PRESS RELEASE
ACOTEL GROUP: Board approves interim report for H1 2014

- **Consolidated revenue €35.2 million (€51.9 million in H1 2013)**
- **Negative EBITDA €3.5 million (negative €3.1 million in H1 2013)**
- **Negative EBIT €5.3 million (negative €6.5 million in H1 2013)**
- **Loss for period €8.9 million (loss of €7 million for H1 2013)**

Net funds total approximately €16.4 million.

In line with the planned repositioning of its core business, following the Company's decision to focus on the development and commercialisation of energy management solutions, during the first half *Acotel Group SpA* made progress in delivering on its strategy of disposing of a number of entire business segments, or part thereof, no longer considered relevant to the achievement of its medium- to long-term objectives.

In the days immediately prior to preparation of its interim report, approved today by the Company's Board of Directors, the sale of Acotel Group's 100% interest in *Jinny Software Ltd.* was agreed with the Canadian group, *Enghouse Systems*, listed on the Toronto Stock Exchange.

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 in order to guarantee fulfilment of the seller's contractual obligations.

The net assets attributable to the *Jinny* business at 30 June 2014 have, therefore, been reclassified in the interim report to "Assets held for sale and discontinued operations" in the income statement, as required by IFRS 5.
An impairment loss of €3,621 thousand has also been recognised (after taxation of €7 thousand) in order to align the carrying amount of the net assets sold with the agreed sale price, less the costs directly attributable to the sale. This loss has been recognised in the income statement for the first half in the line item "Profit/(Loss) from assets held for sale and discontinued operations".

Turning to the financial and operating performance during the six months ended 30 June 2014, the Group generated revenue of €35.2 million in the first half of the current year, after stripping out revenue attributable to discontinued operations. This marks a reduction of 32% on the €51.9 million of the first half of 2013, primarily reflecting 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.

82% of revenue was generated by the Acotel Interactive business area, 16% 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 €22.2 million, down €35.4 million on the first half of 2013, whilst Mobile Service revenues of around €6.7 million are down from the €11.5 million of the same period of 2013.

Revenues generated by the **Acotel TLC** business area amount to €5.6 million, up 30% on the €4.3 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 and ended the first half with total revenue of approximately €5.3 million. This is up by around 51% on the €3.5 million of the first half of 2013 (with €2.3 million recognised in the interim report

for the six months ended 30 June 2013 as a result of the company's consolidation using the proportionate method until 20 May 2013).
The Mobile Virtual Network Aggregator segment of the same business area generated revenues of €45 thousand as a result of its provision of services enabling *Noitel Italia Srl* to operate as an airtime reseller.

Revenues generated by the **Acotel Net** business area, totalling €0.6 million, are substantially in line with the same period of 2013. Revenues include €564 thousand generated by the Security Systems segment in Italy and €73 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 revenue generated as follows: 39.1% in Latin America, 38.1% in Italy, 17.6% in the Middle East, 3.4% in other European countries, 1.2% in North America, 0.5% in India and the remaining 0.1% in Africa.

Whilst benefitting from the return on the large-scale investment in advertising carried out by the Acotel Interactive business in the previous year (generating positive EBITDA of €2.3 million in the first half), the consolidated gross operating loss (negative EBITDA) for the first half (approximately €3.5 million, up on the loss of €3.1 million recorded in the same period of 2013), was hit by the negative operating performances of *Noverca Srl* and *Noverca Italia Srl* in the Acotel TLC business area and investment in personnel and technology by the Acotel Net business area.

After amortisation and depreciation (€1.8 million), the Group's consolidated operating loss (negative EBIT) is approximately €5.3 million, compared with a loss of €6.5 million in the first half of the previous year.

After net finance income of €75 thousand, estimated tax expense for the period (€64 thousand), the loss from assets held for sale and discontinued operations (€3.6 million) and the loss attributable to non-controlling interests (€29 thousand), the consolidated loss for the first half of 2014 amounts to €8.9 million (a loss of €7 million for the first half of 2013).

Net funds at 30 June 2014, which have not yet benefitted from the sale of Jinny Software, amount to approximately €16.4 million, down on the €18.2 million of 31 December 2013.

Significant events during the first half

In the **Acotel Interactive** business area, the Group continued both to revisit its commercial offering, introducing new products for consumers (Digital Entertainment), and to expand its geographical footprint. In the second quarter of 2014, the Indian subsidiary, *Acotel Interactive India Private Limited,* launched latest generation services. The response in terms of turnover generated (€0.2 million), in the few weeks in which the services were available during the reporting period, has confirmed our positive expectations regarding the revenue potential of the Indian market.

In the Mobile Communications segment of the **Acotel TLC** business area, *Noverca Italia Srl,* a FULL MVNO operating in the Italian market, increased its customer base by over 110 thousand – including almost 90 thousand 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.

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 it concluded commercial agreements at the end of last year to operate as mobile virtual network operators. The process of enabling *Noitel Italia Srl* to operate as an airtime reseller (ATR) was largely completed during the first half*.*
The first half also saw conclusion of a new MVNA agreement with *Linkem SpA*, a company that provides internet connectivity in the Italian market. In this way, *Linkem* will be able to add mobile telecommunications services to its commercial offering.

Finally, thanks to the operating and technological effectiveness of the solutions developed in an extremely tough competitive environment, at the end of the first half the Group further consolidated its relations with *Telecom Italia SpA.* This took the form of a new contract extending the agreements covering the provision of Mobile Virtual Network Operator (MVNO) services for a further five years and those relating to Mobile Virtual Network Aggregator services for a further three years.
This means that the Group has extended the period of time in which it is able to operate as an MVNA, offering wholesale access to parties interested in becoming MVNOs, together with a service platform providing the full range of modules needed to operate as an MVNO. The resulting turnkey solution makes it easier and quicker for new operators to enter the market, allowing them to benefit from highly competitive start-up and operating costs.

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. During the second part of the period, the Group signed a number of contracts for the supply of energy management services to several leaders in the Italian facility management sector and major partners such as Coni (the Italian Olympic Committee) and the Gotto d'oro winery.

The contracts, which envisage the supply of over 4 thousand devices, resulted in the installation of approximately 1,150 on customers' premises, with plans to increase this number to more than 8,000 during the second half of the current year.
These devices are special gateways that aggregate data from a certain number of sensors which, in the case of energy, can measure consumption.
Using GSM modules equipped with M2M (Machine-to-Machine) SIM cards or via an ADSL connection, the gateways dialogue with Acotel Net's central platform. The platform, accessed via a web interface, is thus the key component enabling customers to monitor their consumption and take all the necessary steps to implement energy saving initiatives.

Events after 30 June 2014

In addition to the above sale of the investment in *Jinny Software*, the Group has entered into further commercial agreements with Italian facility management companies for the provision of energy management services. These agreements have increased the total number of devices ordered since the beginning of 2014 to almost 5 thousand, including more than 1,500 already installed at the date of approval of this interim report.

Outlook

The Acotel Interactive business expects to complete the launch of services in India, an area with significant revenue potential for the Group. The commercial launch of services in other geographical areas is also planned, including Romania and Kuwait, alongside an increase in customer acquisition initiatives in other areas, such as Italy.

In the Mobile Virtual Network Aggregator segment of the Acotel TLC business area, thanks to the contracts entered into by *Noverca Italia Srl* in 2013 and 2014 with external parties interested in operating as MVNOs or ATRs*, Noverca Srl* will begin operating as an MVNA for external customers outside the Group, thereby exploiting its investment in infrastructure and the software developed in recent years.

In connection with the Acotel Net business area's provision of electricity, water and gas monitoring systems, the provision of support for the installation of the devices ordered by customers and efforts to acquire new business and consumer customers will continue. The Group's management is looking at a range of solutions to adopt for the launch of Energy Management services for final customers.

At the same time, the Group's Acotel Net business area will proceed with internal development initiatives designed to build on its portfolio of innovative products and services, introducing solutions that will enable it to enter further sectors such as, for example, security and agriculture.

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 six months ended 30 June 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.

Rome, 7 August 2014

Note: the condensed income statement and statement of financial position included in the interim report for the six months ended 30 June 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)	H1 2014	H1 2013 (*)	Increase/ (Decrease)
Revenues	35,196	51,862	(16,666)
Other income	86	434	(348)
Total	**35,282**	**52,296**	**(17,014)**
Gross operating profit/(loss)	**(3,515)**	**(3,131)**	**(384)**
	-9.99%	*-6.04%*	
Amortisation and depreciation	(1,760)	(1,685)	(75)
Goodwill impairment	-	(1,720)	1,720
Operating profit/(loss)	**(5,275)**	**(6,536)**	**1,261**
	-14.99%	*-12.60%*	
Net finance income/(costs)	75	8	67
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(5,200)**	**(6,528)**	**1,328**
	-14.78%	*-12.59%*	
Taxation	(64)	(364)	300
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(5,264)**	**(6,892)**	**1,628**
Profit/(Loss) from assets held for sale and discontinued operations	(3,621)	67	(3,688)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	**(8,885)**	**(6,825)**	**(2,060)**
Profit/(Loss) attributable to non-controlling interests	(29)	131	(160)
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	**(8,856)**	**(6,956)**	**(1,900)**
Earnings per share	(2.15)	(1.69)	
Diluted earnings per share	(2.15)	(1.69)	

(*): As required by IFRS 5, amounts for the first half of 2013 have been reclassified.

ACOTEL GROUP

Reclassified consolidated statement of financial position

(€000)	30 June 2014	31 December 2013	Increase/ (Decrease)
Non-current assets:			
Property, plant and equipment	8,709	9,180	(471)
Intangible assets	3,896	14,147	(10,251)
Other assets	3,928	3,726	202
TOTAL NON-CURRENT ASSETS	**16,533**	**27,053**	**(10,520)**
Net current assets:			
Inventories	610	526	84
Trade receivables	20,419	32,997	(12,578)
Other current assets	3,527	4,056	(529)
Trade payables	(22,843)	(24,748)	1,905
Other current liabilites	(5,251)	(7,987)	2,736
TOTAL NET CURRENT ASSETS	**(3,538)**	**4,844**	**(8,382)**
TOTAL ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS LESS THE RELATED LIABILITIES	**13,223**	**-**	**13,223**
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	**(3,347)**	**(2,939)**	**(408)**
NON-CURRENT PROVISIONS	**(653)**	**(812)**	**159**
NET INVESTED CAPITAL	**22,218**	**28,146**	**(5,928)**
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	45,424	54,916	(9,492)
Profit/(Loss) for the period	(8,856)	(10,661)	1,805
Non-controlling interests	1,006	1,036	(30)
TOTAL EQUITY	**38,658**	**46,375**	**(7,717)**
MEDIUM/LONG-TERM DEBT	**-**	**-**	**-**
Net cash and cash equivalents:			
Current financial assets	(7,903)	(7,257)	(646)
Cash and cash equivalents	(13,962)	(16,377)	2,415
Current financial liabilities	5,425	5,405	20
	(16,440)	**(18,229)**	**1,789**
NET FUNDS RECEIVABLE FROM OTHERS	**(16,440)**	**(18,229)**	**1,789**
TOTAL EQUITY AND NET FUNDS RECEIVABLE FROM OTHERS	**22,218**	**28,146**	**(5,928)**

ACOTEL GROUP
Consolidated statement of cash flows

(€000)	H1 2014	H1 2013 (*)
A. NET CASH AND CASH EQUIVALENTS AND NET CURRENT FINANCIAL ASSETS AT BEGINNING OF PERIOD	**18,229**	**27,916**
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	**1,071**	**(6,172)**
Cash flows from operating activities before changes in working capital	**(5,493)**	**(4,660)**
Profit/(Loss) for the period from continuing operations	(5,235)	(7,023)
Profit/(Loss) for the period from discontinued operations	(3,621)	67
Amortisation and depreciation	1,760	1,685
Goodwill impairment	-	1,720
Impairment losses/reversal of impairment losses on non-current assets	-	74
Net change in staff termination benefits	408	15
Net change in deferred tax liabilities	(159)	(10)
Net change in provisions	(2)	(85)
Currency translation differences	1,356	(1,103)
(Increase) / Decrease in receivables	4,296	(2,279)
- due from related parties	-	*490*
- other	*4,296*	*(2,769)*
(Increase) / Decrease in inventories	(165)	(47)
Increase / (Decrease) in payables	(242)	167
- due to related parties	-	*(1,308)*
- other	*(242)*	*1,475*
Cash flows from (for) operating activities attributable to discontinued operations	2,675	647
C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES	**(2,204)**	**(1,847)**
(Purchases)/disposals of fixed assets:		
- Intangible assets	(168)	(1,792)
- Property, plant and equipment	(1,226)	(1,326)
- Financial assets	(369)	171
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
Cash flows from (for) investing activities attributable to discontinued operations	(441)	(414)
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES	**(216)**	**66**
Net borrowings:	-	1,646
- due to related parties	-	*1,646*
Increase / (Decrease) in short-term debt	-	(1,224)
Other changes in equity	(187)	(487)
Change in non-controlling interests	(29)	131
E. CASH FLOW FOR THE PERIOD (B+C+D)	**(1,349)**	**(7,954)**
F. NET CASH AND CASH EQUIVALENTS AND NET CURRENT FINANCIAL ASSETS AT END OF PERIOD (A+E)	**16,880**	**19,962**
of which: cash and cash equivalents and net current financial assets included in assets and liabilities held for sale and discontinued operations	440	653
G. NET CASH AND CASH EQUIVALENTS AND NET CURRENT FINANCIAL ASSETS AT END OF PERIOD (A+E) AS REPORTED IN FINANCIAL STATEMENTS	**16,440**	**19,309**

(*): As required by IFRS 5, amounts for the first half of 2013 have been reclassified.

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Analysis of consolidated net funds

(€000)

	30 June 2014	31 December 2013	Increase/ (Decrease)
A. Cash and cash equivalents	13.962	16.377	(2.415)
B. Assets held for trading	7.903	7.000	903
C. Liquidity (A + B)	**21.865**	**23.377**	**(1.512)**
D. Other current financial receivables	-	257	(257)
E. Current financial assets (D)	**-**	**257**	**(257)**
F. Current bank borrowings	(5.425)	(5.405)	(20)
G. Current financial liabilities (F)	**(5.425)**	**(5.405)**	**(20)**
H. Non-current debt	**-**	**-**	**-**
I. Net funds (C+E+G+H)	**16.440**	**18.229**	**(1.789)**