



PRESS RELEASE

ACOTEL GROUP: Board approves interim report for H1 2013

- **Consolidated revenue €59.4 million (€51 million in H1 2012)**
- **Negative consolidated EBITDA €2.6 million (a positive €3.7 million in H1 2012)**
- **Negative consolidated EBIT €6.6 million (a positive €1.5 million in H1 2012)**
- **Loss for period €6.9 million (profit of €555 thousand for H1 2012)**

Net funds total approximately €20 million.

Today's meeting of the Board of Directors of Acotel Group SpA has approved the Group's interim report for the six months ended 30 June 2013, which show an improvement in revenue and a deterioration in earnings. This essentially reflects a reduction in earnings generated by the provision of Digital Entertainment services and the consequences of Intesa Sanpaolo's withdrawal from the Noverca project.

Revenue of €59.4 million for the first half is up 16% on the €51 million of the same period of 2012.

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

In the **Acotel Interactive** business, Digital Entertainment services generated revenues of approximately €35.4 million, up on the €29.1 million of the first half of 2012, Mobile Service revenues amount to approximately €11.5 million, up on the €10 million of the same period of 2012.

Revenues generated by the **Acotel TLC** business amount to €11.8 million (up 6% on the same period of 2012), with 64% generated by the Mobile VAS Technology segment, in which the subsidiary, Jinny Software, operates and the remaining 36% by Mobile Communications, in which the MVNO, Noverca Italia Srl, Acotel SpA and Acotel do Brasil Ltda operate.

Finally, revenues generated by the **Acotel Net** business, totalling €693 thousand, are slightly down on the €728 thousand of the first half of 2012. This business area essentially regards the design, production and maintenance of electronic security systems in Italy by the subsidiary, AEM SpA.

The geographical revenue breakdown confirms the high degree of diversification of the Group's revenue sources, with revenue generated as follows: Italy (31%), Latin America (25.7%), the Middle East (17.9%), North America (13.9%), other European countries (7.2%), Africa (3.8%) and Asia (0.5%).

The consolidated gross operating loss (negative EBITDA) of approximately €2.6 million compares with the gross operating profit of €3.7 million recorded in the first half of 2012, essentially due to the reduction in earnings recorded by the **Acotel Interactive** business.

After amortisation, depreciation and impairments of non-current assets (€2.2 million), the goodwill impairment generated by underwriting Intesa Sanpaolo's unexercised portion of the rights issued by Noverca Srl and Noverca Italia Srl (€1.7 million), the Group reports an operating loss (negative EBIT) of €6.6 million, compared with a profit of €1.5 million for the first half of 2012.

Taking into account net finance income of €119 thousand, estimated tax expense for the period (€371 thousand) and profit attributable to non-controlling interests (€131 thousand), the loss



attributable to owners of the Parent for the first half of 2013 amounts to €6.9 million (a profit of €555 thousand for the first half of 2012).

The following factors weighed heavily on the Group's overall earnings performance: large-scale investment in advertising (€12.4 million, compared with the €5.7 million of the first half 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 €3.8 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.

The Acotel Interactive business alternates between periods when margins are sacrificed in order to increase market share through investment in advertising, and others when the customer base generates revenues, substantially free of variable costs, thus enabling the Group to recoup its advertising costs and make attractive profits.

In this regard, management is pleased to note the positive results achieved in terms of new customer acquisitions and, as a result, intends to both continue with its major investment in advertising in the coming months and, by the end of the year, take steps to boost margins in the Acotel Interactive business.

Net funds at 30 June 2013 amount to approximately €19.96 million, down on the €29.56 million of 31 December 2012. This essentially reflects significant investment in advertising by the Acotel Interactive business, the financial support provided to *Noverca Srl* and *Noverca Italia Srl* and renovation of the premises owned by the Group in Rio de Janeiro. This latter initiative, designed to meet the needs of the Group's Brazilian subsidiaries, is providing to have been a good investment, partly in view of recent buoyancy in the Brazilian property market in response to the upcoming Soccer World Cup and Olympic Games.

Significant events during the first half

In the Acotel Interactive business area, the Group continued with both the far-reaching review of its commercial offering for consumers, begun in the second half of 2012, and expansion of its geographical footprint. Compared with the first half of 2012, when growth was close to zero, the percentage of revenues generated by new products aimed at smartphone and web users has risen by 50%, benefitting from increased investment in advertising during the period (up 118%) 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.

The new products have been designed and developed internally at the New York office and at the Group's other operating facilities, enriching the commercial offering in a market where technology is in continual evolution and with a high degree of innovation.

At the end of the period the Group presented an app that enables users to subscribe to services and to be kept up to date with all the latest commercial offerings: altering the method of acquiring customers in this way will lead to significant benefits in terms of lower customer acquisition costs. The application also enables the Group to continuously monitor consumers' habits in order to improve its offering and respond more quickly to market trends.

The Acotel TLC business area registered a strong performance from *Jinny Software*, with the company's order book up 28% thanks to the market success of its SMS-C and MMS-C messaging platforms. With a significant portion of the orders received at the end of the period,



however, this will only translate into revenues in the coming months. This growth was also accompanied by the acquisition of major new customers, two in Europe and two in America. In this regard, the acquisition of its first contract with one of Latin America's leading mobile operators is of great strategic importance.

In the Mobile Communications segment, Noverca Srl continued to prepare to extend its commercial offering to customers external to the Group. The company expects to sign its first contracts by the end of the current year.

Finally, as regards the security systems sold and maintained by the Acotel Net business area, the Group 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. The maintenance contract covering the systems installed in the Italian offices of the Bank of Italy has been extended until the end of 2015, and the annual contract with Telecom Italia SpA relating to routine and non-routine maintenance of remote alarm systems at Italian police headquarters has also been renewed.

In the Energy and Health segments, trials of the Group's energy and water management systems have begun in Italy and Brazil in partnership with potential customers who could represent both important sources of revenue and highly prestigious testimonials. The Group is strengthening its sale force by introducing professionals with proven experience, by retraining a number of internal staff and by hiring selected high-potential young graduates.

Events after 30 June 2013

Jinny Software Ltd. has established a US-registered company, Jinny Software USA, LLC, through which it will be able to provide an improved service to its existing customers and take advantage of attractive opportunities in the US market for the products it develops.

Noverca has agreed changes to its contract with Telecom Italia SpA, allowing it to begin operating as a Mobile Virtual Network Enabler (MVNE) and Mobile Virtual Network Aggregator (MVNA) serving customers outside the Group interested in entering the market as mobile virtual network operators.

Outlook

The Acotel Interactive business area aims to complete the launch of the app developed to facilitate commercialisation of the services to be rolled out in the countries in which the Group has a commercial presence.

In addition, the Group intends to continue to invest heavily in advertising to support the sale of new services devised and developed specifically for smartphone users. This will be followed, by the end of the year, by steps to boost margins, benefitting from the expanded customer base.

With regard to the Mobile VAS technology segment of the Acotel TLC business, the large size of the order book and the market success of the Group's products lead us to expect a positive performance during the second half of the year.

Noverca Italia Srl is committed to expanding its commercial network. Thanks to changes to its contract with Telecom Italia SpA, Noverca Srl will be able to start operating as a Mobile Virtual Network Enabler (MVNE) and Mobile Virtual Network Aggregator (MVNA).



As regards the Acotel Net business area, we expect to conclude ongoing negotiations with major commercial partners. In addition to generating attractive returns, this will provide the Group with the sort of prestigious testimonials needed for the large-scale launch of the Group's operations in this market segment, which we have identified as the segment in which we intend to position the Group in the future.

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 six months ended 30 June 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, 8 August 2013

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

For further information contact:

Acotel Group SpA Investor Relations Tel. +39 06 61141000 e-mail: investor.relator@acotel.com	Barabino&Partners Andrea Pagano Mariano Tel. +39 06 6792929 e-mail: a.paganomariano@barabino.it
---	--



ACOTEL GROUP

Reclassified consolidated income statement

(€000)	H1 2013	H1 2012	Increase/ (Decrease)
Revenues	59,405	51,000	8,405
Other income	434	1,410	(976)
Total	59,839	52,410	7,429
Gross operating profit/(loss)	(2,653)	3,665	(6,318)
	<i>-4.47%</i>	<i>7.19%</i>	
Amortisation and depreciation	(2,126)	(2,096)	(30)
Goodwill impairment	(1,720)	-	(1,720)
Impairment losses/reversal of impairment losses on non-current assets	(74)	(35)	(39)
Operating profit/(loss)	(6,573)	1,534	(8,107)
	<i>-11.06%</i>	<i>3.01%</i>	
Net finance income/(costs)	119	564	(445)
PROFIT/(LOSS) BEFORE TAX	(6,454)	2,098	(8,552)
	<i>-10.86%</i>	<i>4.11%</i>	
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	(6,825)	618	(7,443)
	<i>-11.49%</i>	<i>1.21%</i>	
ATTRIBUTABLE TO OWNERS OF THE PARENT	(6,956)	555	(7,511)
	<i>-11.71%</i>	<i>1.09%</i>	
Earnings per share	(1.69)	0.13	
Diluted earnings per share	(1.69)	0.13	

ACOTEL GROUP
Reclassified consolidated statement of financial position

(€000)	30 June 2013	31 December 2012 (*)	Increase/ (Decrease)
Non-current assets:			
Property, plant and equipment	10,499	10,445	54
Intangible assets	14,559	14,299	260
Other assets	3,472	3,578	(106)
TOTAL NON-CURRENT ASSETS	28,530	28,322	208
Net current assets:			
Inventories	880	721	159
Trade receivables	35,852	32,742	3,110
Other current assets	5,824	4,833	991
Trade payables	(27,824)	(23,850)	(3,974)
Other current liabilities	(7,014)	(8,414)	1,400
TOTAL NET CURRENT ASSETS	7,718	6,032	1,686
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	(2,795)	(2,578)	(217)
NON-CURRENT PROVISIONS	(619)	(629)	10
NET INVESTED CAPITAL	32,834	31,147	1,687
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	57,725	64,866	(7,141)
Profit/(Loss) for the period	(6,956)	(6,053)	(903)
Non-controlling interests	943	812	131
TOTAL EQUITY	52,796	60,709	(7,913)
MEDIUM/LONG-TERM DEBT	-	-	-
Net cash and cash equivalents:			
Current financial assets	(11,191)	(16,722)	5,531
Cash and cash equivalents	(14,228)	(11,853)	(2,375)
Current financial receivables	-	(1,646)	1,646
Current financial liabilities	5,457	659	4,798
	(19,962)	(29,562)	9,600
NET FUNDS RECEIVABLE FROM OTHERS	(19,962)	(29,562)	9,600
TOTAL EQUITY AND NET FUNDS RECEIVABLE FROM OTHERS	32,834	31,147	1,687

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



ACOTEL GROUP

Consolidated statement of cash flows

(€000)	<u>H1 2013</u>	<u>H1 2012</u>
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,916	36,093
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	(6,172)	1,856
Cash flows from operating activities before changes in working capital	(4,220)	2,115
Profit/(Loss) for the period	(6,956)	555
Amortisation and depreciation	2,126	2,096
Goodwill impairment	1,720	-
Impairment losses/reversal of impairment losses on non-current assets	74	-
Impairment of assets	-	27
Net change in staff termination benefits	15	129
Net change in deferred tax liabilities	(10)	257
Net change in provisions	(85)	4
Currency translation differences	(1,103)	(953)
(Increase) / Decrease in receivables	(2,161)	(156)
- <i>due from related parties</i>	490	191
- <i>other</i>	(2,651)	(347)
(Increase) / Decrease in inventories	(47)	(66)
Increase / (Decrease) in payables	255	(37)
- <i>due to related parties</i>	(1,308)	53
- <i>other</i>	1,563	(90)
C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES	(1,847)	(1,973)
(Purchases)/disposals of fixed assets:		
- Intangible assets	(2,159)	(885)
- Property, plant and equipment	(1,372)	(1,365)
- Financial assets	170	277
Effect of consolidating Noverca business	1,514	-
Assets acquired with Noverca business	3,847	-
Liabilities assumed with Noverca business	(4,818)	-
Cash acquired with Noverca business	971	-
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES	66	(311)
Net borrowings:	1,646	(374)
- <i>due to related parties</i>	1,646	(374)
Increase / (Decrease) in short-term debt	(1,224)	-
Other changes in equity	(487)	-
Change in non-controlling interests	131	63
E. CASH FLOW FOR THE PERIOD (B+C+D)	(7,954)	(428)
F. NET CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+E)	19,962	35,665

ACOTEL GROUP

Analysis of consolidated net funds

(€000)

	30 June 2013	31 December 2012	Increase/ (Decrease)
A. Cash and cash equivalents	14,228	11,853	2,375
B. Assets held for trading	10,279	15,710	(5,431)
C. Liquidity (A + B)	24,507	27,563	(3,056)
D. Financial receivables due from related parties	-	1,646	(1,646)
E. Other current financial receivables	912	1,012	(100)
F. Current financial assets (D + E)	912	2,658	(1,746)
G. Current bank borrowings	(5,457)	(659)	(4,798)
H. Current financial liabilities (G)	(5,457)	(659)	(4,798)
I. Non-current debt	-	-	-
L. Net funds (C+F+H+I)	19,962	29,562	(9,600)
- receivable from related parties	-	1,646	(1,646)
- receivable from others	19,962	27,916	(7,954)