



PRESS RELEASE

ACOTEL GROUP SpA: Board approves separate and consolidated financial statements for 2014

Consolidated results:

- **Revenue approximately €69.8 million (€103.7 million in 2013)**
- **Negative EBITDA approximately €11.4 million (negative €3.9 million in 2013)**
- **Negative EBIT approximately €14.7 million (negative €9.3 million in 2013)**
- **Net loss €19.3 million (loss of €10.7 million in 2013)**
- **Net funds €23.1 million (€18.2 million in 2013)**

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 2014, which will be submitted for approval to the Annual General Meeting of shareholders (AGM) to be held in first call on 24 April 2015 and, if necessary, in second call on 29 April 2015.

During the meeting the Chairman and Chief Executive Officer, Claudio Carnevale, explained how the Group, in 2014, had concluded a series of major corporate and commercial transactions that have played a key role in the profound restructuring undertaken in recent years. These events have led us to reposition our core business in order to be focused on both the development and commercialization of energy management solutions and on MVNA (Mobile Virtual Network Aggregator) services, taking advantage of our significant investment, over the last few years, in development of a platform and of an innovative technological solutions capable of enabling parties looking to operate in Italy as mobile virtual network operators (MVNOs).

In the Energy segment, in addition to the engagement in the development of products and services (entirely made in-house and marketed under the **Acotel Net** brand) for managing the consumption of energy, water and gas, the segment has won contracts with *Poste Italiane SpA*, relating to the management of energy consumption at around 8,500 post offices and others major partners, such as *Coni* (Italy's Olympic Committee) and the wine producer, *Gotto d'oro*.

During the Smart Energy Expo held in Verona, Acotel and *Eni Retail Market G&P* also announced a major agreement to develop new energy saving products and solutions, aimed of offering Eni's gas and electricity customers a service by which they keep a closer eye on their consumptions and identify what actions they need to put in place to achieve an effective savings. Trials are being run with other utilities operating in the Italian market who are keen to try out **Acotel Net** services with a view to potential partnerships.

In the **TLC** segment, the Group signed a new contract with *Telecom Italia SpA* in 2014, extending agreements covering the provision of Mobile Virtual Network Aggregator services. This agreement has extended the period of time in which the Group is able to offer wholesale access to parties interested in becoming MVNOs, to which we can offer turnkey solutions, making it easier and quicker for new operators to enter the market and allowing them to benefit from highly competitive start-up and operating costs.

Contracts were signed with Noitel Italia Srl to enable it to operate as an airtime reseller, and with Linkem and Ringo Mobile, with a view to enabling them to operate as MVNOs. Under these agreements, Noitel began commercial trials in August 2014. The positive results of the trials have



convinced the company to transform its business model from that of an airtime reseller to that of an ESP (Enhanced Service Provider) and to boost its commercial activities. Similarly, after launching its mobile services with its best customers, Linkem aims to bring a combined internet and mobile telephony offering to market in April of this year.

An important part of this process was the sale of our 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. This generated proceeds of €13.2 million, with €1.6 million held in an escrow account for 12 months until the current administrative and accounting due diligence process has been completed and the seller's other contractual obligations have been fulfilled.

The repositioning of the Group's core business has also led to the agreement reached by Noverca and Telecom Italia on 9 January 2015, which will result in the transfer of over 170,000 customers of Noverca to TIM, whilst substantially maintaining the same price plans. Noverca will receive a consideration that will depend on the number and type of customer transferring. This will amount to €3.9 million should the entire customer base migrate to TIM.

Finally, **Acotel Interactive** was engaged in the search for new markets in 2014, launching its latest generation Digital Entertainment services in India. The initial response has confirmed the Group's expectations regarding the market's revenue potential.

Consolidated financial statements 2013

The Acotel Group reports revenue of approximately €70 million for 2014, down 33% on the approximately €104 million of 2013. The performance primarily reflects reduced turnover at the Acotel Interactive business area, hit by the decision, taken by US mobile operators at the end of 2013, not to sell value added services created by third parties to their customers, and by a slowdown in the Italian, South American and Middle Eastern markets. The latter decline is due to regulatory interventions, which have altered the way in which the sector operates, technical and commercial issues, which have resulted in falling turnover, and a general decline in demand for VAS services due to the growth in smartphone use.

In terms of operating segment, 77% of revenue was generated by the Acotel Interactive business area, 21% 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 €40 million, down 43% on the €70.1 million of 2013, whilst Mobile Service revenues of around €13.6 million are down 41% from the €22.8 million of the previous year.

Revenues generated by the **Acotel TLC** business area amount to €14.7 million (up 57% on 2013), with 96.4% generated by the Mobile Communications segment, thanks primarily to the commercial performance of the MVNO, Noverca, and the remaining 3.6% by the Group's MVNA services as a result of the acquisition of customers outside the Group, such as Noitel Italia Srl, an airtime reseller, and Linkem and Ringo Mobile, MVNOs.

Finally, revenues generated by the **Acotel Net** business area, totalling approximately €1.5 million (up 9% on 2013), include €1.1 million generated by the Security Systems segment,



involving the design, production and maintenance of electronic security systems in Italy, and €0.4 million generated by the Energy segment, primarily in Italy.

The geographical revenue breakdown shows that 41% of revenue was generated in Italy, 36% in Latin America, 17% in the Middle East, 3% in other European countries, 2% in India and the remaining 1% in North America.

In terms of earnings, the Group reports a consolidated gross operating loss (negative EBITDA) of approximately €11.4 million (a loss of €3.9 million in 2013). After amortisation and depreciation (€3.3 million), the Group reports an operating loss (negative EBIT) of €14.7 million (a loss of €9.3 million for the previous year).

After net finance cost of €0.1 million, estimated tax expense for the period (€1 million), the loss from discontinued operations (€3.6 million), reflecting the impact of the sale of the investment in Jinny Software and its direct subsidiaries, and the loss attributable to non-controlling interests (€0.1 million), the loss attributable to owners of the Parent for the period amounts to approximately €19.3 million (a loss of €10.7 million for 2013).

The Group's earnings were heavily impacted by the decline in profits contributed by the **Acotel Interactive** business area (an overall contribution of €68 thousand to the Group's EBITDA), the losses incurred by Noverca Srl and Noverca Italia Srl in the **Acotel TLC** business area (contributing a loss of €9.1 million to the Group's EBITDA), and investment in the human resources and technologies needed to complete and promote the commercial offering in the **Acotel Net** business area (contributing a loss of €1.9 million to the Group's EBITDA).

Net funds at 31 December 2014 amount to approximately €23.1 million, up 27% on the €18.2 million of 31 December 2013, essentially due to the proceeds from the sale of Jinny Software.

Parent Company's separate financial statements 2014

The Parent Company, *Acotel Group SpA*, generated total revenue of approximately €2,217 thousand, generated by Service Provisioning for the subsidiary, *Acotel SpA*.

The Company reports a gross operating loss (negative EBITDA) of €705 thousand, marking a deterioration with respect to 2013, as a result of the decline in revenue during the year.

The operating loss (negative EBIT) amounts to €6,642 thousand, compared with a loss of €6,370 thousand in 2013. This margin was significantly impacted by impairment losses totalling €5,851 thousand recognised in order to adjust the carrying amounts of the investments in *Acotel do Brasil Ltda* (€3,136 thousand) and *Acotel Interactive Inc.* (€2,715 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 the loss from discontinued operations (Jinny Software), the loss for 2014 amounts to €20,728 thousand.

The share of the loss of associates and joint ventures, amounting to €11,928 thousand, regards provisions for future charges that the Company may incur following completion of the process of liquidating Noverca Italia Srl (€8,901 thousand), in order to make up for the capital deficit reported in the financial statements of the subsidiary, Noverca Srl, for the year ended 31 December 2014 and to restore its share capital to the legally required minimum (€2,153



thousand), and to partially cover the losses incurred by AEM Acotel Engineering and Manufacturing SpA (€874 thousand).

Event after 31 December 2014

Following the above migration of its customers to Telecom Italia, concluded on 9 January 2015, Nòverca has halted distribution of its Nòverca SIM cards, ceasing relations with its distribution channels.

In February 2015, Acotel SpA and Flycell Italia Srl extended their agreement with Telecom Italia SpA until 31 December 2016. This covers the provision of services using Decade 4 premium-rate numbers assigned to Telecom Italia SpA and aimed at customers of TIM and those of other mobile operators.

In the same month, Acotel SpA extended its agreement with Telecom Italia SpA covering the supply of ScripTIM branded services through to 31 December 2016.

Outlook

In **Acotel Interactive** business area, we expect to complete the launch of our services in India, where the Group has identified potential huge profit. In Mexico, a market that has in the past proved profitable for the Group, but which in 2014 was hit by a series of technical and commercial problems, we expect to see turnover return to significant levels, thanks to our existing relationship with one of the leading local operators.

In same business area, we expect Bucksense Inc. to conclude agreements with a number of commercial partners for the launch of advertising services outside the Acotel Group.

In the **Acotel TLC** business area, following its withdrawal from the provision of services to Nòverca's retail customers, scheduled for early May, the Group will be able to focus on its ready-to-use service for its MVNO customers, who will have access to a simple, rapid solution, with competitive set-up and operating costs, based on a network – TIM's - guaranteeing the very best performance.

In **Acotel Net** business area, the Group will look to successfully conclude ongoing negotiations with leading commercial partners. This will result in partnership agreements that, in addition to generating attractive returns, will mark completion of the start-up phase of the Group's large-scale entry into a market that management has identified as bring key to the Group's future, both in Italy and overseas.

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, 13 March 2015



ACOTEL GROUP

Reclassified consolidated income statement (*)

<i>(€000)</i>	2014	2013	Increase/ (Decrease)
Revenues	69,823	103,672	(33,849)
Other income	399	713	(314)
Total revenue	70,222	104,385	(34,163)
Gross operating profit	(11,398)	(3,903)	(7,495)
	<i>(16.23%)</i>	<i>(3.74%)</i>	
Amortisation and depreciation	(3,308)	(3,533)	225
Goodwill impairment	-	(1,720)	1,720
Impairment losses/reversal of impairment losses on non-current assets	(4)	(100)	96
Operating profit/(loss)	(14,710)	(9,256)	(5,454)
	<i>(20.95%)</i>	<i>(8.87%)</i>	
Net finance income/(costs)	(119)	91	(210)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(14,829)	(9,165)	(5,664)
	<i>(21.12%)</i>	<i>(8.78%)</i>	
Taxation	(979)	(1,906)	927
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(15,808)	(11,071)	(4,737)
	<i>(22.51%)</i>	<i>(10.61%)</i>	
Profit/(Loss) from discontinued operations	(3,616)	634	(4,250)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	(19,424)	(10,437)	(8,987)
Profit/(Loss) attributable to non-controlling interests	(77)	224	(301)
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(19,347)	(10,661)	(8,686)
	<i>(27.55%)</i>	<i>(10.21%)</i>	
Earnings per share	(4.70)	(2.59)	
Diluted earnings per share	(4.70)	(2.59)	

(*): The subsidiary, Jinny Software Ltd., and all its subsidiaries were sold in 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 operations discontinued in 2014.



ACOTEL GROUP

Reclassified consolidated statement of financial position

(€000)	31 December 2014	31 December 2013	Increase/ (Decrease)
Non-current assets:			
Property, plant and equipment	7,881	9,180	(1,299)
Intangible assets	3,759	14,147	(10,388)
Other assets	4,198	3,726	472
TOTAL NON-CURRENT ASSETS	15,838	27,053	(11,215)
Net current assets:			
Inventories	442	526	(84)
Trade receivables	19,278	32,997	(13,719)
Other current assets	3,091	4,056	(965)
Trade payables	(24,767)	(24,748)	(19)
Other current liabilities	(5,459)	(7,987)	2,528
TOTAL NET CURRENT ASSETS	(7,415)	4,844	(12,259)
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	(3,665)	(2,939)	(726)
NON-CURRENT PROVISIONS	(519)	(812)	293
NET INVESTED CAPITAL	4,239	28,146	(23,907)
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	45,396	54,916	(9,520)
Profit/(Loss) for the period	(19,347)	(10,661)	(8,686)
Non-controlling interests	170	1,036	(866)
TOTAL EQUITY	27,303	46,375	(19,072)
MEDIUM-/LONG TERM DEBT	-	-	-
Net cash and cash equivalents:			
Current financial assets	(17,063)	(7,257)	(9,806)
Cash and cash equivalents	(11,548)	(16,377)	4,829
Current financial liabilities	5,547	5,405	142
	(23,064)	(18,229)	(4,835)
NET FUNDS RECEIVABLE FROM OTHERS	(23,064)	(18,229)	(4,835)
TOTAL EQUITY AND NET FUNDS RECEIVABLE FROM OTHERS	4,239	28,146	(23,907)



ACOTEL GROUP

Consolidated statement of cash flows

(€000)	<u>2014</u>	<u>2013</u>
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,229	27,916
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	(3,767)	(7,403)
Cash flows from operating activities before changes in working capital	(11,421)	(6,786)
Profit/(Loss) for the year	(19,347)	(10,661)
Profit/(Loss) from discontinued operations	3,616	-
Amortisation and depreciation	3,308	4,268
Goodwill impairment	-	1,720
Impairment losses/reversal of impairment losses on non-current assets	4	228
Impairment of assets	121	1,089
Net change in provisions for staff termination benefits	726	159
Net change in current tax liabilities	(358)	151
Net change in deferred tax liabilities	(798)	(12)
Net change in provisions	(217)	211
Currency translation differences	1,524	(3,939)
(Increase) / Decrease in receivables	5,287	1,375
- due from related parties	-	493
- other	5,287	882
(Increase) / Decrease in inventories	(6)	307
Increase / (Decrease) in payables	2,373	(2,299)
- due to related parties	-	(1,462)
- other	2,373	(837)
C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES	9,851	(2,471)
(Purchases)/disposals of fixed assets:		
- Intangible assets	(343)	(2,633)
- Property, plant and equipment	(1,787)	(1,463)
- Financial assets	(134)	111
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
Proceeds from assets sold, net of cash transferred and the related costs to sell	12,115	-
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES	(1,249)	187
Net borrowings:	-	1,646
- due to related parties	-	1,646
Increase / (Decrease) in short-term debt	-	(1,224)
Other changes in equity	(383)	(459)
Change in non-controlling interests	(866)	224
E. CASH FLOW FOR THE YEAR (B+C+D)	4,835	(9,687)
F. NET CASH AND CASH EQUIVALENTS AT END OF YEAR (A+E)	23,064	18,229



ACOTEL GROUP

Analysis of consolidated net funds

(€000)

	31 December 2014	31 December 2013	Increase/ (Decrease)
A. Cash and cash equivalents	11,548	16,377	(4,829)
B. Assets held for trading	15,463	7,000	8,463
C. Liquidity (A + B)	27,011	23,377	3,634
D. Other current financial receivables	1,600	257	1,343
E. Current financial assets (D)	1,600	257	1,343
F. Current bank borrowings	(5,547)	(5,405)	(142)
G. Current financial liabilities (F)	(5,547)	(5,405)	(142)
H. Non-current debt	-	-	-
I. Net funds (C+E+G+H)	23,064	18,229	4,835



ACOTEL GROUP SpA
Reclassified income statement

(€)	2014	2013	Increase/ (Decrease)
Revenues	2,217,429	4,528,218	(2,310,789)
Other income	1,606,391	1,769,655	(163,264)
Total	3,823,820	6,297,873	(2,474,053)
Gross operating profit	(705,202)	1,382,255	(2,087,457)
	<i>(18.44%)</i>	<i>21.95%</i>	
Amortisation and depreciation	(85,822)	(154,409)	68,587
Impairment losses/reversal of impairment losses on non-current assets	(5,851,192)	(7,597,802)	1,746,610
Operating profit/(loss)	(6,642,216)	(6,369,956)	(272,260)
	<i>(173.71%)</i>	<i>(101.14%)</i>	
Share of profits of associates and joint ventures	-	3,418,530	(3,418,530)
Share of losses of associates and joint ventures	(11,928,541)	(4,064,425)	(7,864,116)
Net finance income/(costs)	32,671	229,567	(196,896)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(18,538,086)	(6,786,284)	(11,751,802)
	<i>(484.81%)</i>	<i>(107.76%)</i>	
Taxation	2,743,174	(623,300)	3,366,474
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(15,794,912)	(7,409,584)	(8,385,328)
	<i>(413.07%)</i>	<i>(117.65%)</i>	
Profit/(Loss) from discontinued operations	(4,933,500)	-	(4,933,500)
PROFIT/(LOSS) FOR THE YEAR	(20,728,412)	(7,409,584)	(13,318,828)
	<i>(542.09%)</i>	<i>(117.65%)</i>	



ACOTEL GROUP SpA
Reclassified statement of financial position

(€)	31 December 2014	31 December 2013	Increase/ (Decrease)
Non-current assets			
Property, plant and equipment	162,666	195,064	(32,398)
Intangible assets	8,468	12,521	(4,053)
Non-current financial assets	52,362,174	70,537,469	(18,175,295)
Other assets	2,857,746	2,922,636	(64,890)
TOTAL NON-CURRENT ASSETS	55,391,054	73,667,690	(18,276,636)
Net current assets			
Trade receivables	821,375	2,351,432	(1,530,057)
Other current assets	1,847,643	3,694,825	(1,847,182)
Trade payables	(896,350)	(428,928)	(467,422)
Other current liabilities	(22,874,011)	(19,711,357)	(3,162,654)
TOTAL NET CURRENT ASSETS	(21,101,343)	(14,094,028)	(7,007,315)
PROVISIONS FOR STAFF TERMINATION BENEFITS			
	(737,935)	(734,740)	(3,195)
NON-CURRENT PROVISIONS			
	(354,810)	(684,018)	329,208
NET INVESTED CAPITAL			
	33,196,966	58,154,904	(24,957,938)
Equity:			
Share capital	1,084,200	1,084,200	-
Reserves and retained earnings/ (accumulated losses)	58,473,512	65,939,915	(7,466,403)
Profit/(Loss) for the year	(20,728,412)	(7,409,584)	(13,318,828)
TOTAL EQUITY	38,829,300	59,614,531	(20,785,231)
MEDIUM/LONG-TERM DEBT			
	-	-	-
Net cash and cash equivalents:			
Current financial assets	(6,531,419)	-	(6,531,419)
Cash and cash equivalents	(178,738)	(441,248)	262,510
Current financial receivables	(932,227)	(2,857,431)	1,925,204
Current borrowings	2,010,050	1,839,052	170,998
	(5,632,334)	(1,459,627)	(4,172,707)
NET FUNDS	(5,632,334)	(1,459,627)	(4,172,707)
TOTAL EQUITY AND NET FUNDS			
	33,196,966	58,154,904	(24,957,938)



ACOTEL GROUP SpA
Statement of cash flows

(€)	<u>2014</u>	<u>2013</u>
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	441,248	343,205
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	(5,457,960)	(14,398,933)
Cash flows from operating activities before changes in working capital	(2,580,525)	(8,833,871)
Profit/(Loss) for the year	(20,728,412)	(7,409,584)
Profit/(Loss) from discontinued operations	4,933,500	-
Amortisation and depreciation	85,822	154,409
Cost of covering losses incurred by Noverca Italia Srl	8,900,743	-
Cost of covering losses incurred by Noverca Srl	2,153,429	3,860,643
Cost of covering losses incurred by AEM SpA	874,369	-
Impairment of investment in Acotel do Brasil Ltda	3,135,696	1,549,920
Impairment of investment in Acotel Interactive Inc.	2,715,496	-
Dividends received	-	3,418,530
Net change in provisions for staff termination benefits	(75,175)	(21,814)
Net change in provisions	(4,574,859)	(10,142,478)
- <i>related parties</i>	(4,393,588)	(10,323,749)
- <i>other</i>	(181,271)	181,271
Net change in current tax liabilities	(87,531)	66,389
Net change in deferred tax liabilities	86,397	(309,886)
(Increase) / Decrease in receivables	158,854	(3,666,925)
- <i>due from related parties</i>	499,102	(3,748,336)
- <i>other</i>	(340,248)	81,411
Increase / (Decrease) in payables	(3,036,289)	1,520,393
- <i>due to related parties</i>	(3,146,565)	1,570,863
- <i>other</i>	110,276	(50,470)
Dividends collected	-	(3,418,530)
C. CASH FLOW FROM (FOR) INVESTING ACTIVITIES	12,460,746	(917,467)
(Purchases)/disposals of fixed assets:		
- Intangible assets	(1,968)	(4,080)
- Property, plant and equipment	(47,403)	(82,009)
- Financial assets	12,510,117	(831,378)
- <i>related parties</i>	12,510,117	(831,378)
D. CASH FLOW FROM (FOR) FINANCING ACTIVITIES	(733,877)	15,414,443
Net loans received	170,998	1,814,677
- <i>from related parties</i>	170,998	1,814,677
Net loans provided	(904,875)	13,599,766
- <i>to related parties</i>	(904,875)	13,599,766
E. CASH FLOW FOR THE YEAR (B+C+D)	6,268,909	98,043
F. NET CASH AND CASH EQUIVALENTS AT END OF YEAR (A+E)	6,710,157	441,248



ACOTEL GROUP SpA
Analysis of net funds

(€)

	31 December 2014	31 December 2013	Increase/ (Decrease)
A. Cash and cash equivalents	178,738	441,248	(262,510)
B. Assets held for trading	4,931,419	-	4,931,419
C. Liquidity (A + B)	5,110,157	441,248	4,668,909
D. Current financial receivables due from related parties	932,227	2,857,431	(1,925,204)
E. Other current financial receivables	1,600,000	-	1,600,000
F. Current financial receivables (D+E)	2,532,227	2,857,431	(325,204)
G. Current borrowings from related parties	(2,010,050)	(1,839,052)	(170,998)
H. Current net debt (G)	(2,010,050)	(1,839,052)	(170,998)
I. Non-current debt	-	-	-
I. Net funds (C + F + H + I)	5,632,334	1,459,627	4,172,707
- receivable from related parties	(1,077,823)	1,018,379	(2,096,202)
- receivable from others	6,710,157	441,248	6,268,909