

**INTERIM REPORT FOR THE  
THREE MONTHS ENDED 30 SEPTEMBER 2016**



Registered office in Via della Valle dei Fontanili 29/37 – 00168 Rome, Italy  
Share capital: €1,084,200.00 fully paid-in  
Rome Companies' Register,  
Tax Code and VAT number: 06075181005

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## **MANAGEMENT AND CONTROL BODIES**

### **Board of Directors**

Claudio Carnevale

*Chairman and CEO*

Francesco Ago <sup>(1), (2), (3)</sup>

*Director*

Margherita Argenziano

*Director*

Rubens Esposito <sup>(1), (2)</sup>

*Director*

Giovanni Galoppi

*Director*

*(1) Member of the Remuneration Committee*

*(2) Member of the Internal Audit Committee*

*(3) Lead Independent Director*

### **Board of Statutory Auditors**

Sandro Lucidi

*Chairman*

Antonio Mastrangelo

*Auditor*

Monica Rispoli

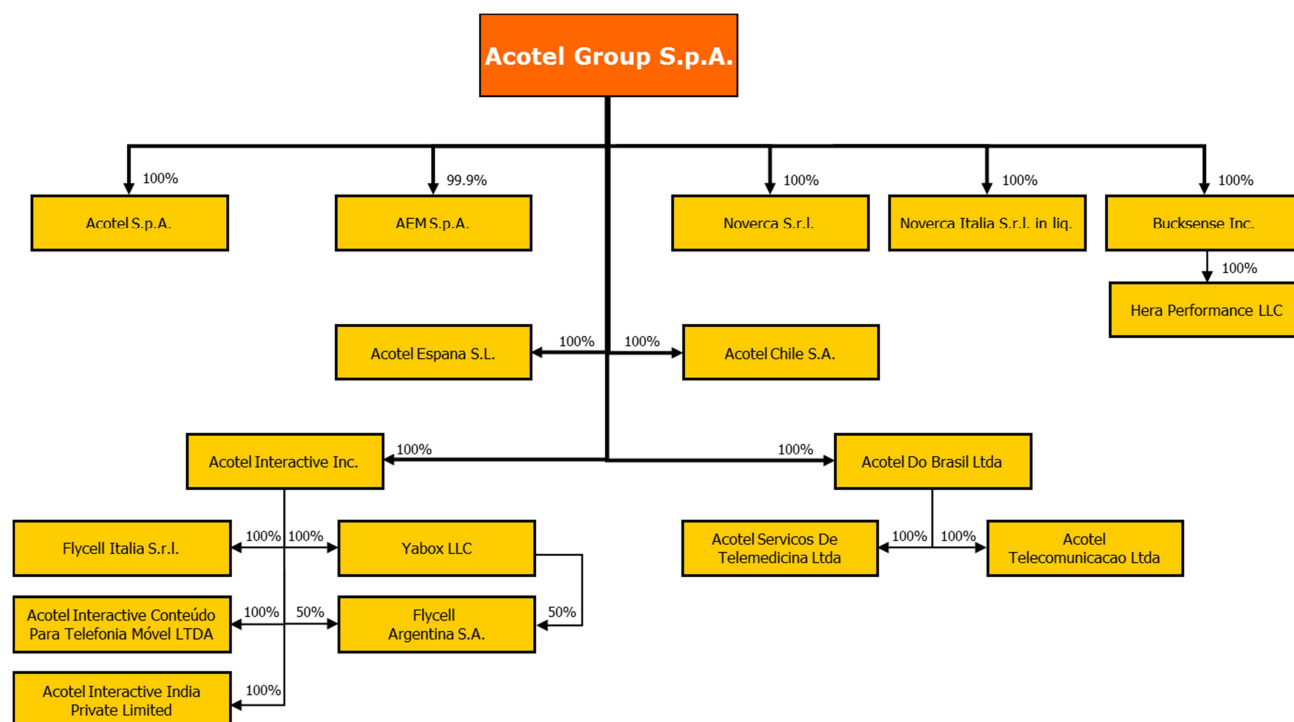
*Auditor*

### **Independent auditors**

EY SpA

## THE GROUP

The following chart shows the structure of the Acotel Group at 30 September 2016:



The parent company of Acotel Group SpA is Clama Srl, which at 30 September 2016 holds 1,727,915 ordinary shares, representing 41.4% of the share capital.

Clama Srl does not carry out management and coordination activities pursuant to art. 2497 of the Italian Civil Code, as, despite holding sufficient voting rights to submit the majority list for election of the Board of Directors, Acotel Group SpA's Board of Directors is operationally independent.

## BASIS OF PRESENTATION

The Acotel Group's interim report for the three months ended 30 September 2016 has been prepared in compliance with the requirements of article 2.2.3, paragraph 3 of the Regulations for Markets organised and managed by Borsa Italiana SpA.

The interim report has been prepared under the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The accounting standards applied are consistent with those adopted for preparation of the Acotel Group's consolidated financial statements for the year ended 31 December 2015, integrated where necessary by the application of standards to take account of aspects not present at that date.

The consolidated financial statements for the three months ended 30 September 2016 have been prepared on the basis of the underlying accounting records at that date, as adjusted in accordance with the matching principle.

Preparation of this report required management to make estimates and assumptions which, based primarily on internal records, essentially have an effect on revenues and costs that have yet to be confirmed by customers and suppliers, any impairments of goodwill and inventories, and provisions for bad debts, litigation and taxation.

Above all, a portion of the turnover generated by Digital Entertainment services, and a number of related cost items, include preliminary figures, derived primarily from internal reporting systems, and estimates that have yet to be confirmed by mobile transaction network providers and/or operators.

Certain measurement processes, above all those of a complex nature relating to the estimate of potential impairments of fixed assets, are generally only fully carried out during preparation of the annual financial statements, unless events or changes in circumstances indicate that there may be an impairment requiring an immediate measurement of any loss.

This interim report is unaudited.

### **BASIS OF CONSOLIDATION**

The following table provides key information on consolidated companies held, directly or indirectly, by Acotel Group SpA, the Parent Company.

The basis of consolidation changed during the third quarter of 2016, as a result of the liquidation of the Argentine subsidiary, *Acotel SRL*, held through *Acotel Interactive Inc.*.

Company	Date of acquisition	Group's % interest	Registered office	Share capital	
				Currency	Amount
Acotel SpA	28 April 2000	100%	Rome	EURO	13,000,000
AEM Acotel Engineering and Manufacturing SpA	28 April 2000	99.9%	Rome	EURO	264,000
Acotel Chile SA	28 April 2000	100%	Santiago, Chile	USD	17,330
Acotel Espana SL	28 April 2000	100%	Madrid	EURO	3,006
Acotel Do Brasil Ltda	8 August 2000 (1)	100%	Rio de Janeiro	BRL	1,868,250
Acotel Interactive, Inc.	28 June 2003 (1)	100%	Wilmington	USD	10,000
Acotel Interactive Conteúdo Para Telefonía Móvel LTDA	6 June 2006 (1)	100% (2)	Rio de Janeiro	BRL	250,000
Yabox LLC	24 October 2007 (1)	100% (2)	Wilmington	USD	1
Flycell Italia Srl	10 July 2008 (1)	100% (2)	Rome	EURO	90,000
Flycell Argentina SA	26 October 2009	100% (3)	La Plata	ARS	12,000
Acotel Serviços De Telemedicina Ltda.	28 March 2011 (1)	100% (4)	Rio de Janeiro	BRL	400,000
Acotel Telecomunicação Ltda.	28 March 2011 (1)	100% (4)	Rio de Janeiro	BRL	400,000
Bucksense, Inc.	28 June 2011 (1)	100%	Nevada	USD	10,000
Noverca Srl	10 July 2002 (5)	100% (6)	Rome	EURO	10,000
Noverca Italia Srl (in liquidation)	9 May 2008 (1)	100% (6)	Rome	EURO	10,000
Acotel Interactive India Private Limited	22 August 2013 (1)	100% (2)	Mumbai	Rs	100,000
Hera Performance LLC	11 May 2016	100% (7)	Nevada	USD	1

- (1) The date of the company's entry into the Group coincides with its incorporation
- (2) Controlled via Acotel Interactive Inc.
- (3) Controlled via Acotel Interactive Inc. and Yabox LLC.
- (4) Controlled via Acotel do Brasil Ltda.
- (5) Prior to this date the Group owned 50% of this company, accounted for in investments in associates.
- (6) Since 20 May 2013, the Group has full control of this company.
- (7) Controlled via Bucksense, Inc.

## **SIGNIFICANT EVENTS DURING THE QUARTER**

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*, which alone constituted the Mobile Virtual Network Aggregator segment of the Acotel TLC business area.

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, as required by 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).

Compared with the results for the same period of 2015, the Acotel Group's results for the third quarter of 2016 reveal a reduction in revenue and an improvement in earnings, as shown below:

(€000)	Q3			
	2016	2015 (*)	Increase/(Decrease)	
Revenue	5,248	9,378	(4,130)	(44%)
Gross operating profit/(loss) (EBITDA)	(590)	(956)	366	38%
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(820)	(1,157)	337	29%

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

The 44% reduction in quarterly revenue reflects the downturn in 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.

The Group's gross operating loss (EBITDA) has been reduced with respect to the same period of 2015 (down 38%), after benefitting from a reduction in the advertising expenses incurred by the Acotel Interactive business area to promote its Digital Entertainment services (down 40%) and lower staff costs (down 21%).

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.



## RESULTS OF OPERATIONS

### RECLASSIFIED CONSOLIDATED INCOME STATEMENT (\*)

(€000)	Note	Q3			9M		
		2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)
Revenue	1	5,248	9,378	(4,130)	16,917	28,751	(11,834)
Other income		21	30	(9)	65	102	(37)
<b>Total</b>		<b>5,269</b>	<b>9,408</b>	<b>(4,139)</b>	<b>16,982</b>	<b>28,853</b>	<b>(11,871)</b>
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	2	(3,895)	(7,410)	3,515	(13,554)	(23,555)	10,001
Rentals and leases	3	(248)	(300)	52	(734)	(905)	171
Staff costs	4	(1,998)	(2,535)	537	(7,420)	(8,431)	1,011
Internal capitalised costs	5	518	153	365	1,255	602	653
Other costs	6	(139)	(227)	88	(421)	(752)	331
<b>Gross operating profit/(loss) (EBITDA)</b>		<b>(590)</b>	<b>(956)</b>	<b>366</b>	<b>(4,167)</b>	<b>(4,408)</b>	<b>241</b>
Amortisation and depreciation	7	(332)	(217)	(115)	(896)	(637)	(259)
<b>Operating profit/(loss) (EBIT)</b>		<b>(922)</b>	<b>(1,173)</b>	<b>251</b>	<b>(5,063)</b>	<b>(5,045)</b>	<b>(18)</b>
Net finance income/(costs)	8	102	16	86	313	438	(125)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(820)</b>	<b>(1,157)</b>	<b>337</b>	<b>(4,750)</b>	<b>(4,607)</b>	<b>(143)</b>
Taxation	9	(182)	(690)	508	(2,355)	(1,726)	(629)
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>		<b>(1,002)</b>	<b>(1,847)</b>	<b>845</b>	<b>(7,105)</b>	<b>(6,333)</b>	<b>(772)</b>
Profit/(Loss) from assets held for sale and discontinued operations	10	(296)	(1,319)	1,023	(1,122)	(167)	(955)
<b>PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>(1,298)</b>	<b>(3,166)</b>	<b>1,868</b>	<b>(8,227)</b>	<b>(6,500)</b>	<b>(1,727)</b>
Earnings per share	11	(0.32)	(0.77)		(2.00)	(1.58)	
Diluted earnings per share	11	(0.32)	(0.77)		(2.00)	(1.58)	

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

### Note 1 - Revenue

Revenue of €5,248 thousand for the third quarter of 2016 is down compared with the €9,378 thousand of the same period of the previous year, as shown below:

(€000)

	2016		2015	
	Q3	9M	Q3	9M
ACOTEL INTERACTIVE	4,113	14,461	8,849	27,247
ACOTEL NET	596	1,652	474	1,351
BUCKSENSE	539	804	55	153
	<b>5,248</b>	<b>16,917</b>	<b>9,378</b>	<b>28,751</b>

### ACOTEL INTERACTIVE

The Acotel Interactive business includes the services provided directly to consumers (Digital Entertainment), and those supplied to telephone companies and commercial companies (Mobile Services). It has the primary purpose of supplying value added content and services over mobile phones and the web.

As the following table shows, revenue from this business area is down from €8,849 thousand in the third quarter of 2015 to €4,113 thousand in the quarter under review:

(€000)

	Q3			9M		
	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)
Digital Entertainment	3,024	7,301	(4,277)	11,333	22,212	(10,879)
Mobile Services	1,089	1,548	(459)	3,128	5,035	(1,907)
<b>Total</b>	<b>4,113</b>	<b>8,849</b>	<b>(4,736)</b>	<b>14,461</b>	<b>27,247</b>	<b>(12,786)</b>

A closer look shows that Digital Entertainment services generated revenue of €3,024 thousand in the third quarter of 2016. These services are provided by *Acotel Interactive Inc.* and its direct subsidiaries, accounting for a total of €2,470 thousand, and by *Acotel SpA*, accounting for €554 thousand.

Mobile Service revenue, amounting to €1,089 thousand, includes the revenue generated by the subsidiary, *Acotel do Brasil Ltda*, from services provided to the Brazilian operator, *TIM Celular*, amounting to €890 thousand, and the revenue generated by the services provided to *Telecom Italia* by the subsidiary, *Acotel SpA*, totalling €199 thousand.

### ACOTEL NET

The revenue generated by the *Acotel Net* business in the third quarter of 2016 amounts to €596 thousand, up 26% on the same period of 2015, as shown in the following table:

(€000)

	Q3			9M		
	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)
Energy	424	218	206	1,056	617	439
Security Systems	172	256	(84)	596	734	(138)
<b>Total</b>	<b>596</b>	<b>474</b>	<b>122</b>	<b>1,652</b>	<b>1,351</b>	<b>301</b>

The Energy segment generated revenue of €424 thousand in the third quarter, generated by the services provided by the Group primarily to *ENI*, consisting in provision of the *myEnergy* service, and *Poste Italiane SpA*, relating to energy management services for over 8,000 post offices.

The Security Systems segment generated revenue of €172 thousand in the third quarter. This revenue is generated by the design, production and maintenance of electronic security systems in Italy by the subsidiary, *AEM Acotel Engineering and Manufacturing SpA*. The subsidiary generates revenue from the installation, supply, servicing and maintenance of remote surveillance equipment primarily installed at certain provincial branches of the Bank of Italy and at Italian police headquarters.

## BUCKSENSE

The Bucksense business area reports revenue of €539 thousand for the third quarter, marking strong growth with respect to the two previous quarters (€165 thousand in the second quarter and €100 thousand in the first).

A geographical breakdown of the Group's revenue is as follows:

(€000)

	2016				2015			
	Q3	%	9M	%	Q3	%	9M	%
LATIN AMERICA	1,709	33%	6,243	37%	4,939	53%	15,734	55%
ITALY	1,576	30%	5,087	30%	2,699	29%	8,222	29%
INDIA	1,432	27%	4,839	29%	1,633	17%	4,403	15%
OTHER EUROPEAN COUNTRIES	338	6%	495	3%	98	1%	372	1%
OTHER COUNTRIES	193	4%	253	1%	9	-	20	-
	<b>5,248</b>	<b>100%</b>	<b>16,917</b>	<b>100%</b>	<b>9,378</b>	<b>100%</b>	<b>28,751</b>	<b>100%</b>

## Note 2 – External services

The cost of external services totals €3,895 thousand, marking a reduction compared with the third quarter of 2015. A breakdown of the service costs is shown below:

	2016		2015	
	Q3	9M	Q3	9M
(€000)				
Interconnection and billing services	1,556	5,834	4,120	12,009
Advertising	995	3,503	1,652	6,230
Professional consultants	330	1,060	400	1,392
Connectivity and sundry utilities	289	815	217	658
Content providers	167	524	263	1,045
Remuneration of corporate officers	187	563	180	583
Travel expenses	53	167	84	260
Routine maintenance	19	77	27	87
Outsourcing	24	98	46	143
Auditors' fees	45	183	41	184
Other minor expenses	230	730	380	964
<b>Total</b>	<b>3,895</b>	<b>13,554</b>	<b>7,410</b>	<b>23,555</b>

### Note 3 - Rentals and leases

Rentals and leases amount to €248 thousand and mainly include rentals on offices occupied by Group companies.

### Note 4 – Staff costs

Staff costs include:

	2016		2015	
	Q3	9M	Q3	9M
(€000)				
Salaries and wages	1,471	5,420	1,962	6,299
Social security contributions	384	1,331	382	1,326
Staff termination benefits	94	299	100	304
Finance costs	(12)	(46)	(19)	(45)
Other costs	61	416	110	547
<b>Total</b>	<b>1,998</b>	<b>7,420</b>	<b>2,535</b>	<b>8,431</b>

Other staff costs include charges incurred in relation to professional training and refresher courses, prevention and health care expenses, and contributions for defined-contribution pension plans for the staff of foreign subsidiaries.

The number of staff by category at 30 September 2016 and a comparison of the average numbers for the third quarter and first nine months of 2016 and 2015 are reported in the following table:

	At 30 Sept 2016	Average Q3 2016	Average Q3 2015	Average 9M 2016	Average 9M 2015
Managers	13	13	12	13	12
Supervisors	34	34	37	35	39
White- and blue-collar staff	128	129	154	129	155
<b>Total</b>	<b>175</b>	<b>176</b>	<b>203</b>	<b>177</b>	<b>206</b>

The geographical distribution of the Group's staff is shown in the table below:

	At 30 September 2016	At 30 September 2015
Italy	107	114
Brazil	35	51
USA	16	26
Spain	13	11
India	4	2
<b>Total</b>	<b>175</b>	<b>204</b>

At the date of preparation of this interim report, the sale of the subsidiary, *Noverca Srl*, to *Telecom Italia SpA* has been completed. As a result, figures for the geographical distribution of the Group's workforce and for the number of staff by category in 2016 and, for the purposes of comparison, in 2015 are presented without taking into account the staff employed by the above subsidiary. For the purposes of full disclosure, the total workforce employed by *Noverca Srl* at 30 September 2016 and 30 September 2015 is 26 and 28, respectively.

#### Note 5 - Capitalised internal costs

Capitalised internal costs, totalling €518 thousand relate to staff employed in the development of software and new functions used in delivering NET and advertising services.

#### Note 6 – Other costs

Other costs of €139 thousand include €86 thousand in indirect taxes payable by *Acotel do Brasil* and *Acotel Interactive LTDA* in compliance with Brazilian legislation.

The balance includes other general expenses and charges incurred by Group companies in connection with their ordinary activities.

## Note 7 - Amortisation and depreciation

Details of the amortisation and depreciation of assets are given below:

(€000)	2016		2015	
	Q3	9M	Q3	9M
Amortisation of intangible assets	169	395	29	50
Depreciation of property, plant and equipment	163	501	188	587
<b>Total</b>	<b>332</b>	<b>896</b>	<b>217</b>	<b>637</b>

Amortisation of intangible assets mainly refers to amortisation of the software and licences utilised by various Group companies.

Depreciation of property, plant and equipment primarily refers to depreciation of the infrastructure used by Group companies in their operations.

## Note 8 - Finance income and costs

Net finance income of €102 thousand for the third quarter of 2016 break down as follows:

(€000)	2016		2015	
	Q3	9M	Q3	9M
Income from investments	133	474	95	783
Foreign exchange gains	-	150	69	305
Interest income on bank deposits	2	3	-	2
<b>Total finance income</b>	<b>135</b>	<b>627</b>	<b>164</b>	<b>1,090</b>
Foreign exchange losses	(6)	(209)	(111)	(547)
Interest expense and bank charges	(12)	(37)	(12)	(35)
Other finance costs	(15)	(68)	(25)	(70)
<b>Total finance costs</b>	<b>(33)</b>	<b>(314)</b>	<b>(148)</b>	<b>(652)</b>
<b>Net finance income/(costs)</b>	<b>102</b>	<b>313</b>	<b>16</b>	<b>438</b>

Income from investments includes gains on the short-term investment of the Group's cash.

Foreign exchange gains and losses largely regard realised and unrealised gains and losses generated by *Acotel Interactive Inc.* and its subsidiaries.

## Note 9 - Taxation

Taxation for the period, amounting to €182 thousand, reflects estimated income tax expense and deferred tax income and expense recognised by Group companies, net of the related reversals.

## Note 10 - Profit/(Loss) from discontinued operations

The loss of €296 thousand for the third quarter of 2016 includes a loss of €378 thousand generated by *Noverca Srl* in the quarter and €82 thousand in profit attributable to the liquidation of *Noverca Italia Srl*.

## Note 11 - Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

(€000)	2016		2015	
	Q3	9M	Q3	9M
<b>Profit/(loss) for the period (€000)</b>	<b>(1,298)</b>	<b>(8,227)</b>	<b>(3166)</b>	<b>(6,500)</b>
<b>Number of shares (000)</b>				
Shares in circulation at the start of the period*	4,114	4,114	4,114	4,114
Weighted average of treasury shares acquired/sold in the period	-	-	-	-
Weighted average of ordinary shares in circulation	<b>4,114</b>	<b>4,114</b>	<b>4,114</b>	<b>4,114</b>
<b>Basic and diluted earnings per share **</b>	<b>(0.32)</b>	<b>(2.00)</b>	<b>(0.77)</b>	<b>(1.58)</b>

\* : net of treasury shares held at the same date.

\*\* : basic earnings for the third quarter and first nine months of 2016 and 2015 coincide with diluted earnings per share as the conditions provided for by IAS 33 do not exist.

## FINANCIAL POSITION

(€000)	30 September 2016	31 December 2015	Increase/ (Decrease)
<b>Non-current assets:</b>			
Property, plant and equipment	4,877	5,281	(404)
Intangible assets	2,388	2,027	361
Other assets	985	2,590	(1,605)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>8,250</b>	<b>9,898</b>	<b>(1,648)</b>
<b>Net current assets:</b>			
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
<b>TOTAL NET CURRENT ASSETS</b>	<b>(631)</b>	<b>(2,723)</b>	<b>2,092</b>
<b>TOTAL ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS LESS RELATED LIABILITIES</b>	<b>(2,207)</b>	<b>(538)</b>	<b>(1,669)</b>
<b>PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS</b>	<b>(3,910)</b>	<b>(3,590)</b>	<b>(320)</b>
<b>NON-CURRENT PROVISIONS</b>	<b>(190)</b>	<b>(240)</b>	<b>50</b>
<b>NET INVESTED CAPITAL</b>	<b>1,312</b>	<b>2,807</b>	<b>(1,495)</b>
<b>Equity:</b>			
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)
<b>TOTAL EQUITY</b>	<b>7,226</b>	<b>14,443</b>	<b>(7,217)</b>
<b>Net cash and cash equivalents:</b>			
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
	<b>(5,914)</b>	<b>(11,636)</b>	<b>5,722</b>
<b>NET FUNDS</b>	<b>(5,914)</b>	<b>(11,636)</b>	<b>5,722</b>
<b>TOTAL EQUITY AND NET FUNDS</b>	<b>1,312</b>	<b>2,807</b>	<b>(1,495)</b>



The Acotel Group's net invested capital at 30 September 2016 amounts to €1.3 million, made up of non-current assets of €8.2 million, net current liabilities of €0.6 million, assets and liabilities held for sale and related to discontinued operations, amounting to €2.2 million, provisions for staff termination benefits of €3.9 million and other non-current provisions of €0.2 million.

Net invested capital is financed by consolidated equity of €7.2 million and net funds of €5.9 million.

Analysis of changes in the principal components of the financial position shows that:

- the value of non-current assets has declined, primarily due to the realisation of deferred tax assets recognised in previous years, as well as to the classification of assets held for sale in accordance with IFRS 5;
- changes in net current liabilities are essentially connected to the Group's trading performance, as well as to the classification of assets held for sale in accordance with IFRS 5;
- the value of net funds at 30 September 2016 amounts to €5.9 million, down 49% on 31 December 2015, reflecting the financial impact on the Group of the losses incurred by Group companies during the period. The financial resources generated by the sale of *Noverca Srl*, do not include in the net funds at 30 September 2016, will enable Acotel to accelerate the development of the Group's new businesses.

## 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
<b>C. Liquidity (A + B)</b>	<b>10,592</b>	<b>12,184</b>	<b>16,001</b>
D. Other current financial receivables	1,600	1,600	1,600
<b>E. Current financial assets (D)</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>
F. Current bank borrowings	(6,278)	(6,171)	(5,965)
<b>G. Current financial liabilities (F)</b>	<b>(6,278)</b>	<b>(6,171)</b>	<b>(5,965)</b>
<b>H. Net funds (C+E+G)</b>	<b>5,914</b>	<b>7,613</b>	<b>11,636</b>

At 30 September 2016:

- cash and cash equivalents includes €164 thousand and €246 thousand attributable to *Noverca Srl* and *Noverca Italia Srl (in liquidation)*, respectively, and classified in "discontinued operations" in accordance with IFRS 5;
- provisions of €329 thousand, classified in "Other current liabilities", have been made for risks associated with other current financial assets, amounting to €1,600 thousand;
- current financial liabilities regard use of an overdraft facility granted to *Noverca Italia Srl (in liquidation)* by *Intesa Sanpaolo SpA*, classified in "Liabilities directly associated with discontinued operations" in accordance with IFRS 5.

**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

<b>Acotel Group SpA</b>		(€000)
	<b>30 September 2016</b>	
A. Cash and cash equivalents	2,452	
B. Assets held for trading	-	
<b>C. Liquidity (A + B)</b>	<b>2,452</b>	
D. Current financial receivables due from related parties	2,747	
E. Other current financial receivables	1,600	
<b>F. Current financial assets (D + E)</b>	<b>4,347</b>	
G. Current financial liabilities due to related parties	(2,028)	
<b>H. Current net debt (G)</b>	<b>(2,028)</b>	
I. Non-current net debt	-	
<b>L. Net funds (C+F+H+I)</b>	<b>4,771</b>	

<b>Acotel Group</b>		(€000)
	<b>30 September 2016</b>	
A. Cash and cash equivalents	7,854	
B. Assets held for trading	2,738	
<b>C. Liquidity (A + B)</b>	<b>10,592</b>	
D. Other current financial receivables	1,600	
<b>E. Current financial assets (D)</b>	<b>1,600</b>	
F. Current bank borrowings	(6,278)	
<b>G. Current financial liabilities (F)</b>	<b>(6,278)</b>	
H. Non-current net debt	-	
<b>I. Net funds (C+E+G+H)</b>	<b>5,914</b>	

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 consolidated interim report is consistent with the underlying accounting records.