



PRESS RELEASE

ACOTEL GROUP SpA: Board approves separate and consolidated financial statements for 2013

Consolidated results:

- **Revenue approximately €120 million (€99 million in 2012)**
- **Negative EBITDA approximately €2.3 million (positive €1.1 million in 2012)**
- **Negative EBIT approximately €8.5 million (negative €3.5 million in 2012)**
- **Net loss €10.7 million (loss of €6.1 million in 2012)**
- **Net funds €18.2 million (€29.6 million in 2012)**

Today's meeting of the Board of Directors of Acotel Group SpA has approved the separate and consolidated financial statements for the year ended 31 December 2013, which will be submitted for approval to the Annual General Meeting of shareholders (AGM) to be held in first call on 24 April 2014 and, if necessary, in second call on 29 April 2014.

During the meeting the Chairman and Chief Executive Officer, Claudio Carnevale, explained that, at the end of the thorough restructuring undertaken in recent years, the Group is now well-positioned to compete successfully in a number of sectors.

In the telecommunications sector, and above all in the so-called "internet of things" sector, Acotel now covers the entire value chain, designing and producing its own devices and developing firmware and software in-house so as to avoid the need to pay royalties to third parties, but above all, via Noverca, whose role as an MVNE is the essential factor in this sector.

Noverca, thanks to the Group's investment in infrastructure and development, is now capable of enabling anyone wishing to become an MVNO: a potentially large number of entities, made up not by alternative operators, but by major retail groups who see mobile services as a means to enhance customer loyalty for the benefit of their core businesses. A number of these retailers are already in contact with Acotel and are expected to be operational in the coming months.

However, the most important development is the commercial offering created by the Acotel NET division as a result of its smart metering and energy management initiatives. This is based on the use of high-performance devices that take just a few seconds to install without the need for technical assistance.

The fact that its equipment is so easy to use has enabled the NET division to attract the attention of worldwide customers with widespread presence throughout their geographical markets, such as banks, postal operators, retail chains, hotels and large shopping centres.

Finally, Acotel Interactive continues to operate in the Mobile VAS segment, which has for years been Acotel's core business. This division now operates in over 14 countries, providing interactive services via a fully revamped commercial offering and business model.

Acotel is today a very different company to what it was three years ago, having made an enormous financial and entrepreneurial commitment in the belief that only through innovation is it possible to create new business.

Further details of the Group's new strategy will be provided when the Annual Report is published.



Consolidated financial statements 2013

The Acotel Group reports revenue of approximately €120 million, up 21% on the approximately €99 million of 2012. This performance primarily reflects returns on increased investment in advertising during the year and in the previous year, 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.

77% of revenue was generated by the Acotel Interactive business, 22% 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 €70.1 million, up 27% on the €55.2 million of 2012, whilst Mobile Service revenues amount to €22.8 million, up 7% on the €21.3 million of the previous year.

Revenues generated by the **Acotel TLC** business area amount to €26 million (up 21% on 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 operate.

Finally, revenues generated by the **Acotel Net** business area, totalling approximately €1.3 million, essentially 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 shows that 31% of revenue was generated in Italy, 29% in Latin America, 18% in the Middle East, 10% in North America, 7% on other European countries, 4% in Africa and the remaining 1% in Asia.

In terms of earnings, the consolidated gross operating loss (negative EBITDA) of approximately €2.3 million compares with the gross operating profit of €1.1 million recorded in 2012. After amortisation and depreciation (€4.3 million), goodwill impairment (€1.7 million) and impairment losses on non-current assets (€0.2 million), the Group reports an operating loss (negative EBIT) of €8.5 million (a loss of €3.5 million for the previous year).

After net finance income of €0.4 million, estimated tax expense for the period (€2.3 million) and profit attributable to non-controlling interests (€0.2 million), the loss attributable to owners of the Parent amounts to €10.6 million (a loss of €6.1 million for 2012).

The Group's earnings were heavily impacted by the following: the losses incurred by *Noverca Srl* and *Noverca Italia Srl* in the **Acotel TLC** business; 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; and large-scale investment in advertising (€19.3 million, compared with the €15.8 million of 2012) by the **Acotel Interactive** business in order to acquire customers in new geographical markets and promote new services, above all those targeting smartphone users.

With regard to our commitment to the Noverca project (the two companies contributed a loss of €9.7 million to the Group's consolidated result, including the goodwill impairment, totalling €1.7 million, generated by subscription of Intesa Sanpaolo's unexercised portion of the rights issued by *Noverca Srl* and *Noverca Italia Srl*, as a result of which these companies are now wholly owned subsidiaries of the Group), 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*.

With regard to the launch of Energy services by the **Acotel Net** business area, last 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 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. In 2013 trials were conducted with a number of prestigious partners, such as Poste Italiane, Acea and Coni (the Italian Olympic Committee) in Italy and the Italian Embassy in Brazil, with extremely positive feedback in terms of the quality and reliability of the service. Contracts were signed with the first customers in the Italian market in November of the year just ended.

Net funds at 31 December 2013 amount to approximately €18.2 million, compared with €29.6 million at 31 December 2012.

Parent Company's separate financial statements 2013

The Parent Company, Acotel Group SpA, generated total revenue of approximately €4,528 thousand, generated by Service Provisioning for the subsidiary, Acotel SpA.

The Company reports a gross operating profit (EBITDA) of €1,382 thousand, marking a significant improvement on 2012 as a result of the increase in revenue during the year.

The operating loss (negative EBIT) amounts to €6,370 thousand, compared with a loss of €16,297 thousand in 2012. This margin was significantly impacted by impairment losses totalling €7,598 thousand recognised in order to adjust the carrying amounts of the investments in *Noverca Srl* (€6,048 thousand) and *Acotel do Brasil Ltda* (€1,550 thousand) to their recoverable amounts.

After the Company's share of the profit/(loss) of associates and joint ventures, net finance income, income tax expense for the year and profit from discontinued operations, the loss for 2013 amounts to €7,410 thousand.

Events after 31 December 2013

In the field of energy management, the Group has recently concluded an agreement with a leading hotel chain, involving provision of an integrated solution for monitoring electricity and water consumption and managing air-conditioning and heating systems at its Rome hotel. The aim is to install the solution supplied by the Group in the over 50 hotels that form part of the customer's worldwide chain.

Major trials have also begun, in partnership with a leading Italian automotive group, with the aim of testing the versatility and reliability of Acotel's smart metering and energy management solution in a highly automated industrial context.

The subsidiary, *Jinny Software Ltd.*, reports a positive start to 2014, signing its first commercial contracts for its *Diameter Router* solution.



Outlook

In 2014 the Group's margins will benefit from the actions taken in the previous year in the Acotel Interactive business area where, without overlooking sales of traditional services (ringtones, wallpapers, etc.), investment in advertising was designed to promote new services developed for digital games enthusiasts using both smartphones (Android and IOS) and PCs. Launch of the app developed in order to boost sales of the services provided over the *Skillderby* games platform will also be completed. The new platform is being rolled out in all the countries in which the Group has a commercial presence.

With regard to commercial initiatives in the Mobile VAS Technology segment of the Acotel TLC business area, in which *Jinny Software Ltd.* operates, the positive market response to the new products presented by the Irish subsidiary at the recent Mobile World Congress in Barcelona lead us to expect good results in 2014.

Thanks to the contracts entered into at the end of 2013 and those currently being finalised, *Noverca Srl* will also begin to operate as an MVNE (Mobile Virtual Network Enabler) and an MVNA (Mobile Virtual Network Aggregator) for external customers outside the Group, thereby exploiting its investment in infrastructure and the software developed in recent years in order to support the subsidiary, *Noverca Italia Srl*.

The prospects for the telephone company, *Noverca*, in 2014 are difficult to predict in that if, on the one hand, the customer base continues to grow at an extremely positive rate all told, on the other, the very tough competitive environment in the Italian mobile market means there is a clear need to find a partner capable of obtaining adequate synergies with its core business in order to drive the commercial roll out and achieve a return on the initiative.

With regard to the new services developed by Acotel Net, in addition to continuing with the various trials with potential customers, which have so far confirmed the quality of the technology developed to monitor electricity, water and gas consumption, we expect to enter into agreements with major commercial partners who, as well as generating attractive returns, will provide us with the market clout needed to proceed with the large-scale launch of the company's operations in the area of the market in which it plans to position itself 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.

Note: the reclassified consolidated and separate income statements, statements of financial position, statements of cash flows and analyses of net funds are attached. The data in these statements is currently being audited.

For further information contact:

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Rome, 14 March 2014



ACOTEL GROUP
Consolidated income statement

(€000)	2013	2012	Increase/ (Decrease)
Revenues	120,320	99,387	20,933
Other income	713	2,025	(1,312)
Total revenue	121,033	101,412	19,621
Gross operating profit	(2,322)	1,141	(3,463)
	<i>-1.92%</i>	<i>1.13%</i>	
Amortisation and depreciation	(4,268)	(4,562)	294
Goodwill impairment	(1,720)	-	(1,720)
Impairment losses/reversal of impairment losses on non-current assets	(228)	(66)	(162)
Operating profit/(loss)	(8,538)	(3,487)	(5,051)
	<i>(7.05%)</i>	<i>(3.44%)</i>	
Net finance income/(costs)	386	1,142	(756)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(8,152)	(2,345)	(5,807)
	<i>(6.74%)</i>	<i>(2.31%)</i>	
Taxation	(2,285)	(3,367)	1,082
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(10,437)	(5,712)	(4,725)
	<i>(8.62%)</i>	<i>(5.63%)</i>	
Profit/(Loss) from discontinued operations	-	(248)	248
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	(10,437)	(5,960)	(4,477)
Profit/(Loss) attributable to non-controlling interests	224	93	131
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(10,661)	(6,053)	(4,608)
	<i>(8.81%)</i>	<i>(5.97%)</i>	
Earnings per share	(2.59)	(1.47)	
Diluted earnings per share	(2.59)	(1.47)	



ACOTEL GROUP
Reclassified consolidated statement of financial position

(€000)	31 December 2013	31 December 2012 (*)	Increase/ (Decrease)
Non-current assets:			
Property, plant and equipment	9,180	10,445	(1,265)
Intangible assets	14,147	14,299	(152)
Other assets	3,726	3,578	148
TOTAL NON-CURRENT ASSETS	27,053	28,322	(1,269)
Net current assets:			
Inventories	526	721	(195)
Trade receivables	32,997	32,742	255
Other current assets	4,056	4,833	(777)
Trade payables	(24,748)	(23,850)	(898)
Other current liabilities	(7,987)	(8,414)	427
TOTAL NET CURRENT ASSETS	4,844	6,032	(1,188)
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	(2,939)	(2,578)	(361)
NON-CURRENT PROVISIONS	(812)	(629)	(183)
NET INVESTED CAPITAL	28,146	31,147	(3,001)
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	54,916	64,866	(9,950)
Profit/(Loss) for the period	(10,661)	(6,053)	(4,608)
Non-controlling interests	1,036	812	224
TOTAL EQUITY	46,375	60,709	(14,334)
MEDIUM-/LONG TERM DEBT	-	-	-
Net cash and cash equivalents:			
Current financial assets	(7,257)	(16,722)	9,465
Cash and cash equivalents	(16,377)	(11,853)	(4,524)
Current financial receivables	-	(1,646)	1,646
Current financial liabilities	5,405	659	4,746
	(18,229)	(29,562)	11,333
NET FUNDS RECEIVABLE FROM OTHERS	(18,229)	(29,562)	11,333
TOTAL EQUITY AND NET FUNDS RECEIVABLE FROM OTHERS	28,146	31,147	(3,001)

(*): 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)

	2013	2012
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27,916	36,093
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	(7,403)	(2,124)
Cash flows from operating activities before changes in working capital	(6,937)	(1,935)
Profit/(Loss) for the year	(10,661)	(6,053)
Amortisation and depreciation	4,268	4,562
Goodwill impairment	1,720	-
Impairment losses/reversal of impairment losses on non-current assets	228	-
Impairment of assets	1,089	80
Net change in provisions for staff termination benefits	159	306
Net change in deferred tax liabilities	(12)	1,751
Net change in provisions	211	(55)
Currency translation differences	(3,939)	(2,526)
(Increase) / Decrease in receivables	1,372	(3,200)
- due from related parties	490	113
- other	882	(3,313)
(Increase) / Decrease in inventories	307	(188)
Increase / (Decrease) in payables	(2,145)	3,199
- due to related parties	(1,308)	146
- other	(837)	3,053
C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES	(2,471)	(5,600)
(Purchases)/disposals of fixed assets:		
- Intangible assets	(2,633)	(1,297)
- Property, plant and equipment	(1,463)	(4,082)
- Financial assets	111	(221)
Effect of consolidation of 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	187	(453)
Net borrowings:	1,646	(546)
- due to related parties	1,646	(546)
Increase / (Decrease) in short-term debt	(1,224)	-
Other changes in equity	(459)	-
Change in non-controlling interests	224	93
E. CASH FLOW FOR THE YEAR (B+C+D)	(9,687)	(8,177)
F. NET CASH AND CASH EQUIVALENTS AT END OF YEAR (A+E)	18,229	27,916



ACOTEL GROUP

Analysis of consolidated net funds

(€000)

	31 December 2013	31 December 2012	Increase/ (Decrease)
A. Cash and cash equivalents	16,377	11,853	4,524
B. Assets held for trading	7,000	15,710	(8,710)
C. Liquidity (A + B)	23,377	27,563	(4,186)
D. Financial receivables due from related parties	-	1,646	(1,646)
E. Other current financial receivables	257	1,012	(755)
F. Current financial assets (D + E)	257	2,658	(2,401)
G. Current bank borrowings	(5,405)	(659)	(4,746)
H. Current financial liabilities (G)	(5,405)	(659)	(4,746)
I. Non-current debt	-	-	-
L. Net funds (C+F+H+I)	18,229	29,562	(11,333)
- receivable from related parties	-	1,646	(1,646)
- receivable from others	18,229	27,916	(9,687)



ACOTEL GROUP SpA
Reclassified income statement

(€)	2013	2012	Increase/ (Decrease)
Revenues	4,528,218	3,152,267	1,375,951
Other income	1,769,655	1,576,727	192,928
Total	6,297,873	4,728,994	1,568,879
Gross operating profit	1,382,255	(169,851)	1,552,106
	<i>21.95%</i>	<i>(3.59%)</i>	
Amortisation and depreciation	(154,409)	(370,653)	(216,244)
Impairment losses/reversal of impairment losses on non-current assets	(7,597,802)	(15,756,355)	(8,158,553)
Operating profit/(loss)	(6,369,956)	(16,296,859)	9,926,903
	<i>(101.14%)</i>	<i>(344.62%)</i>	
Share of profits of associates and joint ventures	3,418,530	9,370,930	(5,952,400)
Share of losses of associates and joint ventures	(4,064,425)	-	(4,064,425)
Net finance income/(costs)	229,567	687,647	(458,080)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(6,786,284)	(6,238,282)	(548,002)
	<i>(107.76%)</i>	<i>(131.92%)</i>	
Taxation	(623,300)	(48,489)	(574,811)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(7,409,584)	(6,286,771)	(1,122,813)
	<i>(117.65%)</i>	<i>(132.94%)</i>	
Profit/(Loss) from discontinued operations	-	285,314	(285,314)
PROFIT/(LOSS) FOR THE YEAR	(7,409,584)	(6,001,457)	(1,408,127)
	<i>(117.65%)</i>	<i>(126.91%)</i>	
Earnings per share	(1.80)	(1.46)	
Earnings per diluted share	(1.80)	(1.46)	



ACOTEL GROUP SpA
Reclassified statement of financial position

(€)	31 December 2013	31 December 2012 (*)	Increase/ (Decrease)
Non-current assets			
Property, plant and equipment	195.064	257.432	(62.368)
Intangible assets	12.521	18.473	(5.952)
Non-current financial assets	70.537.469	70.915.031	(377.562)
Other assets	2.922.636	2.612.807	309.829
TOTAL NON-CURRENT ASSETS	73.667.690	73.803.743	(136.053)
Net current assets			
Trade receivables	2.351.432	450.604	1.900.828
Other current assets	3.694.825	4.156.572	(461.747)
Trade payables	(428.928)	(429.695)	767
Other current liabilities	(19.711.357)	(28.508.310)	8.796.953
TOTAL NET CURRENT ASSETS	(14.094.028)	(24.330.829)	10.236.801
PROVISIONS FOR STAFF TERMINATION BENEFITS	(734.740)	(769.606)	34.866
NON-CURRENT PROVISIONS	(684.018)	(684.075)	57
NET INVESTED CAPITAL	58.154.904	48.019.233	10.135.671
Equity:			
Share capital	1.084.200	1.084.200	-
Reserves and retained earnings/ (accumulated losses)	65.939.915	71.931.909	(5.991.994)
Profit/(Loss) for the year	(7.409.584)	(6.001.457)	(1.408.127)
TOTAL EQUITY	59.614.531	67.014.652	(7.400.121)
MEDIUM/LONG-TERM DEBT	-	-	-
Net cash and cash equivalents:			
Cash and cash equivalents	(441.248)	(343.205)	(98.043)
Current financial receivables	(2.857.431)	(19.513.387)	16.655.956
Current borrowings	1.839.052	861.173	977.879
	(1.459.627)	(18.995.419)	17.535.792
NET FUNDS	(1.459.627)	(18.995.419)	17.535.792
TOTAL EQUITY AND NET FUNDS	58.154.904	48.019.233	10.135.671

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



ACOTEL GROUP SpA
Statement of cash flows

(€)	<u>2013</u>	<u>2012</u>
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	343.205	2.196.150
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	(14.648.790)	821.074
Cash flows from operating activities before changes in working capital	(12.568.647)	(311.403)
Profit/(Loss) for the year	(7.409.584)	(6.001.457)
Amortisation and depreciation	154.409	370.653
Impairment of investment in Noverca Srl	3.860.643	15.756.355
Impairment of investment in Acotel do Brasil Ltda	1.549.920	-
Profit/(Loss) from discontinued operations	-	(9.370.930)
Interest income	(264.534)	(1.006.128)
- <i>due from related parties</i>	(264.534)	(1.006.128)
Interest expense	14.677	8.173
- <i>due to related parties</i>	14.677	8.173
Net change in provisions for staff termination benefits	(21.814)	93.941
Net change in provisions	(10.142.478)	(172.353)
- <i>related parties</i>	(10.323.749)	(172.353)
- <i>other</i>	181.271	-
Net change in deferred tax liabilities	(309.886)	10.343
(Increase) / Decrease in receivables	(3.666.925)	328.076
- <i>due from related parties</i>	(3.748.336)	418.123
- <i>other</i>	81.411	(90.047)
Increase / (Decrease) in payables	1.586.782	804.401
- <i>due to related parties</i>	1.570.863	709.273
- <i>other</i>	15.919	95.128
C. CASH FLOW FROM (FOR) INVESTING ACTIVITIES	(917.467)	63.856
(Purchases)/disposals of fixed assets:		
- Intangible assets	(4.080)	(4.550)
- Property, plant and equipment	(82.009)	(36.785)
- Financial assets	(831.378)	105.191
- <i>related parties</i>	(831.378)	105.492
- <i>other</i>	-	(301)
D. CASH FLOW FROM (FOR) FINANCING ACTIVITIES	15.664.300	(2.737.875)
Net loans received	1.800.000	853.000
- <i>from related parties</i>	1.800.000	853.000
Net loans provided	13.864.300	(3.590.875)
- <i>to related parties</i>	13.864.300	(3.590.875)
E. CASH FLOW FOR THE YEAR (B+C+D)	98.043	(1.852.945)
F. NET CASH AND CASH EQUIVALENTS AT END OF YEAR (A+E)	441.248	343.205



ACOTEL GROUP SpA
Analysis of net funds

(€)

	31 December 2013	31 December 2012	Increase/ (Decrease)
A. Cash and cash equivalents	441,248	343,205	98,043
B. Liquidity (A)	441,248	343,205	98,043
C. Current financial receivables due from related parties	2,857,431	19,513,387	(16,655,956)
D. Current financial receivables (C)	2,857,431	19,513,387	(16,655,956)
E. Current borrowings from related parties	(1,839,052)	(861,173)	(977,879)
F. Current debt (E)	(1,839,052)	(861,173)	(977,879)
G. Non-current debt	-	-	-
H. Net funds (B + D + F + G)	1,459,627	18,995,419	(17,535,792)
- receivable from related parties	1,018,379	18,652,214	(17,633,835)
- receivable from others	441,248	343,205	98,043