



## **PRESS RELEASE**

### **ACOTEL GROUP SpA: Board approves separate and consolidated financial statements for 2017**

#### **Consolidated results:**

- **Revenue approximately €17.3 million (€22.2 million in 2016)**
- **Negative EBITDA approximately €6.8 million (negative €5.9 million in 2016)**
- **Negative EBIT approximately 11.2 million (negative €7.4 million in 2016)**
- **Net loss €6.5 million (loss of €5.5 million in 2016)**
- **Net funds €4.8 million (€8 million in 2016)**

*Rome, 21 March 2018* - 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 2017, which will be submitted for approval to the Annual General Meeting of shareholders (AGM) to be held in first call on 24 April 2018 and, if necessary, in second call on 27 April 2018.

#### **Basis of preparation**

Whilst taking into account potential developments resulting from conclusion of the negotiations currently in progress, described later in this release, the Directors continue to be aware of the many remaining uncertainties that, at this time, give rise to significant doubts about the Company's status as a going concern. These doubts also regard the Company's ability (and that of the Group of which it is the holding company), in the short and medium term, to return its existing or developing business areas to levels of turnover and earnings sufficient to restore profitability and financial stability.

The Directors have, therefore, prepared the separate and consolidated financial statements for the year ended 31 December 2017 on a going concern basis, whilst prudently taking into account, in measuring individual items in the financial statements, of the impairment losses applicable to certain of them. This particularly applies to those directly relevant to current operating activities, as a result of the continuing losses resulting from such activities, and the current absence of any certainty regarding their future prospects.

In taking this decision, the Directors report, however, that:

- the subsidiary, *Bucksense*, has recently concluded a commercial agreement with a strategic industrial partner, which has undertaken to channel significant volumes of business to the subsidiary in exchange for a minority stake in *Bucksense*;
- agreement was recently reached with a leading wireless broadband provider in Italy, consisting of a term sheet setting out the key terms for the creation of a partnership, which will see Acotel supply of a number of its Smart Home and Smart Sensor products and services over the short- and medium-term through the partner's distribution network;
- the initiatives implemented in the energy management and digital advertising segments, and in the new Health and Personal & Home Care services business, should shortly result in commercial agreements;
- financial debt remains insignificant;
- the absence of any past due payables or of legal action taken by creditors to recover amounts owed and



- the absence of legal and/or tax disputes that could result in liabilities that the Group would not be able to meet.

Further support for the Directors' choice of basis of preparation is provided by the fact that the Company has today received confirmation from CLAMA Srl and MACLA Srl, who jointly own approximately 57.4% of Acotel Group SpA, that each of them is willing to vote in favour of a potential capital increase. Each of the shareholders would subscribe for their share of the increase of up to €5 million, should the Company's Board of Directors deem it necessary in order to raise the fresh capital needed in order to ensure the Group is able to continue as a going concern, and to restore levels of turnover and earnings sufficient to organically return the Group to profitability and financial stability over the medium term.

### **Activities in 2017**

In terms of operations during the period, in 2017, the Group focused its attention on the commercialisation of its energy management and programmatic advertising products and services, as well as its Interactive services.

In the **Acotel Net** business area, the partnership with *ENI* continued, with the partner offering its SOHO and Small Business customers the myEnergy service in collaboration with Acotel. In 2017, Acotel supplied its My Energy Meter (MEM) device, which enables the customer to access the platform in order to use the service, to around 5 thousand of *ENI*'s customers, adding to the over 8 thousand previously signed up.

The Group also continued to provide *Poste Italiane SpA* with energy management services for around 8,000 post offices throughout Italy, under the arrangement dating back to 2014, which has enabled the customer to achieve significant savings on its energy costs.

A number of positive commercial developments also occurred in 2017, with details of the most important provided below:

- the Group began supplying its My Energy Meter (MEM) solution to the household customers of *Iren Mercato SpA*, a company that supplies, trades and sells electricity, gas and heat. Approximately 2,300 devices were delivered to the energy company's customers in 2017;
- the Group completed the supply of a part of the materials requested by *Iren SpA* for use in an energy monitoring system to be installed in a number of its offices, and provision of the related monitoring services began, using Acotel's Energy & Building Management platform;
- supply of the energy monitoring service for 400 branches of *Alleanza Assicurazioni* around Italy began;
- the Group began supplying smart metering devices and energy monitoring services to the customers of *Hera Comm*, the Hera Group company that sells electricity and natural gas. Similar agreements have been entered into with *Sorgenia*;
- following the positive outcome of technical tests of its "CasaManager" product for monitoring household energy consumption using the PLC network, Acotel has agreed to



take part, together with E.on and ENI, in trials of the new 2G metering devices that e-distribuzione is installing throughout Italy and that will come to an end in April 2018.

In the **Bucksense** business area, in which the Group operates internationally through its subsidiaries, *Bucksense Inc.* and *Hera Performance LLC*, Acotel Group provides programmatic advertising services, supporting and enabling its customers with tools that allow them to identify and reach their ideal target customer, using a technology platform developed in-house for online media planning, buying and optimisation.

*Bucksense* is interconnected with more than 75 SSPs (Supply Side Platforms) or Exchanges, interacts with 50 billion placements a day and offers more than 350 agencies its in-house technology to plan, launch and optimise their branding and performance campaigns.

*Bucksense* also offers an Engagement solution, which is free to customers who already utilise the services provided by the Acquisition platform, designed for use by developers and to build loyalty among app users, studying behaviour through retargeting initiatives in order to achieve previously set strategic objectives.

All the live Acquisition and Engagement campaigns can be monitored and analysed in real time together with a team of dedicated experts, thanks to detailed and fully personalisable reports providing the KPIs (Key Performance Indicators) needed in order to devise the best possible strategies.

Through our **Acotel Interactive** business area, the Group continues to provide VAS (value added services) in Latin America, Italy and India, 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.*

At the beginning of 2017, *Acotel Group SpA* and *Flycell Italia Srl* signed an agreement with *Telecom Italia SpA* for 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.

*Acotel Group SpA* also extended its agreement with *Telecom Italia SpA* covering the supply of ScripTIM branded services.

These agreements are effective from 1 January 2017 until 31 December 2018.

As regards financial aspects, on the first half of 2017, *Acotel Group SpA* concluded an agreement with *Intesa Sanpaolo SpA* that has resulted in a settlement of the dispute between the two companies relating to the failure of the virtual mobile operator, Noverca. The agreement commits *Acotel Group SpA* and *Noverca Italia Srl (in liquidation)* to not appeal the judgement at first instance handed down by the Court of Turin on 17 November 2016.

Under the agreement, *Intesa Sanpaolo* also undertakes to reduce the loan granted by the bank to *Noverca Italia Srl (in liquidation)* (approximately €6.2 million at 31 December 2016) to €1.1 million, as a result of *Intesa Sanpaolo's* forgiveness of the balance of the debt. The remaining debt has been transferred to *Acotel Group SpA*, which paid €550 thousand on signature of the above agreement, and has undertaken to pay five further annual instalments of €110 thousand each. The first payment was made on time in December 2017.

In August 2017, *Acotel Group SpA* and *Enghouse Systems Limited* signed a settlement agreement that brought to an end the dispute, lasting over three years, that arose following the sale of the investee, *Jinny Software Ltd.* The agreement envisages the release, and payment to *Enghouse Systems*, of €1,100 thousand from the portion of the sale price held in an escrow account as a guarantee of the administrative and accounting due diligence process that the purchaser had



reserved the right to conduct, as well as fulfilment of Acotel's other contractual obligations agreed at the time of the sale. The remaining amount in the escrow account, totalling €500 thousand, was released to *Acotel Group SpA*.

Finally, at the end of September 2017, in accordance with agreements covering the sale of the subsidiary, *Noverca Srl*, *Acotel Group SpA's* right to receive an earnout of €246 thousand from *Telecom Italia SpA*, subject to the Noverca Platform meeting stated levels of performance, was confirmed.

The impact of the above agreements with *Intesa Sanpaolo* (a gain of approximately €5,181 thousand, after legal expenses of €104 thousand) and with *Enghouse* (a loss of €538 thousand), and the *earnout* receivable from *Telecom Italia*, has been included in discontinued operations in the consolidated income statement for the year ended 31 December 2017, in application of IFRS 5.

### **Consolidated financial statements 2017**

The Group's results for 2017 show how the initiatives undertaken in the various areas of business have yet to translate into an improvement in its operating performance.

The consolidated loss for the year, totalling €6,544 thousand, breaks down as follows by business area:

(a) ACOTEL INTERACTIVE business area:	(€5,035) thousand
(b) ACOTEL NET business area:	(€4,462) thousand
(c) BUCKSENSE business area:	(€1,685) thousand
(d) Taxation and adjustments:	(€251) thousand
(e) Net effect of "discontinued operations":	€4,889 thousand
<b>Loss for the year:</b>	<b>(€6,544) thousand</b>

This shows how the Group continues to experience operational difficulties across all its businesses, in terms of its ability to generate both revenue and earnings, which are down on the previous year. This primarily reflects a further deterioration in the performance of its traditional activities (Acotel Interactive) and the ongoing losses incurred by the newly launched businesses (Acotel Net and Bucksense).

Compared with the results for the previous year, the results for 2017 reveal a reduction in revenue and a deterioration in earnings.

Revenue of approximately €17.3 million is down 22% on the approximately €22.2 million of the previous year. This reflects reduced turnover at the Acotel Interactive business area (down 53%), hit by a downturn in its Italian and South American markets and commercial problems that are having a negative impact on revenue in the Indian market.

49% of revenue was generated by the Acotel Interactive business area, 36% by the Bucksense business area and 15% by the Acotel Net business area.

In the **Acotel Interactive** business area, Digital Entertainment services generated revenue of €6.1 million, down 56% on the €13.9 million of 2016, whilst Mobile Service revenue amounts to €2.4 million, down 44% on the €4.2 million of the previous year.



In the **Bucksense** business area, revenue amounts to €6.2 million, marking significant growth compared with the €1.9 million of the previous year. 54% of this revenue was generated in North America, 26% in Europe, 16% in Asia and the remainder in other geographical areas.

Revenue generated by the **Acotel Net** business area totals approximately €2.6 million (up 13% on 2016), with €1.8 million generated by the Energy segment, whose services are primarily supplied in Italy, and €0.8 million by the Security Systems segment, relating to the design, production and maintenance of electronic security systems in Italy.

In terms of earnings, the Group reports a consolidated gross operating loss (negative EBITDA) of approximately €6.8 million (a loss of €5.9 million in 2016). After amortisation and depreciation (€1.7 million) and impairment losses on non-current assets (€2.7 million), the Group reports an operating loss (negative EBIT) of €11.2 million (a loss of €7.4 million for the previous year).

After net finance income and costs, which substantially offset each other, estimated tax expense (€0.2 million), the profit from assets held for sale and discontinued operations (€4.9 million), reflecting the results generated by the above agreements between *Acotel Group SpA* and *Intesa Sanpaolo SpA* and *Enghouse Systems Limited*, the loss attributable to owners of the Parent for the year amounts to approximately €6.5 million (a loss of €5.5 million for 2016).

Net funds at 31 December 2017 amount to approximately €4.8 million, down 40% compared with the €8 million of 31 December 2016, reflecting the financial impact of the losses incurred by Group companies during the year and the settlement agreement between *Acotel Group SpA* and *Enghouse Systems Limited*, which has resulted in a cash outflow of approximately €1.1 million. On the other hand, the balance for 31 December 2017 benefits from the agreement between *Acotel Group SpA* and *Intesa Sanpaolo SpA*, which has resulted in a cash inflow of approximately €5.1 million.

### **Parent Company's separate financial statements 2017**

In 2017, *Acotel Group SpA* operated in Italy, offering the Digital Entertainment and Mobile Services provided by the **Acotel Interactive** business area and the Energy services provided by the **Acotel Net** business area. This generated total revenue of €2,657 thousand (€4,011 thousand in 2016).

The **Acotel Interactive** business generated revenue of €2,021 thousand, down on the €3,432 thousand of 2016, primarily due to a general slowdown in the market for Digital Entertainment and Mobile Services.

**Acotel Net's** revenue of €629 thousand (€567 thousand in 2016) regards the myEnergy service offered by *ENI* to its SOHO and Small Business customers in collaboration with Acotel. This service is provided to *ENI* by a temporary horizontal consortium of companies, whose members are *Acotel Group SpA* and its subsidiary, *AEM Acotel Engineering and Manufacturing SpA*, with interests in the consortium of 87% and 13%, respectively.

The Company reports a gross operating loss (negative EBITDA) of €2,832 thousand, broadly in line (down 2%) with 2016.

The operating loss (negative EBIT) amounts to €9,182 thousand, compared with a loss of €4,676 thousand in 2016. This figure was impacted by impairment losses of €6,272 thousand on the carrying amount of the investments in *Acotel do Brasil*, *Acotel Interactive Inc.* and *AEM Acotel*



*Engineering and Manufacturing SpA* and on the carrying amount, at 31 December 2017, of intangible assets and property, plant and equipment.

After the profit on investments, essentially linked to the result of the agreements between *Acotel Group SpA* and *Intesa Sanpaolo SpA*, the loss on investments, relating to the need to cover losses incurred by *AEM Acotel Engineering and Manufacturing SpA*, net finance income, income tax expense for the year and the loss from discontinued operations, the loss for 2017 amounts to €7,860 thousand.

### **Events after 31 December 2017**

The Acotel Group is currently engaged in a series of negotiations with interested parties, who are considering the opportunity to market some of Acotel's existing solutions for energy management and the smart metering of electricity, water and gas consumption (achieving cost savings) to their customers. Talks are also ongoing with regard to solutions about to be launched, relating to biomedical monitoring, vehicle tracking and the prevention of domestic emergencies (such as flooding, gas leaks and power surges).

In partnership with a leading international telecommunications company, in January 2018, the Group was awarded a contract to supply an energy monitoring system for 800 offices of a major banking group.

As noted above, at the end of February 2018, the subsidiary, *Bucksense Inc.*, concluded an agreement with an industrial partner who has committed to channel growing sales and the related customers in geographical areas in which the Group is currently not present, in exchange for the progressive acquisition of a minority interest in Bucksense.

On 1 March 2018, *Acotel Group SpA* and the subsidiary, *AEM Acotel Engineering and Manufacturing SpA*, applied to the Ministry of Labour and Welfare for permission to introduce solidarity contracts in accordance with and for the purposes of art. 21, paragraph 1.c of Legislative Decree 148/2015 and in compliance with the provisions of art. 21, paragraph 5 of the same decree. The contract has been applied, on the basis of an average 20% reduction, from March 2018.

On 20 March 2018, agreement was reached with a leading wireless broadband provider in Italy, consisting of a term sheet setting out the key terms for the creation of a partnership, which will see Acotel supply of a number of its Smart Home and Smart Sensor products and services over the short- and medium-term through the partner's distribution network.

### **Outlook**

The Group's strategy in the immediate future will aim: (a) to seek solutions capable of boosting sales in the sectors in which the Group is already present; (b) to assess opportunities for entering new market segments by offering Health and Personal & Home Care products (c) to assess opportunities for extraordinary initiatives designed to acquire additional market share; (d) at the earliest opportunity, to attract the fresh capital needed in order to ensure the Group is able to continue as a going concern and restore levels of turnover and earnings sufficient to organically return the Group to profitability and financial stability over the medium term.



In this regard, as reported above, the shareholders, CLAMA Srl and MACLA Srl, have today confirmed their willingness to vote in favour of a potential capital increase of up to €5 million and to subscribe for their share of the increase.

### **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.*

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**ACOTEL GROUP**  
**Reclassified consolidated income statement**

<i>(€000)</i>	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>
Revenue	17,302	22,199	(4,897)
Other income	1,572	250	1,322
<b>Total revenue</b>	<b>18,874</b>	<b>22,449</b>	<b>(3,575)</b>
<b>Gross operating profit/(loss)</b>	<b>(6,825)</b>	<b>(5,862)</b>	<b>(963)</b>
Amortisation and depreciation	(1,678)	(1,284)	(394)
Goodwill impairment	-	(294)	294
Impairment losses/reversal of impairment losses on non-current assets	(2,711)	(2)	(2,709)
<b>Operating profit/(loss)</b>	<b>(11,214)</b>	<b>(7,442)</b>	<b>(3,772)</b>
Net finance income/(costs)	(36)	524	(560)
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE TAX</b>	<b>(11,250)</b>	<b>(6,918)</b>	<b>(4,332)</b>
Taxation	(183)	(2,515)	2,332
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>	<b>(11,433)</b>	<b>(9,433)</b>	<b>(2,000)</b>
Profit/(Loss) from assets held for sale and discontinued operations	4,889	3,954	935
<b>PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>(6,544)</b>	<b>(5,479)</b>	<b>(1,065)</b>
Earnings per share	(1.59)	(1.33)	
Diluted earnings per share	(1.59)	(1.33)	



**ACOTEL GROUP**  
**Reclassified consolidated statement of financial position**

(€000)	31 December 2017	31 December 2016	Increase/ (Decrease)
<b>Non-current assets:</b>			
Property, plant and equipment	2,340	5,014	(2,674)
Intangible assets	1,127	2,332	(1,205)
Other assets	705	1,381	(676)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,172</b>	<b>8,727</b>	<b>(4,555)</b>
<b>Net current assets:</b>			
Inventories	217	461	(244)
Trade receivables	2,983	3,813	(830)
Other current assets	904	1,144	(240)
Trade payables	(3,323)	(3,369)	46
Other current liabilities	(1,968)	(2,978)	1,010
<b>TOTAL NET CURRENT ASSETS</b>	<b>(1,187)</b>	<b>(929)</b>	<b>(258)</b>
<b>TOTAL ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS LESS RELATED LIABILITIES</b>	<b>(1,015)</b>	<b>(1,107)</b>	<b>92</b>
<b>PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS</b>	<b>(3,870)</b>	<b>(3,638)</b>	<b>(232)</b>
<b>NON-CURRENT PROVISIONS</b>	<b>(95)</b>	<b>(160)</b>	<b>65</b>
<b>NET INVESTED CAPITAL</b>	<b>(1,995)</b>	<b>2,893</b>	<b>(4,888)</b>
<b>Equity:</b>			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	8,265	15,337	(7,072)
Profit/(Loss) for the year	(6,544)	(5,479)	(1,065)
<b>TOTAL EQUITY</b>	<b>2,805</b>	<b>10,942</b>	<b>(8,137)</b>
<b>MEDIUM/LONG-TERM DEBT</b>	<b>271</b>	<b>-</b>	<b>271</b>
<b>Net cash and cash equivalents:</b>			
Current financial assets	(1,482)	(4,505)	3,023
Cash and cash equivalents	(3,695)	(9,810)	6,115
Cash and cash equivalents held for sale and included in discontinued operations	(4)	(121)	117
Current financial liabilities held for sale and included in discontinued operations	110	6,387	(6,277)
	<b>(5,071)</b>	<b>(8,049)</b>	<b>2,978</b>
<b>NET FUNDS</b>	<b>(4,800)</b>	<b>(8,049)</b>	<b>3,249</b>
<b>TOTAL EQUITY AND NET FUNDS</b>	<b>(1,995)</b>	<b>2,893</b>	<b>(4,888)</b>



**ACOTEL GROUP**  
**Consolidated statement of cash flows**

(€000)

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities after changes in working capital</b>	<b>(2,241)</b>	<b>(5,626)</b>
Profit/(Loss) from continuing operations	(11,433)	(9,433)
Profit/(Loss) from discontinued operations	4,889	3,954
Loss/(Gain) on sale of assets	292	(5,054)
Amortisation and depreciation	1,678	1,284
Impairment losses/reversal of impairment losses on non-current assets	2,711	296
Impairment of current assets	304	37
Net change in provisions for staff termination benefits	7	357
Net change in current tax liabilities	(41)	6
Net change in deferred tax liabilities	383	1,526
Net change in provisions	(329)	-
Currency translation differences	(702)	1,401
(Increase) / Decrease in receivables	1,237	2,418
- due from related parties	(75)	-
- other	1,312	2,418
(Increase) / Decrease in inventories	6	67
Increase / (Decrease) in payables	(111)	(2,962)
Cash from (for) operating activities of discontinued operations	(92)	570
<b>A. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES</b>	<b>(1,201)</b>	<b>(5,533)</b>
(Purchases)/disposals of fixed assets:		
- Intangible assets	(1,033)	(1,429)
- Property, plant and equipment	(143)	32
- Financial assets	228	(397)
Proceeds from sale of assets, less cash and costs to sell	-	3,740
<b>B. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES</b>	<b>(948)</b>	<b>1,946</b>
Loans repaid	(719)	-
<b>C. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES</b>	<b>(719)</b>	<b>-</b>
<b>D. CASH FLOW FOR THE YEAR (A+B+C)</b>	<b>(2,868)</b>	<b>(3,587)</b>
<b>E. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	<b>8,049</b>	<b>11,636</b>
<b>F. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT END OF YEAR (D+E)</b>	<b>5,181</b>	<b>8,049</b>
of which: net cash and cash equivalents and current financial assets included in assets and liabilities held for sale and discontinued operations	4	(6,266)
<b>G. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT END OF YEAR (A+E) PRESENTED IN FINANCIAL STATEMENTS</b>	<b>5,177</b>	<b>14,315</b>



**ACOTEL GROUP**  
**Analysis of consolidated net funds**

(€000)

	31 December 2017	31 December 2016	Increase/ (Decrease)
A. Cash and cash equivalents	3,699	9,931	(6,232)
B. Assets held for trading	1,482	2,905	(1,423)
<b>C. Liquidity (A + B)</b>	<b>5,181</b>	<b>12,836</b>	<b>(7,655)</b>
D. Other current financial receivables	-	1,600	(1,600)
<b>E. Current financial assets (D)</b>	<b>-</b>	<b>1,600</b>	<b>(1,600)</b>
F. Current bank borrowings	(110)	(6,387)	6,277
<b>G. Current financial liabilities (F)</b>	<b>(110)</b>	<b>(6,387)</b>	<b>6,277</b>
H. Non-current bank borrowings	(271)	-	(271)
<b>I. Non-current debt (H)</b>	<b>(271)</b>	<b>-</b>	<b>(271)</b>
<b>L. Net funds (C+E+G+I)</b>	<b>4,800</b>	<b>8,049</b>	<b>(3,249)</b>



**ACOTEL GROUP SpA**  
**Reclassified income statement**

(€)	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>
Revenue	2,656,598	4,011,290	(1,354,692)
Other income	3,284,843	2,625,856	658,987
<b>Total</b>	<b>5,941,441</b>	<b>6,637,146</b>	<b>(695,705)</b>
<b>Gross operating profit/(loss) (EBITDA)</b>	<b>(2,831,943)</b>	<b>(2,771,180)</b>	<b>(60,763)</b>
Amortisation and depreciation	(78,155)	(68,487)	(9,668)
Impairment losses/reversal of impairment losses on non-current assets	(6,271,768)	(1,836,035)	(4,435,733)
<b>Operating profit/(loss) (EBIT)</b>	<b>(9,181,866)</b>	<b>(4,675,702)</b>	<b>(4,506,164)</b>
Profit on investments	5,282,831	2,752,982	2,529,849
Loss on investments	(3,411,759)	(3,377,409)	(34,350)
Net finance income/(costs)	51,852	226,221	(174,369)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(7,258,942)</b>	<b>(5,073,908)</b>	<b>(2,185,034)</b>
Taxation	(113,698)	(1,654,582)	1,540,884
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>	<b>(7,372,640)</b>	<b>(6,728,490)</b>	<b>(644,150)</b>
Profit/(Loss) from discontinued operations	(487,618)	(4,253,462)	3,765,844
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(7,860,258)</b>	<b>(10,981,952)</b>	<b>3,121,694</b>



**ACOTEL GROUP SpA**  
**Reclassified statement of financial position**

(€)	31 December 2017	31 December 2016	Increase/ (Decrease)
<b>Non-current assets</b>			
Property, plant and equipment	-	221,443	(221,443)
Intangible assets	-	57,287	(57,287)
Non-current financial assets	10,386,808	18,488,003	(8,101,195)
Other assets	466,242	685,436	(219,194)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>10,853,050</b>	<b>19,452,169</b>	<b>(8,599,119)</b>
<b>Net current assets</b>			
Trade receivables	654,940	763,790	(108,850)
Other current assets	2,256,067	2,598,700	(342,633)
Trade payables	(1,143,402)	(1,069,779)	(73,623)
Other current liabilities	(3,948,130)	(11,652,505)	7,704,375
<b>TOTAL NET CURRENT ASSETS</b>	<b>(2,180,525)</b>	<b>(9,359,794)</b>	<b>7,179,269</b>
<b>PROVISIONS FOR STAFF TERMINATION BENEFITS</b>	<b>(2,445,738)</b>	<b>(2,284,383)</b>	<b>(161,355)</b>
<b>NON-CURRENT PROVISIONS</b>	<b>(26,736)</b>	<b>(349,506)</b>	<b>322,770</b>
<b>NET INVESTED CAPITAL</b>	<b>6,200,051</b>	<b>7,458,486</b>	<b>(1,258,435)</b>
<b>Equity:</b>			
Share capital	1,084,200	1,084,200	-
Reserves and retained earnings/ (accumulated losses)	13,115,871	24,196,098	(11,080,227)
Profit/(Loss) for the year	(7,860,258)	(10,981,952)	3,121,694
<b>TOTAL EQUITY</b>	<b>6,339,813</b>	<b>14,298,346</b>	<b>(7,958,533)</b>
<b>MEDIUM/LONG-TERM DEBT</b>	<b>271,163</b>	<b>-</b>	<b>271,163</b>
<b>Net cash and cash equivalents:</b>			
Current financial assets	-	(2,351,066)	2,351,066
Cash and cash equivalents	(449,335)	(4,986,168)	4,536,833
Current financial receivables	(73,678)	(1,534,474)	1,460,796
Current borrowings	2,088	2,031,848	(2,029,760)
Current bank borrowings	110,000	-	110,000
	<b>(410,925)</b>	<b>(6,839,860)</b>	<b>6,428,935</b>
<b>NET FUNDS</b>	<b>(139,762)</b>	<b>(6,839,860)</b>	<b>6,700,098</b>
<b>TOTAL EQUITY AND NET FUNDS</b>	<b>6,200,051</b>	<b>7,458,486</b>	<b>(1,258,435)</b>



**ACOTEL GROUP SpA**  
**Statement of cash flows**

(€)	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities after changes in working capital</b>	<b>(2,942,597)</b>	<b>(3,040,008)</b>
Profit/(Loss) for the year	(7,860,258)	(10,981,952)
Profit/(Loss) from discontinued operations	487,618	4,253,462
Amortisation and depreciation	78,155	68,487
Dividends from Acotel Do Brasil Ltda	-	(2,238,403)
Cost of covering losses incurred by Noverca Srl	-	505,027
Cost of covering losses incurred by AEM SpA	3,411,759	2,010,476
Profit on investment in Noverca Italia	(5,282,831)	(514,579)
Impairment of investment in AEM SpA	120,008	1,836,035
Impairment of investment in Acotel do Brasil Ltda	4,130,243	-
Impairment of investment in Acotel Interactive Inc.	1,766,395	-
Impairment losses/reversal of impairment losses on non-current assets	255,122	-
Net change in provisions for staff termination benefits	149,861	356,722
Net change in provisions	(322,770)	-
- <i>related parties</i>	(322,770)	-
Net change in deferred tax liabilities	124,101	1,664,717
(Increase) / Decrease in receivables	(1,665,352)	(356,249)
- <i>due from related parties</i>	(1,092,560)	(430,393)
- <i>other</i>	(572,792)	74,144
Increase / (Decrease) in payables	275,786	(12,805,188)
- <i>due to related parties</i>	348,384	(11,929,046)
- <i>other</i>	(72,598)	(876,142)
Impact on working capital of elimination of amounts due to or from Acotel SpA	-	9,612,789
<b>A. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES</b>	<b>(4,332,163)</b>	<b>(6,588,656)</b>
(Purchases)/disposals of fixed assets:		
- Intangible assets	(906)	(20,558)
- Property, plant and equipment	(53,641)	(61,279)
- Financial assets	8,312	4,813,749
- <i>related parties</i>	-	4,805,279
- <i>other</i>	8,312	8,470
Dividends collected	-	2,238,403
<b>B. CASH FLOW FROM (FOR) INVESTING ACTIVITIES</b>	<b>(46,235)</b>	<b>6,970,315</b>
Net loans received	(664,048)	9,766
- <i>from related parties</i>	54,789	9,766
- <i>from others</i>	(718,837)	-
Net loans provided	(1,845,453)	(1,094,001)
- <i>to related parties</i>	(1,845,453)	(1,094,001)
<b>C. CASH FLOW FROM (FOR) FINANCING ACTIVITIES</b>	<b>(2,509,501)</b>	<b>(1,084,235)</b>
<b>D. CASH FLOW FOR THE YEAR (A+B+C)</b>	<b>(6,887,899)</b>	<b>(702,576)</b>
Merger contribution	-	3,197,494
<b>E. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	<b>7,337,234</b>	<b>4,842,316</b>
<b>F. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT END OF YEAR (D+E)</b>	<b>449,335</b>	<b>7,337,234</b>



**ACOTEL GROUP SpA**  
**Analysis of net funds**

(€)

	31 December 2017	31 December 2016	Increase/ (Decrease)
A. Cash and cash equivalents	449,335	4,986,168	(4,536,833)
B. Assets held for trading	-	751,066	(751,066)
<b>C. Liquidity (A + B)</b>	<b>449,335</b>	<b>5,737,234</b>	<b>(5,287,899)</b>
D. Current financial receivables due from related parties	73,678	1,534,474	(1,460,796)
E. Other current financial receivables	-	1,600,000	(1,600,000)
<b>F. Current financial receivables (D+E)</b>	<b>73,678</b>	<b>3,134,474</b>	<b>(3,060,796)</b>
G. Current bank borrowings	(110,000)	-	(110,000)
H. Current borrowings from related parties	(2,088)	(2,031,848)	2,029,760
<b>I. Current net debt (G + H)</b>	<b>(112,088)</b>	<b>(2,031,848)</b>	<b>1,919,760</b>
<b>L. Non-current net debt</b>	<b>(271,163)</b>	<b>-</b>	<b>(271,163)</b>
<b>M. Net funds (C + F + I + L)</b>	<b>139,762</b>	<b>6,839,860</b>	<b>(6,700,098)</b>
- receivable from related parties	71,590	(497,374)	568,964
- receivable from others	68,172	7,337,234	(7,269,062)