



## **PRESS RELEASE**

### **ACOTEL GROUP: Board approves interim report for H1 2007; strong earnings growth**

#### **Consolidated data:**

- **Total revenue €33.2 million (up 22%)**
- **EBITDA €1.4 million (a negative €1.9 million for H1 2006)**
- **EBIT €1.02 million (a negative €2.4 million for H1 2006)**
- **Group net loss €193 thousand (net loss of €4 million for H1 2006)**

**Net funds of €25.8 million on the increase at 30 June 2007.**

This morning's meeting of the Board of Directors of Acotel Group SpA – the Group that provides valued added services and equipment for the mobile telecommunications industry in Italy and overseas – has approved the Group's interim report for the six months ended 30 June 2007.

#### **Consolidated interim results**

The Group reports total consolidated revenue of €33.2 million for the first half of 2007, marking an increase of 22% on the €27.2 million of the first half of 2006.

Broken down by business segment, 86% of revenue was earned from the supply of services, 12% was generated by the sale of mobile messaging platforms and the remainder by the design of security systems.

Revenues from Value Added Services (VAS) of around €28.8 million for the period include B2C services aimed directly at end customers (61% of total revenues from this specific area of business), which continues to represent the Group's most important commercial offering. The remainder of this segment regards the services provided to network operators (around 35% of total revenues) and those supplied to media and corporate customers (4%).

Revenues from the design of mobile messaging platforms amount to €3.9 million, which is up sharply (111%) on the first half of 2006, due to the activities of the subsidiary, Jinny Software, for the supply of new platforms and maintenance of existing platforms with mobile operators in North America, the Middle East, Africa, Latin America, Asia and Europe.

Revenues from the design of electronic security systems (approximately €593 thousand euros) regard the activities of the subsidiary, AEM SpA, and derive from the installation, supply, maintenance and servicing of remote surveillance equipment installed at Italian police headquarters, at certain provincial branches of the Bank of Italy and for certain companies in the Acea Group.

The geographical revenue breakdown reflects the Group's strategy to expand its business into new geographical areas. In addition to the traditional markets of Europe, North America and the Middle East, the subsidiary, Jinny Software, has started generating substantial turnover in Africa (5.6% of total revenue) and Asia (1.9%).

In terms of earnings, the Group reported consolidated gross operating profit (EBITDA) of €1.4 million in the first half of 2007, a substantial improvement on the loss of around €1.9 million recorded in the same period of 2006. The improvement was essentially due to better



performances from certain subsidiaries (Flycell Inc., Jinny Software and Acotel S.p.A.) and to the process of rationalisation that took place within the Group during 2006, which halted certain overseas activities whose ability to generate earnings was viewed as being remote.

Amortisation and depreciation amount to €419 thousand (in line with the €421 thousand of the first half of 2006), and primarily refer to depreciation of telecommunications equipment and infrastructures used by Group companies and amortisation of the software and licenses.

Consolidated operating profit (EBIT) of €1.02 million also represents a significant improvement on the loss of €2.4 million in the same period of the previous year.

After net finance income of €221 thousand (net finance costs of €590 thousand in the first half of 2006) and taxation for the period of approximately €1.4 million, the Group reports a net loss of €193 thousand, marking a substantial improvement on the net loss of around €4 million incurred in the first half of 2006.

Net funds at 30 June 2007 total approximately €25.8 million, which is up on the figure for 31 December 2006 (€25.4 million), reflecting improvements in both liquidity (up €323 thousand) and other current financial assets (up €64 thousand). This confirms the Group's capacity to support its expansion through the self-financing of operations, which primarily entails incurring substantial promotional costs and increased staff costs. In this regard, Group companies employ a total of 323 staff at 30 June 2007, marking an increase of 14.5% on the 282 recorded at the end of the previous first half.

### **Subsequent events and outlook**

As previously announced, on 20 July 2007 Acotel Group SpA signed a memorandum of understanding with Intesa Sanpaolo that will result in the bank becoming one of the Company's core shareholders. The transaction will take place via Intesa Sanpaolo's purchase of a 4.75% stake (treasury shares) at a price of €62 per share (amounting to over €12 million).

Intesa Sanpaolo will also subscribe 2 capital increases reserved to the bank in order to acquire 10% of Noverca Srl (whose name is to be changed to Noverca Holding, currently a wholly owned subsidiary of Acotel Group SpA) and 34% of Noverca Italia, which is in the process of being established. Acotel Group will continue to control Noverca Italia via Noverca Holding, which will hold the remaining 66% of the shares.

Noverca is an Internet Protocol-based telecom solution offering end users an integrated range of services designed to meet both basic needs, such as interpersonal communications and access to multimedia content, and specific requirements regarding security, remote control systems and electronic money. Transaction closing is scheduled for 15 November 2007.

In 2007 the Group will continue to implement its previously announced expansion strategy, which in 2006 enabled it to achieve significant results in terms of both turnover and earnings.

The commercial offering will be extended to include both IP communications services offered under the Noverca brand. The new services will range from audio/video communications, conference calling, instant messaging and file transfer to state-of-the-art virtual PBX services.

Rome, Italy  
28 September 2007



ACOTEL GROUP  
**Reclassified consolidated income statement**  
 (€000)

	H1 2007	H1 2006	Increase/ (Decrease)	% inc./dec.)
Revenues	33,246	27,163	6,083	22%
Other income	10	13	(3)	(23%)
<b>Total revenue</b>	<b>33,256</b>	<b>27,176</b>	<b>6,080</b>	<b>22%</b>
<b>Gross operating profit/(loss)</b>	<b>1,438</b>	<b>(1,946)</b>	<b>3,384</b>	<b>174%</b>
<b>Operating profit/(loss)</b>	<b>1,019</b>	<b>(2,368)</b>	<b>3,387</b>	<b>143%</b>
Net finance income/(costs)	221	(590)	811	137%
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>1,240</b>	<b>(2,958)</b>	<b>4,198</b>	<b>142%</b>
<b>NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>	<b>(193)</b>	<b>(3,999)</b>	<b>3,806</b>	<b>95%</b>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO PARENT COMPANY</b>	<b>(193)</b>	<b>(3,999)</b>	<b>3,806</b>	<b>95%</b>
Earnings/(loss) per share	(0.05)	(1.02)	0.97	95%
Diluted earnings/(loss) per share	(0.05)	(1.02)	0.97	95%



**ACOTEL GROUP**

**Reclassified consolidated balance sheet**  
(€000)

	30 June 2007	31 Dec 2006	Increase/ (Decrease)
<b>Non-current assets:</b>			
Property, plant and equipment	3,232	2,976	256
Intangible assets	12,216	12,226	(10)
Financial assets	2	2	-
Other assets	308	530	(222)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>15,758</b>	<b>15,734</b>	<b>24</b>
<b>Net current assets:</b>			
Inventories	287	478	(191)
Trade receivables	17,743	18,301	(558)
Other current assets	3,466	2,963	503
Trade payables	(7,844)	(7,660)	(184)
Other current liabilities	(4,160)	(4,334)	174
<b>TOTAL CURRENT ASSETS</b>	<b>9,492</b>	<b>9,748</b>	<b>(256)</b>
<b>STAFF TERMINATION BENEFITS AND OTHER EMPLOYEE BENEFITS</b>	<b>(932)</b>	<b>(1,031)</b>	<b>99</b>
<b>NON-CURRENT PROVISIONS</b>	<b>(177)</b>	<b>(27)</b>	<b>(150)</b>
<b>NET INVESTED CAPITAL</b>	<b>24,141</b>	<b>24,424</b>	<b>(283)</b>
<b>Shareholders' equity:</b>			
Share capital	1,084	1,084	-
Reserves and retained profit/(accumulated losses)	49,009	47,526	1,483
Net profit/(loss) for the period	(193)	1,231	(1,424)
Minority interests	30	30	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>49,930</b>	<b>49,871</b>	<b>59</b>
Medium/long-term borrowings	163	163	-
Net cash and cash equivalents	(25,952)	(25,610)	(342)
<b>NET FUNDS</b>	<b>(25,789)</b>	<b>(25,447)</b>	<b>(342)</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND NET FUNDS</b>	<b>24,141</b>	<b>24,424</b>	<b>(283)</b>



**ACOTEL GROUP**

**Consolidated cash flow statement**

(€000)

	H1 2007	H1 2006
<b>A. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT BEGINNING OF PERIOD</b>	<b>25,610</b>	<b>31,123</b>
<b>B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES</b>	<b>533</b>	<b>(7,086)</b>
<b>Cash flows from operating activities before changes in working capital</b>	<b>309</b>	<b>(3,436)</b>
Net profit/(loss) for the period	(193)	(3,999)
Amortisation and depreciation	419	421
Impairment charges on assets	32	-
Net change in staff termination benefits	(99)	33
Net change in provisions	150	109
(Increase) / decrease in receivables	23	(6,029)
(Increase) / decrease in inventories	191	92
Increase / (decrease) in payables	10	2,287
<b>C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES</b>	<b>(443)</b>	<b>(744)</b>
(Purchases)/disposals of non-current assets:		
- Intangible assets	(93)	(91)
- Property, plant and equipment	(572)	(484)
- Financial	222	(169)
<b>D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES</b>	<b>252</b>	<b>271</b>
Other changes in shareholders' equity	252	271
<b>E. CASH FLOW FOR THE PERIOD (B+C+D)</b>	<b>342</b>	<b>(7,559)</b>
<b>F. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT END OF PERIOD (A+E)</b>	<b>25,952</b>	<b>23,564</b>



**ACOTEL GROUP**

**Analysis of consolidated net funds**

(€000)

	30 June 2007	31 Dec 2006	Increase/ (Decrease)
A. Cash and cash equivalents	10,435	10,620	(185)
B. Assets held for trading	8,744	8,236	508
<b>C. Liquidity (A + B)</b>	<b>19,179</b>	<b>18,856</b>	<b>323</b>
<b>D. Other current financial assets</b>	<b>6,878</b>	<b>6,814</b>	<b>64</b>
E. Current bank borrowings	(76)	(31)	(45)
F. Current portion of non-current debt	(29)	(29)	-
<b>G. Current financial liabilities (E + F)</b>	<b>(105)</b>	<b>(60)</b>	<b>(45)</b>
<b>H. Net current funds (C+D+G)</b>	<b>25,952</b>	<b>25,610</b>	<b>342</b>
I. Non-current financial liabilities	(163)	(163)	-
<b>L. Non-current debt (I)</b>	<b>(163)</b>	<b>(163)</b>	<b>-</b>
<b>M. NET FUNDS (H + L)</b>	<b>25,789</b>	<b>25,447</b>	<b>342</b>



**ACOTEL GROUP SPA**  
**Parent Company's income statement**  
(€)

	H1 2007	H1 2006
Revenues	3,800,310	2,813,321
Other income	284,150	212,685
<b>Total revenue</b>	<b>4,084,460</b>	<b>3,026,006</b>
Raw materials	(10,205)	(9,794)
External services	(935,883)	(884,709)
Rentals and leases	(329,583)	(327,383)
Staff costs	(1,297,179)	(1,417,673)
Amortisation and depreciation	(61,960)	(111,998)
Impairment charges/reversal of impairment charges on non-current assets	(11,410)	(245,961)
Other costs	(35,752)	(19,341)
Finance income	910,066	658,801
Finance costs	(93,998)	(454,101)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>2,218,556</b>	<b>213,847</b>
Taxation	(958,292)	(274,863)
<b>NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>	<b>1,260,264</b>	<b>(61,016)</b>
Net profit/(loss) from discontinued operations	-	-
<b>NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>	<b>1,260,264</b>	<b>(61,016)</b>
Net profit/(loss) attributable to minority interests	-	-
<b>NET PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY</b>	<b>1,260,264</b>	<b>(61,016)</b>
Earnings/(loss) per share	0.32	(0.02)
Diluted earnings/(loss) per share	0.32	(0.02)



**ACOTEL GROUP SPA**  
**Parent Company's balance sheet**  
(€)

	30 June 2007	31 Dec 2006
<b>Non-current assets:</b>		
Property, plant and equipment	259,400	573,319
Intangible assets	33,909	1,452,375
Investments	18,339,791	16,570,701
Other non-current assets	25,145,906	24,621,124
Deferred tax assets	92,740	201,156
<b>TOTAL NON-CURRENT ASSETS</b>	<b>43,871,746</b>	<b>43,418,675</b>
<b>Current assets:</b>		
Trade receivables	3,174,798	3,001,757
Other current assets	1,461,076	1,292,739
Loans and receivables	11,121,370	8,099,152
Current financial assets	8,105,866	8,023,328
Cash and cash equivalents	823,430	4,047,268
<b>TOTAL CURRENT ASSETS</b>	<b>24,686,540</b>	<b>24,464,244</b>
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	-	-
<b>TOTAL ASSETS</b>	<b>68,558,286</b>	<b>67,882,919</b>
<b>Shareholders' equity:</b>		
Share capital	1,084,200	1,084,200
Share premium reserve	55,106,013	55,106,013
- Treasury shares	(3,872,586)	(3,872,586)
Other reserves	(83,380)	(83,380)
Reserves and retained profit/(accumulated losses)	1,996,364	1,349,594
Net profit/(loss) for the period	1,260,264	644,220
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>55,490,875</b>	<b>54,228,061</b>
<b>Non-current liabilities:</b>		
Provisions	627,444	616,035
Staff termination benefits	392,421	492,739
Deferred tax liabilities	37,783	17,321
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,057,648</b>	<b>1,126,095</b>
<b>Current liabilities:</b>		
Current financial liabilities	22	93
Trade payables	640,013	740,210
Tax liabilities	674,005	940,916
Other current liabilities	10,695,723	10,847,544
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,009,763</b>	<b>12,528,763</b>
<b>LIABILITIES DIRECTLY ATTRIBUTABLE TO NON-CURRENT ASSETS HELD FOR SALE</b>	-	-
<b>TOTAL LIABILITIES</b>	<b>13,067,411</b>	<b>13,654,858</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>68,558,286</b>	<b>67,882,919</b>



**ACOTEL GROUP SPA**

**Cash flow statement**

(€)

	H1 2007	H1 2006
<b>A. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT BEGINNING OF PERIOD</b>	<b>12,070,503</b>	<b>18,019,412</b>
<b>B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES</b>	<b>(2,628,748)</b>	<b>(6,433,397)</b>
<b>Cash flows from operating activities before changes in working capital</b>	<b>1,253,777</b>	<b>348,363</b>
Net profit/(loss) for the period	1,260,264	(61,016)
Amortisation and depreciation	61,960	111,998
Net change in staff termination benefits	(100,318)	51,420
Net change in provisions	31,871	245,961
(Increase) / decrease in receivables	(3,363,596)	(8,448,275)
Increase / (decrease) in payables	(518,929)	1,666,515
<b>C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES</b>	<b>(515,031)</b>	<b>(422,614)</b>
(Purchases)/disposals of non-current assets:		
- Intangible assets	1,397,082	(130,228)
- Property, plant and equipment	273,343	(169,589)
- Financial	(2,185,456)	(122,797)
<b>D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES</b>	<b>2,550</b>	<b>4</b>
Other changes in shareholders' equity	2,550	4
<b>E. CASH FLOW FOR THE PERIOD (B+C+D)</b>	<b>(3,141,229)</b>	<b>(6,856,007)</b>
<b>F. NET CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS AT END OF PERIOD (A+E)</b>	<b>8,929,274</b>	<b>11,163,405</b>