



PRESS RELEASE

ACOTEL GROUP SpA: Independent Auditor issues disclaimer of opinion

Acotel Group SpA announces that its Independent Auditor, EY SpA, has issued its reports on the consolidated and separate financial statements for the year ended 31 December 2016, which contain disclaimers of opinion. This is due to the large number of significant uncertainties giving rise to doubts about the ability of the Company, and the Group for which it is the holding company, to continue to operate on a going concern basis, with potential interactions and cumulative effects on the financial statements.

With regard to the risks regarding application of the going concern basis of accounting, reference should be made to the section, “*Directors’ assessment of compliance with going concern requirements*” in the notes to the consolidated financial statements and the notes to the separate financial statements, published in accordance with statutory requirements and, therefore, available on the Company’s website.

Note: the full texts of the Independent Auditors’ reports are attached.

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Rome, 4 April 2017

Independent auditor's report in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Acotel Group S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Acotel Group, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Acotel Group S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

However, we were unable to express an opinion on these consolidated financial statements because of the matter described in the Basis for Disclaimer of Opinion paragraph.

Basis for Disclaimer of Opinion

Acotel Group in the current year and in previous ones recorded significant losses, in particular the consolidated financial statements at 31 December 2016 close with a loss of Euro 5,479 thousand (loss of Euro 10,671 thousand at 31 December 2015), a net equity of Euro 10,942 thousand (Euro 14,443 thousand at 31 December 2015) and highlights a significant negative cash flow from operating activities, which impacted the net financial position, in any case positive and amounting to Euro 8,049 thousand (Euro 11,613 thousand at 31 December 2015).

In the Directors' Report on Group Operations and in the section "Assessment Of Compliance With Going Concern Requirements" of the explanatory notes, the Directors point out that the economic and financial results of the Group during the year - although an improvement compared to the previous year essentially deriving from the effects of the sale of the subsidiary Noverca S.r.l. - highlight the persistent period of cross-operational difficulties for the various business areas. In this respect, the Directors indicate that on 14 March 2016 a business plan was approved for the years 2016-2020, which outlined a path to support the revenue and margin growth, necessary to achieve a positive economic result and, consequently, generate operating cash flows sufficient to support the historic business activities (Acotel Interactive) and the investments to develop new lines of business. (mainly Energy management and Bucksense). In this context, it is highlighted how the plan traced a path to achieve a positive margin, aimed to reverse the cash outflows and their associated impacts on the Group net equity, which occurred in previous years, despite the significant uncertainties related to the growth forecast of revenues and margins of the emerging business, critical to effectively achieving the expected operational and financial results.

The Directors illustrate how such uncertainties have arisen during the course of the current fiscal year, whereby the economic results achieved by the Group in the various business areas differ, in certain cases significantly, from the forecasts made in the business plan. These misalignments are due to the failure in acquiring certain contracts as well as sales volumes falling short of expectations for those already acquired for what concerns new businesses; conversely, with regard to the historical business, the variations are linked to political, commercial and regulatory factors, that contributed to a decrease in turnover, which was only partially offset by a lower amount of operating expenses. In light of the changed operational and market circumstances compared to those considered in the 2016-2020 business plan, the Directors illustrate that they have taken steps to update the business plan by approving of a new 2017-2021 business plan. They also indicate that the consolidated financial statements have been on a going concern basis notwithstanding that there are several uncertainties, which give rise to significant doubts about such assertion. Such uncertainties, according to the Directors, are due to forecasts regarding the expected development of new lines of business and, in particular, to the growth of related revenues and to the consequent recovery of positive margins. These variables are fundamental to effectively achieving the forecasted operating and financial results, so as to end, based on the business plan, the equity and financial erosion experienced in recent years and to limit the need to raise funds by way of equity or debt.

The multiple significant uncertainties described above, cast significant doubt on the Acotel Group's ability to continue to operate on the assumption of going concern with potential interactions and cumulative effects on the consolidated financial statements.

Opinion

Because of the effects of the uncertainties described in the "Basis for Disclaimer of Opinion", we are unable to express an opinion on the consolidated financial statements of Acotel Group as at 31 December 2016.

Report on other legal and regulatory requirements

Disclaimer of Opinion on the consistency of the Directors' Report on Group Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the consolidated financial statements

We have been engaged to perform the procedures required under audit standard (ISA Italia) n. 720B in order to express an opinion on the consistency of the Directors' Report on Group Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the consolidated financial statements as at 31 December 2016, as required by the law. Management is responsible for the preparation of the Directors' Report on Group Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. Because of the significance of the matter discussed in the Basis for Disclaimer of Opinion paragraph of the Auditor's Report on the consolidated financial statements, we are unable to express an opinion on the consistency of the Directors' Report on Group Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure with the consolidated financial statements of Acotel Group as at 31 December 2016.

Rome, 30 March 2017

EY S.p.A.

Signed by: Simone Scettri, partner

This report has been translated into the English language solely for the convenience of international readers.

Independent auditor's report in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Acotel Group S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Acotel Group S.p.A., which comprise the balance sheet as at 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors of Acotel Group S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

However, we were unable to express an opinion on these financial statements because of the matter described in the Basis for Disclaimer of Opinion paragraph.

Basis for Disclaimer of Opinion

Note 7.6 " Assessment Of Compliance With Going Concern Requirements " of the financial statements, describes the circumstances that led the Company to a loss of Euro 10,982 thousand in 2016 (Euro 13,779 loss in 2015), which has affected both the net equity of the Company amounting to Euro 14,298 thousand (Euro 25,077 on 31 December 2015) and net financial position, in any case positive and amounting to Euro 8,049 thousand (Euro 11,636 at 31 December 2015).

The Directors illustrate how the results achieved by the Company and its subsidiaries highlights the persistent period of cross-operational difficulties for the various business areas. In this respect, the Directors indicate that on 14 March 2016 a business plan was approved for the years 2016-2020, which outlined a path to support the revenue and margin growth, necessary to achieve a positive economic result and, consequently, to generate operating cash flows sufficient to support the historic business activities (Acotel Interactive) and the investments to develop new lines of business (mainly Energy management and Bucksense). In this context, it is highlighted how the plan traced a path to achieve a positive margin, aimed to reverse the cash outflows and their associated impacts on the Group net equity, which occurred in previous years, despite the significant uncertainties related to the growth forecast of revenues and margins of the emerging business, critical to effectively achieving the expected operational and financial results.

The Directors illustrate how such uncertainties have arisen during the course of this current year, whereby the economic results achieved by the Company and its subsidiaries in the various business areas differ, in certain cases significantly, from the forecasts made in the business plan. These misalignments are due to the failure in acquiring certain contracts as well as sales volumes falling short of expectations for those already acquired, for what concerns new businesses; conversely, with regard to the historical business, the variations are to be linked to political, commercial and regulatory factors, that contributed to a decrease in turnover, which was only partially offset by a lower amount of operating expenses. In light of the changed operational and market circumstances compared to those considered in the 2016-2020 business plan, the Directors illustrate that they have taken steps to update the business plan by approving a new 2017-2021 business plan. They also indicate that the financial statements have been prepared on a going concern basis notwithstanding that there are several uncertainties, which give rise to significant doubts about such assertion. Such uncertainties, according to the Directors, are due to forecasts regarding the expected development of new lines of business and, in particular, to the growth of related revenues and to the consequent recovery of positive margins. These variables are fundamental to effectively achieving the forecasted operating and financial results, so as to end, based on the Plan, the equity and financial erosion experienced in recent years and to limit the need to raise funds by way of equity or debt.

The uncertainties outlined and described above, cast significant doubt on the Acotel Group ability to continue to operate on the assumption of going concern. In particular, the going concern assumption is subject to multiple and significant uncertainties with potential interactions and possible cumulative effects on the financial statements.

Opinion

Because of the effects of the uncertainties described in the "Basis for Disclaimer of Opinion", we are unable to express an opinion on the financial statements of Acotel Group as at 31 December 2016.

Report on other legal and regulatory requirements

Disclaimer of Opinion on the consistency of the Directors' Report on the Parent Company's Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the financial statements

We have been engaged to perform the procedures required under audit standard (ISA Italia) n. 720B in order to express an opinion on the consistency of the Directors' Report on the Parent Company's Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the financial statements as at 31 December 2016, as required by the law. Management is responsible for the preparation of the Directors' Report on the Parent Company's Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. Because of the significance of the matter discussed in the Basis for Disclaimer of Opinion paragraph of the Auditor's Report on the financial statements, we are unable to express an opinion on the consistency of the Directors' Report on the Parent Company's Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure with the financial statements of Acotel Group as at 31 December 2016.

Rome, 30 March 2017

EY S.p.A.

Signed by: Simone Scettri, partner

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