PRESS RELEASE
ACOTEL GROUP: Board approves interim report for H1 2018

- **Revenue €5.4 million (€9.4 million in H1 2017)**
- **Negative EBITDA €3.1 million (negative €3.7 million in H1 2017)**
- **Negative EBIT €3.5 million (negative €4.6 million in H1 2017)**
- **Loss for period €3.4 million (profit of €0.02 million for H1 2017, reflecting non-recurring net gains of €4.6 million)**

Net funds total approximately €2.3 million.

The fact that the rights issue approved by the General Meeting of shareholders held on 26 June 2018 and completed on 8 August 2018, was fully subscribed, as announced on that date, marks a key element in the commercial relaunch of the Group. The capital raised will enable the Group to continue operating until the agreements concluded in early 2018 begin to have an impact in terms of revenue and earnings.

The Group expects its activities to develop on the basis of three clearly identifiable lines of business:

- Programmatic Advertising, through the subsidiary, Bucksense Inc., which in March signed a partnership agreement with Digital Ventures (United Arab Emirates) that is expected to generate a growing volume of business with customers in geographical areas in which the Group is currently not present, in exchange for the progressive acquisition of a minority interest in the subsidiary, Bucksense Inc.;
- Internet of Things (IoT), through the subsidiary, Acotel Engineering and Manufacturing SpA, which in April signed two contracts with Vodafone and Live Protection (a Linkem group company) for the commercialisation of both enterprise and retail solutions;
- Enterprise Security, again through AEM SpA, which is participating directly in temporary consortia bidding for contracts that the Bank of Italy, its main customer, is expected to award in 2018 and which the Group believes the consortia can win.

Following the successful conclusion of the above commercial agreements with Vodafone and Live Protection, management proceeded to prepare an initial version of a particularly challenging Business Plan for the period 2018-2022, setting out details of how they intended to turn around the Group's operations. In May, the Plan was submitted for approval by the Board of Directors, which approved the strategic guidelines, whilst taking more time to conduct an in-depth examination of the underlying assumptions.

At their meeting on 9 August, the Board of Directors approved the Business Plan prepared by management and reappraised in view of more recent events (the "Plan"). However, aware of the uncertainties surrounding the Group's ability to achieve the sales projections formulated during negotiation of the above contracts, despite being based on indications received from major customers, the Board of Directors, in order to prepare this interim report on a going concern basis, decided to subject the Business Plan for 2018-2022 to a stress test, in which the above sales and cash flow growth projections were calculated on a more prudent basis.

The Plan envisages a gradual withdrawal from businesses no longer considered profitable (Interactive: VAS and Mobile Services) and prudently does not take into account others (remote health and care solutions), whilst awaiting the completion of ongoing trials and the signature of contracts with customers with whom talks are in progress.

The new Plan (also for the results of the stress test) confirms that the financial resources raised as a result of the rights issue appear sufficient to fund the Group's operations over the next 12 months, and to enable it to reach a point at which operating cash flow will be capable of meeting the Group's financial requirements. The Plan is also based on the expectation that the Group will achieve breakeven in 2020.

In line with the approach adopted when preparing the annual report for the year ended 31 December 2017, whilst preparing the condensed consolidated interim financial statements on a going concern basis, the Directors have a taken a prudent approach to the measurement of certain assets. As a result, the costs incurred in relation to assets directly linked to activities that continue to be loss-making have not been capitalised, whilst the impairment losses recognised during preparation of the financial statements for the year ended 31 December 2017 have not been reversed.

Property, plant and equipment and intangible assets attributable to the subsidiary, Bucksense, have again been measured on the basis of estimated future cash flows, recomputed on the basis of the more prudent assumptions referred to above. This has confirmed the related carrying amounts.

In deciding to prepare the interim report on a going concern basis, the Directors have also taken the following into account:

- financial debt remains insignificant;
- the absence of any past due payables or of legal action taken by creditors to recover amounts owed;
- the absence of legal and/or tax disputes that could result in liabilities that the Group would not be able to meet.

Significant events during the first half

As mentioned above, during the first half of 2018, the Acotel Group concluded a number of major agreements relating to the provision of Programmatic Advertising (**Bucksense**) and Energy & Building Management (**Acotel Net**) services and took steps to cut its fixed costs in the short to medium term.

In the **Bucksense** business area, the Group concluded an agreement with an industrial partner, which should generate a growing volume of business from Programmatic Advertising services provided to customers in geographical areas in which the Group is currently not present, in exchange for the progressive acquisition of a minority interest in the subsidiary, *Bucksense Inc.*.

In the **Acotel Net** business area:

- the Group entered into a partnership agreement with *Vodafone* for the marketing of IoT-based Energy & Building Management solutions. The partnership will last for 3 years and regards the study and design of solutions to meet the needs of B2B and B2B2C customers in the SOHO, SME and Corporate segments. The Energy & Building Management service will be offered by Acotel Net through its proprietary platform and devices produced and sold by the subsidiary. Within the scope of the agreement, *Vodafone* has been awarded a contract to supply an energy monitoring system for the Unicredit bank branches;
- a strategic partnership agreement has been concluded with *Live Protection Srl* (a *Linkem SpA* group company), which provides Smart Home services through a network of over 2,000 installers and 3,000 sales outlets around the country, serving more than 600,000 residential customers. The agreement aims to launch innovative Smart Home products and services in the Italian market, as early as the second half of this year, focusing on IoT-based security, control and automation solutions for the so-called "smart home".

In the same period, the Group has proceeded with a number of initiatives designed to cut its operating costs. In this regard:

- *Acotel Group SpA* applied to INPS for access to the Wage Integration Fund (*Fondo di Integrazione Salariale*, or *FIS*), pursuant to and for the purposes of art. 6 of Legislative Decree 94343/2016. The application has been successful. This type of contract has been applied at an average rate of 20% from 2 July 2018.
- in April, 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.

At the end of June, a series of settlements were reached with a number of employees of the former subsidiary, *Jinny Software Ltd.*, bringing to an end disputes relating to the exact quantification of bonuses payable to each of them on completion of the company's sale to *Enghouse Systems Limited*. The impact of the settlements has been classified in "Profit/(Loss) from discontinued operations" in the income statement, in accordance with IFRS 5*.*

Results for H1 2018

The consolidated loss of €3,439 thousand for the six months ended 30 June 2018 breaks down as follows:

(a) ACOTEL NET business area:	(€1,532) thousand
(b) ACOTEL INTERACTIVE business area:	(€1,116) thousand
(c) BUCKSENSE business area:	(€840) thousand
(d) Taxation and adjustments:	(€37) thousand
(e) Net effect of "discontinued operations":	€86 thousand
Loss for the period:	**(€3,439) thousand**

The breakdown by business area shows how, until the recently acquired contracts begin to deliver the expected results from the end of the current year, the Group is continuing to experience operational difficulties across all its businesses, in terms of its ability to generate both revenue and earnings, reflecting 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).

On aggregate, compared with the results for the same period of the previous year, the Acotel Group's results for the first half of 2018 show a reduction in revenue, an improvement in earnings from continuing operations and a deterioration in the loss attributable to owners of the Parent.

The Group generated revenue of €5.4 million in the first six months of the year, down 43% on the €9.4 million for the first half of 2017. The reduction reflects lower turnover in the Acotel Interactive business area (down 67%) and at Acotel Net (down 28%).

53% of revenue was generated by the Bucksense business area, 31% by the Acotel Interactive business area and the remaining 16% by the Acotel Net business area.

In the **Bucksense** business area, revenue amounts to €2.8 million. 43% of this revenue was generated in North America, 43% in Europe, 11% in the Middle east and the remainder in other geographical areas.

In the **Acotel Interactive** business area, Digital Entertainment services generated revenue of approximately €1.1 million, whilst Mobile Service revenue amounts to around €0.6 million.

Revenue generated by the **Acotel Net** business area totals €0.9 million, with €0.6 million generated by the Energy segment and €0.3 million by the Security Systems segment.

The geographical revenue breakdown shows that 31% of revenue was generated in Italy, 22% in North America, 21% in other European countries, 17% in Latin America and the remaining 9% in other geographical areas.

In terms of earnings, the Group reports a consolidated gross operating loss (negative EBITDA) of approximately €3.1 million (a loss of €3.7 million for the same period of 2017). After amortisation and depreciation and impairment losses on non-current assets (€0.4 million), the Group reports an operating loss (negative EBIT) of €3.5 million, compared with a loss of €4.6 million for the same period of 2017.
After net finance income, estimated tax expense for the period and the profit from assets held for sale and discontinued operations, the consolidated loss for the first half of 2018 amounts to €3.4 million (a profit of €0.02 million for the first half of 2017).

Primarily as a result of the loss reported for the first half of the current year, the Group reports negative equity of €1,304 thousand at 30 June 2018. This problem, which exclusively regards consolidated equity and not Acotel Group SpA's equity, has been overcome following the capital increase approved by the General Meeting of shareholders held on 26 June 2018 and completed on 8 August 2018.

Net funds amount to €2.3 million at 30 June 2018, down from the €4.8 million of 31 December 2017 and reflecting the losses incurred by Group companies during the first half.

Events after 30 June 2018

In July, the subsidiary, *AEM*, completed the supply to *Vodafone* of the devices that, by the end of this year, will begin to be used to provide energy & building management services in Unicredit bank branches. The services will be provided by *AEM* through its own Acotel NET platform under a three-year contract.

As regards the outcome of the rights issue approved by the Extraordinary General Meeting of shareholders on 26 June 2018, which was completed on 8 August 2018, reference should be made to the details provided in the announcement published in accordance with statutory requirements and in the interim report.

Outlook

The strategic guidelines in the Business Plan for the 2018-2022 call for growth in terms of both revenue and earnings by focusing on the Programmatic Advertising, Retail IOT, Energy & Building Management and Enterprise Security businesses.

The Group's operations in the immediate future will, therefore, aim to achieve the Plan objectives through:

- growth in revenue from Programmatic Advertising services, in part thanks to the agreement entered into with an industrial partner in the first half just ended, as described above;
- delivery of the results expected from the contracts concluded with *Vodafone* and *Live Protection* regarding the provision of IOT and Energy & Building Management services;
- strengthening existing commercial relations in the Security segment, partly by winning the contract the Group is preparing to bid for;
- the search for new solutions capable of boosting sales in the sectors in which the Group is already present.

At the same time, the Group will continue to assess opportunities for entering new market segments for Health and Personal & Home Care services.

The above expectations are also backed up by the volume of orders already received, above all from Live Protection and from customers contacted by Vodafone as part of its existing agreement with the Group. This should lead to a reversal of the trend seen up to now.

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 2018 will be filed at the Company's registered office within the relevant statutory deadline, and will be available to anyone requesting a copy. A copy of the document will also be available in the authorised storage mechanism managed by 1info and on the Company's website at www.acotel.com.

Rome, 9 August 2018

Note: the condensed income statement and statement of financial position included in the interim report for the six months ended 30 June 2018 approved today by the Board of Directors are attached.

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ACOTEL GROUP
Reclassified consolidated income statement

(€000)	H1 2018	H1 2017	Increase/ (Decrease)
Revenue	5,382	9,395	(4,013)
Other income	896	616	280
Total revenue	**6,278**	**10,011**	**(3,733)**
Gross operating profit/(loss) (EBITDA)	**(3,156)**	**(3,710)**	**554**
Amortisation and depreciation	(370)	(879)	509
Impairment losses/reversals of impairment losses on non-current assets	(10)	-	(10)
Operating profit/(loss) (EBIT)	**(3,536)**	**(4,589)**	**1,053**
Net finance income/(costs)	30	70	(40)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(3,506)**	**(4,519)**	**1,013**
Taxation	(19)	(89)	70
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(3,525)**	**(4,608)**	**1,083**
Profit/(Loss) from assets held for sale and discontinued operations	86	4,631	(4,545)
ATTRIBUTABLE TO OWNERS OF THE PARENT	**(3,439)**	**23**	**(3,462)**
Earnings per share:			
Earnings per share	(0.84)	0.01	
Diluted earnings per share	(0.84)	0.01	
Earnings per share from continuing operations:			
Earnings per share	(0.86)	(1.12)	
Diluted earnings per share	(0.86)	(1.12)	

ACOTEL GROUP
Reclassified consolidated statement of financial position

(€000)	30 June 2018	31 December 2017	Increase/ (Decrease)
Non-current assets:			
Property, plant and equipment	2,018	2,340	(322)
Intangible assets	1,215	1,127	88
Other assets	711	705	6
TOTAL NON-CURRENT ASSETS	**3,944**	**4,172**	**(228)**
Net current liabilities:			
Inventories	290	217	73
Trade receivables	1,912	2,983	(1,071)
Other current assets	1,199	904	295
Trade payables	(3,774)	(3,323)	(451)
Other current liabilites	(2,254)	(1,968)	(286)
TOTAL NET CURRENT LIABILITIES	**(2,627)**	**(1,187)**	**(1,440)**
TOTAL ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS LESS RELATED LIABILITIES	**(1,013)**	**(1,015)**	**2**
PROVISIONS FOR STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	**(3,804)**	**(3,870)**	**66**
NON-CURRENT PROVISIONS	**(76)**	**(95)**	**19**
NET INVESTED CAPITAL	**(3,576)**	**(1,995)**	**(1,581)**
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	1,051	8,265	(7,214)
Profit/(Loss) for the period	(3,439)	(6,544)	3,105
TOTAL EQUITY	**(1,304)**	**2,805**	**(4,109)**
MEDIUM/LONG-TERM DEBT	**282**	**271**	**11**
Net cash and cash equivalents:			
Current financial assets	(418)	(1,482)	1,064
Cash and cash equivalents	(2,244)	(3,695)	1,451
Cash and cash equivalents held for sale and included in discontinued operations	(2)	(4)	2
Current financial liabilities	110	110	-
	(2,554)	**(5,071)**	**2,517**
NET FUNDS	**(2,272)**	**(4,800)**	**2,528**
TOTAL EQUITY AND NET FUNDS	**(3,576)**	**(1,995)**	**(1,581)**

ACOTEL GROUP
Consolidated statement of cash flows

(€000)	H1 2018	H1 2017
Cash flows from operating activities after changes in working capital	**(3,314)**	**1,332**
Profit/(Loss) from continuing operations	(3,525)	(4,608)
Profit/(Loss) from discontinued operations	86	4,631
Loss/(Gain) on discontinued operations	(87)	-
Amortisation and depreciation of continuing operations	370	879
Interest expense	11	-
Impairment losses/reversal of impairment losses on non-current assets	10	-
Net change in provisions for staff termination benefits	83	150
Net change in current tax liabilities	27	(26)
Net change in deferred tax liabilities	(19)	17
Net change in provisions	-	771
Currency translation differences	(270)	(482)
(Increase) / Decrease in receivables	1,051	1,044
- due from related parties	*5*	-
- other	*1,046*	*1,044*
(Increase) / Decrease in inventories	(73)	(15)
Increase / (Decrease) in payables	208	(334)
Cash from (for) operating activities of discontinued operations	(2)	(76)
A. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	**(2,130)**	**1,951**
(Purchases)/disposals of fixed assets:		
- Intangible assets	(367)	(543)
- Property, plant and equipment	(13)	(58)
- Financial assets	(6)	218
B. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES	**(386)**	**(383)**
Increase / (Decrease) in medium/long-term borrowings	-	367
Increase / (Decrease) in short-term borrowings	-	110
Cash from (for) financing activities of discontinued operations	-	(6,266)
C. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES	**-**	**(5,789)**
D. CASH FLOW FOR THE PERIOD (A+B+C)	**(2,516)**	**(4,221)**
E. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT BEGINNING OF PERIOD	**5,181**	**14,315**
F. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT END OF PERIOD (D+E)	**2,665**	**10,094**
of which: net cash and cash equivalents and current financial assets included in assets and liabilities held for sale and discontinued operations	3	9
NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT END OF PERIOD PRESENTED IN FINANCIAL STATEMENTS	**2,662**	**10,085**

ACOTEL GROUP
Analysis of consolidated net funds

(€000)

	30 June 2018	31 December 2017	Increase/ (Decrease)
A. Cash and cash equivalents	2,246	3,699	(1,453)
B. Assets held for trading	418	1,482	(1,064)
C. Liquidity (A + B)	**2,664**	**5,181**	**(2,517)**
D. Current bank borrowings	(110)	(110)	-
E. Current financial liabilities (D)	**(110)**	**(110)**	**-**
F. Non-current bank borrowings	(282)	(271)	(11)
G. Non-current debt (F)	**(282)**	**(271)**	**(11)**
H. Net funds (C+E+G)	**2,272**	**4,800**	**(2,528)**