PRESS RELEASE
ACOTEL GROUP: Board approves interim report for H1 2016

- **Revenue €11.7 million (€19.4 million in H1 2015)**
- **Negative EBITDA €3.6 million (negative €3.5 million in H1 2015)**
- **Negative EBIT €4.1 million (negative €3.9 million in H1 2015)**
- **Loss for period €6.9 million (loss of €2.3 million for H1 2015)**

Net funds total approximately €7.6 million.

During the first half of 2016, the Group focused on the development of its energy management products and services and programmatic advertising services, and on the commercialisation of existing products and services in the relevant markets.

In the same period, the Group moved ahead with a number of strategic initiatives designed to refocus its business towards the provision of smart metering and energy management services. In this regard, in May 2016 the subsidiary, *AEM Acotel Engineering and Manufacturing SpA*, entered into a contract with the subsidiary, *Noverca Srl*, for the supply of wholesale services aimed to operate as an independent Enhanced Service Provider (ESP). In this way AEM is able to offer its smart metering customers advanced energy monitoring capabilities via the provision of mobile machine-to-machine (M2M) services.
At the same time, the Group proceeds with the opportunity regarding the sale of the entire Mobile Virtual Network Aggregator segment of **Acotel TLC** business area, no longer considered necessary to the services marketed under the **Acotel NET** brand. In particular, immediately prior to the date of preparation of the consolidated interim report for the six months ended 30 June 2016, the Group received a formal purchase offer of *Noverca Srl* to a major company. *Noverca Srl* is the Group company that enables MVNOs (Mobile Virtual Network Operators) to provide their services in the Italian market using its proprietary platform developed in-house.

In addition to continuing with the development of products and services for managing the consumption of electricity, water and gas, the **Acotel Net** business area continued talks with a number of major commercial partners, resulting in the conclusion of an agreement with Vivigas SpA in July, as reported in the section on events after the reporting date.

The **Acotel Interactive** business area is responsible for VAS services, offering them not only on behalf of mobile operators, but also making its own apps available via the various market places or marketing them directly via the advertising services provided by the investee, *Bucksense Inc.*.

As a result of the Group's current restructuring, from 2016, the accounts include a new business area named **Bucksense** with the aim of giving greater visibility to the web advertising services offered by the Group. Bucksense operates internationally, offering its customers all the latest tools needed to engage in mobile marketing, ranging from user acquisition to tracking and app engagement.
During the first half, Bucksense interconnected with the leading Ad Exchanges and launched new display, native and video formats for desktop and mobile advertising.

As a result of the above sale, in the interim report, the net assets attributable to the MVNA business at 30 June 2016 have been reclassified to "Assets and liabilities held for sale" and, in the income statement, to "Profit/(Loss) from discontinued operations", as required by IFRS 5. The resulting loss from discontinued operations amounts to €883 thousand.

As disclosed in *Acotel Group SpA*'s consolidated financial statements for the year ended 31 December 2015, during the previous year, the subsidiary, *Noverca Italia Srl*, was placed in liquidation. As a result, at 30 June 2016, the net assets attributable to *Noverca Italia Srl (in liquidation)* have been reclassified to "Assets and liabilities held for sale" and, in the income statement, to "Profit/(Loss) from discontinued operations", as required by IFRS 5. The resulting loss from discontinued operations amounts to €57 thousand.

The first-half results show, however, that the above restructuring has yet to be transformed into an improvement in the Group's operating performance.

The consolidated loss of approximately €6.9 million for the six months ended 30 June 2016 breaks down as follows:

(a) ACOTEL NET business area:	(€1,929) thousand
(B) BUCKSENSE business area:	(€1,552) thousand
(C) ACOTEL INTERACTIVE business area:	€303 thousand
(d) Taxation and adjustments:	(€2,925) thousand
(e) Net effect of "discontinued operations":	(€826) thousand
Loss for the period:	**(€6,929) thousand**

This shows how the Group continues to experience operational difficulties across all its businesses, as the deteriorating performance of the existing operations is unable to make up for the losses incurred by its new businesses.
Based on their assessment of the situation, the Directors have prepared the condensed consolidated interim financial statements on a going concern basis, despite the presence of significant uncertainties regarding the Group's ability to continue to operate as in previous years.

Revenue generated by the Group in the first six months of the year amounts to €11.7 million, down 40% on the €19.4 million of the first half of 2015. This reflects reduced turnover at the Acotel Interactive business area, hit by a slowdown in its Italian and South American markets, essentially reflecting commercial issues, which have resulted in falling turnover, and regulatory interventions that have altered the way in which the sector operates.

89% of revenue was generated by the Acotel Interactive business area, 9% by the Acotel Net business area and 2% by the Bucksense business area.

In the **Acotel Interactive** business area, Digital Entertainment services generated revenue of approximately €8.3 million, down from the €14.9 million of the first half of 2015, whilst Mobile Service revenue amounts to around €2 million, down from the €3.5 million of the same period of 2015.

Revenue generated by **Acotel Net** business area, totalling approximately €1.1 million, is up to €0.9 million on the same period of 2015. Revenue of €0.7 million was generated by the Energy segment, with the remaining €0.4 million generated by the Security Systems segment.

Revenue generated by **Bucksense** business area, totalling approximately €0.3 million, is up to €0.1 million on the same period of the previous year.

The geographical revenue breakdown shows that 39% of revenue was generated in Latin America, 30% in Italy, 29% in India and the remaining 2% in other countries.

In terms of earnings, the Group reports a consolidated gross operating loss (negative EBITDA) of approximately €3.6 million (a loss of €3.5 million in the same period of 2015). After amortisation and depreciation (€0.5 million), the Group reports an operating loss (negative EBIT) of €4.1 million, compared with an operating loss of €3.9 million for the same period of the previous year.
After net finance income (€0.2 million), estimated tax expense for the period (€2.2 million) and the loss from assets held for sale and discontinued operations (€0.8 million), to the costs and income attributable to *Noverca Srl* and *Noverca Italia Srl (in liquidation)* have been reclassified, the consolidated loss for the first half of 2016 amounts to €6.9 million (a loss of €2.3 million in the first half of 2015).

Net funds at 30 June 2016 of approximately €7.6 million are down 35% on the €11.6 million of 31 December 2015. This reflects the financial impact of the losses incurred by the Group's subsidiaries during the first half.

Events after 30 June 2016

In July, *AEM Acotel Engineering and Manufacturing SpA* signed an agreement 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.

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.

Outlook

In the **Acotel Interactive** business area**,** the Group expects to further expand its customer base in India, where the Group has identified significant revenue potential.

In addition to continuing with the development of products and services for managing the consumption of electricity, water and gas, the **Acotel Net** business area should finally see a number of the ongoing talks results in agreements with major commercial partners.

The **Bucksense** business area expects to see a significant increase in its customer base and in turnover generated by the advertising services provided outside the Acotel Group.

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) <u>The Company's and the Group Acotel's net funds</u>

Acotel Group SpA *(€000)*

	30 June 2016
A. Cash and cash equivalents	66
B. Assets held for trading	130
C. Liquidity (A + B)	**196**
D. Current financial receivables due from related parties	2,910
E. Other current financial receivables	1,600
F. Current financial assets (D + E)	**4,510**
G. Current financial liabilities due to related parties	(2,025)
H. Current net debt (G)	**(2,025)**
I. Non-current net debt	**-**
L. Net funds (C+F+H+I)	**2,681**

Group Acotel *(€000)*

	30 June 2016
A. Cash and cash equivalents	4,310
B. Assets held for trading	7,873
C. Liquidity (A + B)	**12,184**
D. Other current financial receivables	1,600
E. Current financial assets (D)	**1,600**
F. Current bank borrowings	(6,171)
G. Current financial liabilities (F)	**(6,171)**
H. Non-current net debt	**-**
I. Net funds (C+E+G+H)	**7,613**

b) <u>The Company's and the Group Acotel's past due payables</u>

At 30 June 2016, the Company does not report any material past due payables.
At the same date, the Group Acotel does not report any material past due payables, other than the amount due from the subsidiary, *Noverca Srl* to *Telecom Italia SpA*, which is the subject of a payment plan agreed by the parties.

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

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

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

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

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

On 14 March 2016, Acotel Group SpA's Board of Directors approved a business plan for the period 2016 – 2020 (the "Plan"), drawn up with the support of an independent advisor. The Plan sets out details of the steps to be taken in order to ensure growth in revenue and earnings, resulting in a return to profit (expected to occur in 2018) and the ensuing generation of positive operating cash flow, sufficient to support the traditional business (Acotel Interactive) and to fund the investment needed to develop the new businesses.
During the first half, the Directors closely and continuously monitored results, so as to immediately identify any shortfall that could affect the Group's ability to meet the Plan objectives and further erode the Group's capital and finances.

Shortfalls with respect to the Plan at 30 June 2016 regard:

- a shortfall in consolidated revenue of approximately €3.5 million, primarily due to the underperformance, with respect to the assumptions used in the Plan, of the Acotel Interactive (€1.9 million), Bucksense (€0.9 million) and Acotel net (€0.7 million) business areas;
- a higher consolidated gross operating loss with respect to the assumptions used in the Plan, resulting in a difference of approximately €1.6 million, reflecting the performances of the Acotel Interactive (€0.9 million), Acotel Net (€0.5 million) and Bucksense (€0.2 million) business areas;
- an improvement in net funds at 30 June 2016 with respect to the Plan; this is partly due to a delay in investment decisions and partly to the different manner in which investment has been carried out.

Despite the uncertainties evidenced by the shortfalls in the first-half performance compared with the Plan objectives, it is important to note that the Group has no bank borrowings, except for a current account overdraft granted by Intesa San Paolo to the subsidiary, Noverca Italia Srl (in liquidation). In spite of this, the Directors will shortly proceed with a review of the Business Plan for the period 2016 – 2020, in the light of changes in the operating environment and in market conditions with respect to the assumptions used when drawing up the Plan. The Directors believe this to be essential to a revisitation of the strategic guidelines and of all the actions needed to achieve the operating and financial results targeted in the Plan.

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 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, 27 September 2016

Note: the condensed income statement and statement of financial position included in the interim report for the six months ended 30 June 2016 approved today by the Board of Directors are attached.

For further information contact:

Acotel Group
Davide Carnevale
Investor Relations
Tel. +39 06 61141000
e-mail: investor.relator@acotel.com

ACOTEL GROUP
Reclassified consolidated income statement

(€000)	H1 2016	H1 2015 (*)	Increase/ (Decrease)
Revenue	11,669	19,373	(7,704)
Other income	44	71	(27)
Total	**11,713**	**19,444**	**(7,731)**
Gross operating profit/(loss)	**(3,577)**	**(3,453)**	**(124)**
Amortisation and depreciation	(564)	(420)	(144)
Operating profit/(loss)	**(4,141)**	**(3,873)**	**(268)**
Net finance income/(costs)	211	422	(211)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(3,930)**	**(3,451)**	**(479)**
Taxation	(2,173)	(1,036)	(1,137)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(6,103)**	**(4,487)**	**(1,616)**
Profit/(Loss) from assets held for sale and discontinued operations	(826)	2,079	(2,905)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	**(6,929)**	**(2,408)**	**(4,521)**
Profit/(Loss) attributable to non-controlling interests	-	(81)	81
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	**(6,929)**	**(2,327)**	**(4,602)**
Earnings per share	(1.68)	(0.57)	
Diluted earnings per share	(1.68)	(0.57)	

(*): As required by IFRS 5, amounts for the first half of 2015 have been reclassified.

ACOTEL GROUP

Reclassified consolidated statement of financial position

(€000)	30 June 2016	31 December 2015	Increase/ (Decrease)
Non-current assets:			
Property, plant and equipment	5,051	5,281	(230)
Intangible assets	2,045	2,027	18
Other assets	945	2,590	(1,645)
TOTAL NON-CURRENT ASSETS	**8,041**	**9,898**	**(1,857)**
Net current assets:			
Inventories	493	585	(92)
Trade receivables	3,496	5,554	(2,058)
Other current assets	1,298	2,036	(738)
Trade payables	(3,433)	(6,778)	3,345
Other current liabilites	(3,745)	(4,120)	375
TOTAL NET CURRENT ASSETS	**(1,891)**	**(2,723)**	**832**
TOTAL ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS LESS RELATED LIABILITIES	**(1,070)**	**(538)**	**(532)**
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	**(3,684)**	**(3,590)**	**(94)**
NON-CURRENT PROVISIONS	**(169)**	**(240)**	**71**
NET INVESTED CAPITAL	**1,227**	**2,807**	**(1,580)**
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	14,685	24,000	(9,315)
Profit/(Loss) for the period	(6,929)	(10,671)	3,742
Non-controlling interests	-	30	(30)
TOTAL EQUITY	**8,840**	**14,443**	**(5,603)**
Net cash and cash equivalents:			
Current financial assets	(9,473)	(11,034)	1,561
Cash and cash equivalents	(4,267)	(6,172)	1,905
Cash and cash equivalents held for sale and included in discontinued operations	(44)	(395)	351
Current financial liabilities held for sale and included in discontinued operations	6,171	5,965	206
	(7,613)	**(11,636)**	**4,023**
NET FUNDS	**(7,613)**	**(11,636)**	**4,023**
TOTAL EQUITY AND NET FUNDS	**1,227**	**2,807**	**(1,580)**

ACOTEL GROUP
Consolidated statement of cash flows

(€000)	H1 2016	H1 2015 (*)
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**11,636**	**23,064**
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	**(2,685)**	**(4,091)**
Cash flows from operating activities after changes in working capital	**(2,536)**	**(1,318)**
Profit/(Loss) for the period from continuing operations	(6,103)	(4,406)
Profit/(Loss) for the period from discontinued operations	(826)	2,079
Amortisation and depreciation for continuing operations	564	420
Amortisation and depreciation for discontinued operations	443	522
Net change in staff termination benefits	781	(157)
Net change in deferred tax liabilities	1,497	90
Net change in provisions	-	(114)
Currency translation differences	1,108	248
(Increase) / Decrease in receivables	1,999	2,243
(Increase) / Decrease in inventories	92	(38)
Increase / (Decrease) in payables	(175)	(2,757)
Cash flows from (for) operating activities attributable to discontinued operations	(2,065)	(2,221)
C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES	**(965)**	**(585)**
(Purchases)/disposals of fixed assets:		
- Intangible assets	(748)	(351)
- Property, plant and equipment	(44)	(189)
- Financial assets	27	50
Cash flows from (for) investing activities attributable to discontinued operations	(200)	(95)
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES	**(373)**	**153**
Other changes in equity	(373)	234
Change in non-controlling interests	-	(81)
E. CASH FLOW FOR THE PERIOD (B+C+D)	**(4,023)**	**(4,523)**
F. NET CASH AND CASH EQUIVALENTS AND NET CURRENT FINANCIAL ASSETS AT END OF PERIOD (A+E)	**7,613**	**18,541**
of which: cash and cash equivalents and net current assets included in assets and liabilities held for sale and discontinued operations	(6,127)	335
G. NET CASH AND CASH EQUIVALENTS AND NET CURRENT FINANCIAL ASSETS AT END OF PERIOD (A+E) AS REPORTED IN FINANCIAL STATEMENTS	**13,740**	**18,206**

(*): As required by IFRS 5, amounts for the first half of 2015 have been reclassified.

ACOTEL GROUP

Analysis of consolidated net funds

(€000)

	30 June 2016	31 December 2015	Increase/ (Decrease)
A. Cash and cash equivalents	4,310	6,567	(2,257)
B. Assets held for trading	7,873	9,434	(1,561)
C. Liquidity (A + B)	**12,184**	**16,001**	**(3,818)**
D. Other current financial receivables	1,600	1,600	-
E. Current financial assets (D)	**1,600**	**1,600**	**-**
F. Current bank borrowings	(6,171)	(5,965)	(206)
G. Current financial liabilities (F)	**(6,171)**	**(5,965)**	**(206)**
H. Net funds (C+E+G)	**7,613**	**11,636**	**(4,023)**