PRESS RELEASE

ACOTEL GROUP: consolidated results for 9M 2006.

- **Revenue €46 million (up 145% on 9M 2005)**
- **Negative EBITDA approx. €1 million (negative €834 thousand in 9M 2005)**
- **Negative EBIT €1.7 million (negative €1.5 million in 9M 2005)**
- **Net loss €3.7 million (net loss €1.5 million in 9M 2005)**

Positive results achieved in Q3, with revenue up 150% to €19.1 million and net profit of €563 thousand (versus loss of €365 thousand in Q3 2005).

Strong growth in US B2C business continues.

This afternoon's meeting of the Board of Directors of Acotel Group SpA – 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 nine months ended 30 September 2006. The period has witnessed significant growth in the provision of B2C services in the US market, which has now become the Group's main revenue source (over 56% of the total).

Results for 9M 2006 (1 January - 30 September)

Consolidated revenue exceeds €46 million for the first nine months of the year, an increase of 145% on the €18.9 million of the same period of 2005.

91% of revenue was earned from the supply of services, 7% was generated by the supply of telecoms equipment and the remaining 2% from the design of security systems.

62% of service revenues was generated by B2C services, whilst the proportion generated by the provision of value added services (VAS) to mobile phone operators declined to around 31%. The remaining portion was earned from services supplied to media companies (4%) and corporate customers (3%).

The geographical revenue breakdown confirms the importance of the US market which accounted for 56.1% of the total revenues in the first nine months of 2006, compared with 2.5% in the same period of 2005), thanks to the activities of the subsidiary, Flycell Inc.. Whilst turnover in Italy is up slightly in absolute terms, it accounts for 21.3% of total revenue for the first nine months of 2006, compared with 49.2% in the same period of 2005.

The consolidated gross operating loss (EBITDA) of €1.03 million is slightly worse than the loss of €834 thousand for the same period of 2005.

This performance reflects the sizeable increase in the cost of external services, which are up to €35.1 million from around €9.8 million in the first nine months of 2005. This growth is almost entirely due to the operating methods chosen by *Flycell Inc.* to develop its business in its chosen market. This has entailed substantial costs charged by mobile operators and the integrator, as well as considerable promotional expenses to raise awareness of the company's services in the market and increase its customer base.

These latter costs, amounting to €15.5 million for the first nine months of 2006, were much lower one year earlier (€1 million). It should be remembered that, on average, the acquired customer continues to generate revenue for a considerable period after the related acquisition cost has been incurred.

The period also saw an increase in staff costs (€9.05 million compared with €7.3 million in the same period of 2005), primarily connected with the expansion of the Group's overseas subsidiaries.

The consolidated operating loss (EBIT) of €1.7 million compares with the loss of around €1.5 million reported for the first nine months of 2005.

Amortisation and depreciation amount to €627 thousand (€696 thousand in the first nine months of 2005) and mainly refer to depreciation of the telecommunications equipment and infrastructures used by Group companies.

After net finance costs of €320 thousand, mainly due to foreign exchange losses incurred on intercompany loans, and estimated taxation for the period, amounting to approximately €1.7 million, the consolidated net loss for the first nine months of 2006 amounts to around €3.7 million, compared with a loss of €1.5 million for the same period of the previous year.

Net funds at 30 September 2006 amount to around €21.5 million. The decrease with respect to 31 December 2005 (€30.9 million) reflects the significant cost incurred in order to launch B2C services in the USA.

The reduction in net funds during the third quarter of 2006 (€1.8 million) is significantly lower than the decrease seen in the first half of the year (€7.6 million), confirming the fact that the subsidiary, Flycell Inc., is, at least in part, beginning to be self-financing.

Results for Q3 2006 (1 July - 30 September)

The Acotel Group saw strong growth in revenue (up 150%) in the third quarter of 2006, with total revenue amounting to €19.1 million (€7.6 million in the same period of 2005). This was primarily due to the above-mentioned activities of the subsidiary, Flycell Inc., in the USA.

Consolidated gross operating profit (EBITDA) totals €1.2 million, marking a significant improvement on the loss of €56 thousand recorded in the third quarter of 2005.

As noted above, this result reflects both the performance of the US subsidiary and the ongoing rationalisation process, which has led the Group to call a halt to certain overseas activities whose ability to generate earnings is viewed as too remote.

After amortisation and depreciation of around €206 thousand and impairment charges on non-current assets, totalling €35 thousand, consolidated operating profit (EBIT) of €931 thousand marks a substantial improvement on the loss of €285 thousand recorded in the third quarter of 2005.

After net finance income of €264 thousand and estimated taxation for the period, amounting to €632 thousand, consolidated net profit amounts to €563 thousand, compared with a net loss of €365 thousand incurred one year earlier.

A comparison of net profit for the period (€563 thousand) with the losses incurred in the first and second quarters of 2006, amounting to €2.7 million and €614 thousand, respectively, confirms the effectiveness of the advertising carried out in the USA in order to launch the Group's B2C business in this market, also in terms of its positive impact on earnings.

Outlook

As previously stated in the interim report for the six months ended 30 June, the Group's strategy aims to drive expansion both in countries where it has an established presence and in new markets, where it will seek to reproduce the business model that has been developed in the United States in terms of growing the customer base and increasing market share.

Note: the summary income statement for the third quarter and first nine months of 2006 and the analysis of net funds included in the quarterly report for the three months ended 30 September 2006, as approved by the Board of Directors, are attached.

Rome, Italy
14 November 2006

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Reclassified consolidated income statement

(€000)	9M 2006	9M 2005	9M Increase/(Decrease)		Q3 2006	Q3 2005	Q3 Increase/(Decrease)	
Revenues	46,045	18,785	27,260	145%	19,138	7,651	11,487	150%
Other income	13	90	(77)	-86%	-	51	(51)	-100%
Total revenue	**46,058**	**18,875**	**27,183**	**144%**	**19,138**	**7,702**	**11,436**	**148%**
Movement in work in progress, semi-finished and finished goods	(3)	4	(7)	-175%	(5)	9	(14)	-156%
Raw materials	(983)	(924)	(59)	6%	(388)	(477)	89	-19%
External services	(35,061)	(9,773)	(25,288)	259%	(13,915)	(4,345)	(9,570)	220%
Rentals and leases	(1,071)	(1,062)	(9)	1%	(353)	(328)	(25)	8%
Staff costs	(9,054)	(7,316)	(1,738)	24%	(2,990)	(2,392)	(598)	25%
Other costs	(916)	(638)	(278)	44%	(315)	(225)	(90)	40%
Gross operating profit/(loss)	**(1,030)**	**(834)**	**(196)**	**-24%**	**1,172**	**(56)**	**1,228**	**2193%**
Amortisation and depreciation	(627)	(696)	69	-10%	(206)	(229)	23	-10%
Impairment charges/reversal of impairment charges on non-current assets	(36)	-	(36)	-	(35)	-	(35)	-
Operating profit/(loss)	**(1,693)**	**(1,530)**	**(163)**	**-11%**	**931**	**(285)**	**1,216**	**427%**
Net finance income/(costs)	(320)	846	(1,166)	-138%	264	496	(232)	-47%
PROFIT (LOSS) BEFORE TAX	**(2,013)**	**(684)**	**(1,329)**	**-194%**	**1,195**	**211**	**984**	**-466%**
NET PROFIT/(LOSS) ATTRIBUTABLE TO PARENT COMPANY	**(3,686)**	**(1,547)**	**(2,139)**	**-138%**	**563**	**(365)**	**928**	**254%**
Earnings per share	(0.94)	(0.40)	(0.54)	-135%	0.14	(0.09)	0.23	254%
Diluted earnings per share	(0.94)	(0.40)	(0.54)	-135%	0.14	(0.09)	0.23	254%

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Consolidated revenue by business segment

(€000)	2006		2005	
	9M	Q3	9M	Q3
SERVICES	42,145	17,384	14,956	5,906
DESIGN OF ICT EQUIPMENT	3,077	1,478	2,808	1,252
SECURITY SYSTEMS DESIGN	823	276	1,021	493
	46,045	**19,138**	**18,785**	**7,651**

Consolidated revenue by geographical segment

€000)	2006				2005			
	9M	%	Q3	%	9M	%	Q3	%
NORTH AMERICA	25,785	56.1%	12,090	63.2%	467	2.5%	329	4.3%
ITALY	9,822	21.3%	3,299	17.2%	9,244	49.2%	3,400	44.5%
MIDDLE EAST	4,599	10.0%	1,838	9.6%	4,455	23.7%	1,985	25.9%
LATIN AMERICA	4,042	8.7%	1,351	7.1%	2,110	11.2%	900	11.8%
AFRICA	783	1.7%	442	2.3%	556	3.0%	331	4.3%
OTHER EUROPEAN COUNTRIES	405	0.9%	74	0.4%	1,477	7.9%	623	8.1%
ASIA	609	1.3%	44	0.2%	476	2.5%	83	1.1%
	46,045	**100%**	**19,138**	**100%**	**18,785**	**100%**	**7,651**	**100%**

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Analysis of consolidated net funds

(€000)

	30 Sept 2006	30 June 2006	31 Dec 2005	30 Sept 2005
Current financial assets	15,748	17,817	19,761	24,406
Cash and cash equivalents	6,228	5,775	11,395	7,388
Current financial liabilities	(234)	(28)	(33)	(74)
Net cash and cash equivalents (A)	**21,742**	**23,564**	**31,123**	**31,720**
Medium/long-term borrowings	(193)	(193)	(193)	(221)
Medium/long-term debt (B)	**(193)**	**(193)**	**(193)**	**(221)**
Net funds (A)+(B)	**21,549**	**23,371**	**30,930**	**31,499**