7,000
<b>C. Liquidity (A + B)</b>	<b>32,981</b>	<b>21,865</b>	<b>23,377</b>
D. Other current financial receivables	1,600	-	257
<b>E. Current financial assets (D)</b>	<b>1,600</b>	<b>-</b>	<b>257</b>
F. Current bank borrowings	(5,502)	(5,425)	(5,405)
<b>G. Current financial liabilities (F)</b>	<b>(5,502)</b>	<b>(5,425)</b>	<b>(5,405)</b>
H. Non-current debt	-	-	-
<b>I. Net funds (C+E+G+H)</b>	<b>29,079</b>	<b>16,440</b>	<b>18,229</b>