



PRESS RELEASE

ACOTEL GROUP: report on Group performance for Q2 2006 shows significant growth of main economic indicators.

- **Consolidated revenue €20.8 million (€5.7 million in Q2 2005)**
- **Consolidated EBITDA €782 thousand (negative at €599 thousand in Q2 2005)**
- **Consolidated EBIT €553 thousand (negative at €837 thousand in Q2 2005)**
- **Net loss €614 thousand (net loss €728 thousand in Q2 2005)**

Strong growth in B2C business in the United States.

This afternoon's meeting of the Board of Directors of Acotel Group S.p.A. – the parent of the Wireless Application Service Provider (WASP) that provides tailor-made ICT services in Italy and overseas – has approved the Group's quarterly report for the three months ended 30 June 2006, which saw strong revenue growth and substantial improvement in key economic margins.

During the period the Group saw significant growth in consolidated revenue, which rose 266% to approximately €20.8 million, compared with the €5.7 million of the second quarter of 2005. Consolidated revenue for the first half of 2006 reached €28.4 million, up 155% on the €11.1 million of the first six months of 2005.

Revenue growth largely derives from overseas markets and is primarily due to the marketing activities carried out by the subsidiary, Flycell Inc. which in February 2006, after concluding a market survey phase in the United States, significantly stepped up provision of B2C (business to consumer) services to end customers. Today such earnings are the Group's main source of revenue through the operators.

In terms of business segment, 92% of revenue was earned on services (B2B and B2C), 6.4% was generated by the design of ICT equipment and the remainder by the design of security systems.

Regarding the services segment (worth approximately €19.2 million in the period), it should be pointed out that almost 67.8% of revenues from this business were generated by B2C service, 24.6% derive from provision of value added services (VAS) to mobile phone operators, whilst the remaining portion regards services supplied to corporate clients and media companies.

From a geographical point of view, around 62.3% of revenues were generated in North America (due to the B2C activity carried out by the subsidiary, Flycell Inc.), 15.5% in Italy, 10.5% in the Middle East, and the remainder in Latin America, other European countries and Africa.

In terms of earnings, consolidated gross operating profit (EBITDA) of €782 thousand was reported, a substantial improvement on the negative figure of €599 thousand registered in the same period of 2005. This achievement was primarily due to the improved performances of Acotel do Brasil and Info2cell.



Amortisation and depreciation during the second quarter of 2006 amounted to €229 thousand (€238 thousand in the second quarter of 2005) and mainly refers to depreciation of the telecommunications equipment and infrastructures used by Group companies.

Consolidated operating profit (EBIT) totals €553 thousand, also up sharply on the loss of €837 thousand reported at the end of the same period in 2005.

After net finance costs of 530 thousand euros, mainly due to foreign exchange losses incurred on loans within the Group, and estimated taxation for the period, amounting to approximately 637 thousand euros, the net loss for the second quarter 2006 amounts to 614 thousand euros, which is nevertheless an improvement on the net loss of 728 thousand euros for the same period of 2005.

Net funds at 30 June 2006 amount to approximately €23.4 million; the difference with respect to 31 March 2006 (€28.7 million) is primarily due to costs incurred in the United States market for the promotion of B2C services provided by the subsidiary, Flycell Inc.

It should be borne in mind that such costs, totaling €6,314 thousand in the period, are directly linked to subscriptions taken out by new customers, meaning that, except in the event of a rapid cancellation, the acquired customer continues to generate revenue for a considerable period after the acquisition costs have been incurred.

With regard to the outlook for the rest of the year, Group strategy will continue to give major priority to expansion goals, which will be pursued in countries where the Group has an established presence and also by penetrating new markets where efforts will be made to reproduce the business model that has been developed in the United States.

Note: the summary income statement for the second quarter of 2006 and the six months ended June 30 2006, and the analysis of net funds included in the Quarterly Report for the three months ended June 30 2006, as approved by the Board of Directors, are attached.

Rome, Italy
10 August 2006



ACOTEL GROUP

Reclassified consolidated income statement

(€000)	Q2				H1			
	2006	2005	Increase/(Decrease)		2006	2005	Increase/(Decrease)	
Revenues	20,836	5,699	15,137	266%	28,402	11,128	17,274	155%
Other income	8	21	(13)	-62%	13	39	(26)	-67%
Total revenue	20,844	5,720	15,124	264%	28,415	11,167	17,248	154%
Gross operating profit/(loss)	782	(599)	1,381	231%	(1,214)	(778)	(436)	-56%
Operating profit/(loss)	553	(837)	1,390	166%	(1,636)	(1,245)	(391)	-31%
Net finance income/(costs)	(530)	166	(696)	-419%	(590)	350	(940)	-269%
PROFIT (LOSS) BEFORE TAX	23	(671)	694	103%	(2,226)	(895)	(1,331)	-149%
Taxation	(637)	(57)	(580)	1018%	(1,045)	(287)	(758)	264%
PROFIT (LOSS) ATTRIBUTABLE TO PARENT COMPANY	(614)	(728)	114	16%	(3,271)	(1,182)	(2,089)	-177%
Earnings per share	(0.16)	(0.19)	0.03	16%	(0.84)	(0.30)	(0.53)	-177%
Diluted earnings per share	(0.16)	(0.19)	0.03	16%	(0.84)	(0.30)	(0.53)	-177%

ACOTEL GROUP

Distribution of consolidated revenue by business segment

(€000)	2006		2005	
	Q2	H1	Q2	H1
SERVICES	19,205	26,000	4,824	9,043
DESIGN OF ICT EQUIPMENT	1,327	1,855	605	1,565
SECURITY SYSTEMS DESIGN	304	547	270	520
	20,836	28,402	5,699	11,128

Distribution of consolidated revenue by geographical area

(€000)	2006				2005			
	Q2	%	H1	%	Q2	%	H1	%
NORTH AMERICA	12,988	62.3%	14,934	52.5%	138	2.4%	138	1.2%
ITALY	3,236	15.5%	6,523	23.0%	2,826	49.6%	5,838	52.5%
MIDDLE EAST	2,191	10.5%	3,326	11.7%	1,738	30.5%	2,470	22.2%
LATIN AMERICA	1,767	8.5%	2,691	9.5%	617	10.8%	1,210	10.9%
OTHER EUROPEAN COUNTRIES	414	2.0%	587	2.1%	308	5.4%	854	7.7%
AFRICA	240	1.2%	341	1.2%	-	0.0%	225	2.0%
ASIA	-	0.0%	-	0.0%	72	1.3%	393	3.5%
	20,836	100%	28,402	100%	5,699	100%	11,128	100%



ACOTEL GROUP
Analysis of consolidated net funds

(€000)

	30 June 2006	31 Mar 2006	31 Dec 2005
Current financial assets	17,817	23,855	19,761
Cash and cash equivalents	5,775	5,060	11,395
Current financial liabilities	(28)	(28)	(33)
Net cash and cash equivalents (A)	23,564	28,887	31,123
Medium/long-term borrowings	(193)	(193)	(193)
Medium/long-term debt (B)	(193)	(193)	(193)
Net funds (A)+(B)	23,371	28,694	30,930