



PRESS RELEASE

ACOTEL GROUP: interim report for three months ended 30 September 2016

Consolidated results for 9M 2016:

- **Revenue €16.9 million (€28.8 million in 9M 2015)**
- **Negative EBITDA €4.2 million (negative €4.4 million in 9M 2015)**
- **Negative EBIT €5.1 million (negative €5 million in 9M 2015)**
- **Loss for period €8.2 million (loss of €6.5 million in 9M 2015)**

Consolidated results for Q3 2016:

- **Revenue €5.2 million (€9.4 million in Q3 2015)**
- **Negative EBITDA €0.6 million (negative €1 million in Q3 2015)**
- **Negative EBIT €0.9 million (negative €1.2 million in Q3 2015)**
- **Loss for period €1.3 million (loss of €3.2 million in Q3 2015)**

Net funds total €5.9 million (€7.6 million at 30 June 2016, €11.6 million at 31 December 2015).

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 2016.

In line with its plan to refocus its business around the development and commercialisation of smart metering and energy management solutions, on 28 October 2016, the Group agreed the sale, to *Telecom Italia SpA*, of its 100% interest in the subsidiary, *Noverca Srl*.

The agreed price for the sale is €4.5 million (including €450 thousand to be withheld for 27 months in an escrow account as a guarantee of the seller's commitments). This price will be adjusted by the value of the target company's net debt at 31 October 2016, provisionally valued at approximately €200 thousand, but subject to verification by the buyer in the 60 working days following the transaction closing date. The consolidated net profit generated by the sale, amounting to approximately €4.4 million, has not been included in the profit from discontinued operations reported in the income statement for the three months ended 30 September 2016, in accordance with IFRS 5.

The seller will also receive up to a further €500 thousand provided that *Noverca's* platform achieves the stated performance indicators and *Acotel Group SpA* actively supports *Telecom Italia SpA* in the process of integrating *Noverca Srl's* platform.

The cash resulting from the transaction with *Telecom Italia SpA* will enable *Acotel* to accelerate development and extend the offering of its products and services for managing the consumption of electricity, water and gas, which are marketed by the *Acotel NET* business area. As a result of the above sale, the net assets attributable to *Noverca Srl* at 30 September 2016 have been reclassified, in this interim report, to "Assets and liabilities held for sale" and, in the income statement, to "Profit/(Loss) from assets held for sale and discontinued operations", as required by IFRS 5. This has resulted in a loss from discontinued operations of €1,261 thousand (a loss of €378 thousand attributable to the third quarter of 2016).

In addition, at 30 September 2016, the net assets attributable to *Noverca Italia Srl (in liquidation)* have been reclassified, in this interim report, to "Assets and liabilities held for sale" and, in the income statement, to "Profit/(Loss) from assets held for sale and discontinued operations", as required by IFRS 5. The resulting profit from discontinued operations amounts to €139 thousand (a profit of €82 thousand attributable to the third quarter of 2016).



Results for 9M 2016

The Acotel Group generated revenue of approximately €16.9 million in the first nine months of 2016, down 41% on the €28.8 million of the same period of 2015. This reflects reduced turnover at the Acotel Interactive business area, primarily caused by a slowdown in its Italian and South American markets where customer acquisition has become too costly.

85% of revenue was generated by the Acotel Interactive business area (€14.5 million), 10% by the Acotel Net business area (€1.6 million) and the remaining 5% by the Bucksense business area (€0.8 million).

In the **Acotel Interactive** business area, Digital Entertainment services generated revenue of €11.4 million, down 49% on the €22.2 million of the same period of 2015. Mobile Service revenue amounts to €3.1 million, down 38% on the €5 million of the same period of 2015.

In the **Acotel Net** business area, the Energy segment generated revenue of €1 million, up 71% on the €0.6 million of the first nine months of the previous year. The Security Systems segment generated turnover of €0.6 million, down 19% on the €0.7 million of the same period of 2015.

Finally, the **Bucksense** business area reports revenue of €0.8 million, up from the €0.2 million of the same period of 2015.

The geographical revenue breakdown shows that 37% of revenue was generated in Latin America, 30% in Italy, 29% in India and the remaining 4% in other countries.

The consolidated gross operating loss (negative EBITDA) amounts to approximately €4.2 million (a loss of €4.4 million in the same period of 2015), after benefitting from a reduction in the advertising expenses incurred by the Acotel Interactive business area to promote its Digital Entertainment services (down 44%) and lower staff costs (down 12%).

After amortisation and depreciation (€0.9 million), the Group's operating loss (negative EBIT) is approximately €5.1 million, compared with a loss of €5 million for the same period of the previous year.

After net finance income of €0.3 million, estimated tax expense for the period (€2.3 million) and the loss from assets held for sale and discontinued operations (€1.1 million), the loss attributable to owners of the Parent for the period amounts to approximately €8.2 million (a loss of €6.5 million in the first nine months of 2015).

Net funds at 30 September 2016 amount to €5.9 million, down from the €7.6 million of 30 June 2016 and the €11.6 million of 31 December 2015, reflecting the financial impact of the losses incurred by the Group's subsidiaries.

Net funds at 30 September 2016 do not include the financial resources generated by the sale of *Noverca Srl*.

Results for Q3 2016

The Acotel Group's revenue for the third quarter, amounting to €5.2 million, is down 44% on the €9.4 million of the third quarter of 2015.

Compared with a gross operating loss (negative EBITDA) of €1 million for the third quarter of 2015, the Group reports a gross operating loss (negative EBITDA) of €0.6 million for the third



quarter just ended. After amortisation and depreciation, the operating loss (negative EBIT) amounts to €0.9 million (a loss of €1.2 million in the same period of 2015).

After net finance income of €0.1 million, estimated taxation for the period of €0.2 million and the loss from assets held for sale and discontinued operations, totalling €0.3 million, the loss attributable to owners of the Parent for the third quarter of 2016 amounts to €1.3 million, compared with the €3.2 million of the third quarter of 2015.

Significant events during the quarter

With regard to the services offered by the **Acotel NET** business area, ENI continued to market its *myEnergy* service to its SOHO and Small Business customers, supplied in partnership with Acotel. Acotel has shipped its My Energy Meter (MEM), which enables customers to access the platform needed in order to use the service, to over 2,200 of ENI's customers during the quarter.

Staying with the **Acotel NET** offering:

- in July, an agreement was signed with *Vivigas SpA*, a company specialising in the sale of electricity and natural gas throughout Italy, for the provision of products and services by Acotel Net. Under this agreement, the first 250 devices were delivered in September;
- in September, an agreement was signed with *Iren Mercato SpA*, a company that supplies, trades and sells electricity, gas and heat, for the provision of products and services by Acotel Net as part of a reward programme launched by *Iren*; this initiative constitutes a market test in preparation for a framework agreement, currently being negotiated by the parties, that will involve supply of the *My Energy Meter* solution to *Iren's* customers;
- during the quarter just ended, the Energy Management service was rolled out to a further 7 major *GEOX SpA* stores in Italy and Europe, adding to the 8 stores and offices already using the service.

The programmatic and web advertising services offered by the **Bucksense** business area performed well during the quarter in terms of revenue growth, leading to optimism regarding the business's ability to achieve breakeven over the medium term.

In September, *Bucksense* showcased the first algorithm capable of optimising key performance indicators, for both high-volume and targeted campaigns, at the Digital Marketing Exposition & Conference (DMEXCO) in Cologne. The algorithm analyses the placement data and updates the offering strategy based on an innovative solution for managing performance variables, capable of automatically eliminating inefficiencies.

In the **Acotel Interactive** business area, the Group continued to invest in the supply of the latest generation of Digital Entertainment services in India. The Indian market accounted for around 47% of turnover from Digital Entertainment in the third quarter of 2016 (22% in the same period of 2015).

Other information

In order to simplify existing operational relations between *Acotel Group SpA* and *Acotel SpA*, where the latter trades using the data transmission platform developed and managed by the former, the merger deed, setting out the terms of the merger of *Acotel SpA* (the acquiree) with and into *Acotel Group SpA* (the acquirer), was filed with Rome Companies' Register on 21



October 2016. The transaction is expected to result in savings, in terms of staff and operating costs, and in the need to prepare just one set of financial statements.

Disclosures required by art. 114 of Legislative Decree 58/98

The following disclosures are provided by Acotel Group SpA in accordance with the request from the CONSOB dated 8 July 2016:

a) The Company's and the Acotel Group's net funds

Acotel Group SpA

(€000)

	30 September 2016
A. Cash and cash equivalents	2,452
B. Assets held for trading	-
C. Liquidity (A + B)	2,452
D. Current financial receivables due from related parties	2,747
E. Other current financial receivables	1,600
F. Current financial assets (D + E)	4,347
G. Current financial liabilities due to related parties	(2,028)
H. Current net debt (G)	(2,028)
I. Non-current net debt	-
L. Net funds (C+F+H+I)	4,771

Acotel Group

(€000)

	30 September 2016
A. Cash and cash equivalents	7,854
B. Assets held for trading	2,738
C. Liquidity (A + B)	10,592
D. Other current financial receivables	1,600
E. Current financial assets (D)	1,600
F. Current bank borrowings	(6,278)
G. Current financial liabilities (F)	(6,278)
H. Non-current net debt	-
I. Net funds (C+E+G+H)	5,914



b) The Company's and the Acotel Group's past due payables

At 30 September 2016, the Company does not report any material past due payables. At the same date, the Acotel Group does not report any material past due payables, other than the amount due from the subsidiary, *Noverca Srl*, to *Telecom Italia SpA*, which was extinguished with the sale completed on 28 October 2016.

c) Key changes in relations with the Company's and the Acotel Group's related parties

At 30 September 2016, there has been no material change in contractual relations with the Company's and the Acotel Group's related parties.

d) Any failure to comply with covenants, negative pledges or any other provisions applicable to the Acotel Group's borrowings, entailing limits on the use of the Group's financial resources

None of the outstanding borrowings at 30 September 2016 are subject to such provisions.

e) State of implementation of business and financial plans, showing any deviation between the actual and planned budget

During the third quarter, the Directors continued to monitor the Group's operating and financial performance, so as to immediately identify any shortfall that could affect the Group's ability to meet the objectives in the business plan for the period 2016–2020 (the "Plan").

As noted in the interim report for the first half of the year, to which reference should be made for further details, given the shortfalls observed and changes in the operating environment and in market conditions with respect to the assumptions used when drawing up the Plan, the Directors are conducting a review of the Business Plan with the aim of revisiting the strategic guidelines and the actions needed in order to ensure revenue and earnings growth, a return to profit and the resulting production of positive operating cash flow, sufficient to support the traditional business (Acotel Interactive) and to fund the investment needed to develop the new areas of businesses (Acotel NET and Bucksense).

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 nine months ended 30 September 2016 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, 10 November 2016

Note: the condensed income statement and statement of financial position included in the interim report for the nine months ended 30 September 2016 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		
	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)
Revenue	5.248	9.378	(4.130)	16.917	28.751	(11.834)
Other income	21	30	(9)	65	102	(37)
Total	5.269	9.408	(4.139)	16.982	28.853	(11.871)
Change in work in progress, semi-finished and finished goods	(56)	79	(135)	(100)	40	(140)
Raw materials, semi-finished and finished goods	(41)	(124)	83	(175)	(260)	85
External services	(3.895)	(7.410)	3.515	(13.554)	(23.555)	10.001
Rentals and leases	(248)	(300)	52	(734)	(905)	171
Staff costs	(1.998)	(2.535)	537	(7.420)	(8.431)	1.011
Internal capitalised costs	518	153	365	1.255	602	653
Other costs	(139)	(227)	88	(421)	(752)	331
Gross operating profit/(loss) (EBITDA)	(590)	(956)	366	(4.167)	(4.408)	241
Amortisation and depreciation	(332)	(217)	(115)	(896)	(637)	(259)
Operating profit/(loss) (EBIT)	(922)	(1.173)	251	(5.063)	(5.045)	(18)
Net finance income/(costs)	102	16	86	313	438	(125)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(820)	(1.157)	337	(4.750)	(4.607)	(143)
Taxation	(182)	(690)	508	(2.355)	(1.726)	(629)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(1.002)	(1.847)	845	(7.105)	(6.333)	(772)
Profit/(Loss) from assets held for sale and discontinued operations	(296)	(1.319)	1.023	(1.122)	(167)	(955)
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(1.298)	(3.166)	1.868	(8.227)	(6.500)	(1.727)
Earnings per share	(0,32)	(0,77)		(2,00)	(1,58)	
Diluted earnings per share	(0,32)	(0,77)		(2,00)	(1,58)	

(*); As required by IFRS 5, amounts for 2015 have been reclassified.



ACOTEL GROUP

Reclassified consolidated statement of financial position

(€000)	30 September 2016	31 December 2015	Increase/ (Decrease)
Non-current assets:			
Property, plant and equipment	4.877	5.281	(404)
Intangible assets	2.388	2.027	361
Other assets	985	2.590	(1.605)
TOTAL NON-CURRENT ASSETS	8.250	9.898	(1.648)
Net current assets:			
Inventories	522	585	(63)
Trade receivables	3.770	5.554	(1.784)
Other current assets	1.246	2.036	(790)
Trade payables	(3.207)	(6.778)	3.571
Other current liabilities	(2.962)	(4.120)	1.158
TOTAL NET CURRENT ASSETS	(631)	(2.723)	2.092
TOTAL ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS LESS RELATED LIABILITIES	(2.207)	(538)	(1.669)
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	(3.910)	(3.590)	(320)
NON-CURRENT PROVISIONS	(190)	(240)	50
NET INVESTED CAPITAL	1.312	2.807	(1.495)
Equity:			
Share capital	1.084	1.084	-
Reserves and retained earnings/(accumulated losses)	14.369	24.000	(9.631)
Profit/(Loss) for the period	(8.227)	(10.671)	2.444
Non-controlling interests	-	30	(30)
TOTAL EQUITY	7.226	14.443	(7.217)
Net cash and cash equivalents:			
Current financial assets	(4.338)	(11.034)	6.696
Cash and cash equivalents	(7.444)	(6.172)	(1.272)
Cash and cash equivalents held for sale and included in discontinued operations	(410)	(395)	(15)
Current financial liabilities held for sale and included in discontinued operations	6.278	5.965	313
	(5.914)	(11.636)	5.722
NET FUNDS	(5.914)	(11.636)	5.722
TOTAL EQUITY AND NET FUNDS	1.312	2.807	(1.495)



ACOTEL GROUP

Analysis of consolidated net funds

(€000)

	30 September 2016	30 June 2016	31 December 2015
A. Cash and cash equivalents	7,854	4,310	6,567
B. Assets held for trading	2,738	7,873	9,434
C. Liquidity (A + B)	10,592	12,184	16,001
D. Other current financial receivables	1,600	1,600	1,600
E. Current financial assets (D)	1,600	1,600	1,600
F. Current bank borrowings	(6,278)	(6,171)	(5,965)
G. Current financial liabilities (F)	(6,278)	(6,171)	(5,965)
H. Net funds (C+E+G)	5,914	7,613	11,636