



PRESS RELEASE

ACOTEL GROUP: Board approves quarterly report for Q3 2008

Consolidated data for the first nine months (9M) of the year:

- **Total revenue €64.6 million (up 32% on 9M 2007)**
- **Negative EBITDA €2.1 million (a positive €1.3 million for 9M 2007)**
- **Negative EBIT €3.1 million (a positive €618 thousand for 9M 2007)**
- **net profit €3.7 million (a net loss of €1.2 million for 9M 2007)**

Net funds of €41.8 million at 30 September 2008

Flycell's consumer services launched in Italy and Spain.

Today's meeting of the Board of Directors of Acotel Group S.p.A. – the Parent of the Group that provides services and wireless applications for the mobile telecommunications industry and security systems – approved the Group's report for the three months ended 30 September 2008.

Results for 9M 2008

The Acotel Group reported total consolidated revenue of €64.6 million for the first nine months of 2008, up 32% on the €49 million for the same period of 2007.

In terms of business segment, 85.8% of revenue was earned from the supply of value added services, 12.3% was generated by the design of ICT equipment and the remaining 1.9% by the design of security systems.

Within the **services** segment (revenues of €55.4 million), B2C services supplied by the US subsidiary, Flycell Inc., and its subsidiaries in the USA, Brazil, Turkey, Spain and Italy account for the largest share (68.6%) of the segment's revenues, whilst the provision of services to network operators, primarily regarding Telecom Italia in Italy and Brazil and mobile operators in the Middle East, account for 25.8% of the total. The provision of services to corporate customers, primarily banks, represents 3.9% of the segment's revenues, whilst the balance of 1.7% is generated by services supplied to media companies.

The **design of ICT equipment** generated revenues of €7.9 million and relates to the activities of Jinny Software, which serves mobile operators in Africa, Latin America, Asia, Europe, the Middle East and North America. The strong revenue growth (67%) compared with the same period of the previous year reflects the commercial success of the new platforms developed and the strengthening of both the in-house and outside sales organisations.

Revenues from the **design of security systems** amount to €1.3 million (€1 million in the first nine months of 2007) and are entirely generated by the subsidiary, AEM S.p.A.. These revenues regard the installation, supply, servicing and maintenance of remote surveillance equipment installed at Italian police headquarters, at certain provincial branches of the Bank of Italy and at certain companies in the Acea Group.

The geographical revenue breakdown reveals a more uniform revenue distribution compared with the past, a trend that had already emerged in the first half of the year. This is due to the growing international expansion of Flycell and Jinny.

In terms of earnings, consolidated EBITDA for the first nine months of the year is a negative €2.1 million. The deterioration with respect to the same period of the previous year, when EBITDA was a positive €1.3 million, reflects the decision to accelerate the pace of expansion and entry into new countries, entailing a substantial increase in advertising costs for the B2C services provided by companies operating in the United States, Turkey, Brazil, Spain and Italy, and an increase in staff costs.

Amortisation and depreciation of approximately €1 million (€718 thousand for the first nine months of 2007) largely refers to property, plant and equipment (telecommunications equipment and infrastructures) and to a lesser extent intangible assets (software and licences).

Consolidated EBIT is a negative €3.1 million, compared with positive EBIT of €618 thousand for the previous nine-month period.

Income from investments amounts to around €7.9 million and regards the net gain deriving from the transfer of the Italian exploitation rights for the VOIP services platform developed by Noverca, and from the subscription by Intesa San Paolo of a portion of the capital increase approved by the subsidiary, Noverca Srl.

After net finance income of approximately €945 thousand (€328 thousand for the same period of 2007), estimated taxation for the period of almost €2 million, and the profit attributable to minority interests, the net profit attributable to the Parent Company for the first nine months of 2008 amounts to €3.8 million (€1.2 million for the same period of 2007).

Net funds amount to €41.8 million at 31 September 2008, marking an increase of €17.4 million compared with 31 December 2007, essentially as a result of the financial transactions involving Intesa Sanpaolo S.p.A..

Results for Q3 2008

Revenue of €23.4 million for the quarter is up 49% on the third quarter of 2007, reflecting the positive commercial performances of Flycell Inc., together with its direct subsidiaries, and Jinny Software.

Consolidated EBITDA is a negative €2.4 million, marking a deterioration with respect to the third quarter of 2007 and reflecting the above-mentioned expenditure on advertising (up 77%) and increased staff costs (up 25%). After amortisation and depreciation (€347 thousand) negative EBIT amounts to €2.7 million.

After net finance income of €730 thousand, estimated taxation for the period of €704 thousand, and the loss attributable to minority interests of €17 thousand, the net loss attributable to the Parent Company for the third quarter of 2008 amounts to €2.7 million (a loss of €992 thousand in 2007).



Significant events during the third quarter

The period witnessed the commercial launch of Flycell Inc. in Spain and Italy, where Flycell Italia S.r.l. has been established. These activities, which are based on the business model already tried and tested in other countries, use the new www.flycell.es and www.flycell.it websites, which came on line in early July.

With regard to the design of ICT equipment, the subsidiary, Jinny Software, reports a large number of new orders, with the company's order book increasing to €14 million at the end of the third quarter. The period also saw the establishment of Jinny Software Panama Inc., registered in Panama City, to oversee the Group's Caribbean operations.

Declaration by the manager responsible for the Group's financial reporting

The manager responsible for the Group's financial reporting, Luca De Rita, hereby declares, pursuant to article 154 *bis*, paragraph 2 of the Consolidated Finance Act, that the information in this press release is consistent with the underlying accounting records.

Note: the following schedules summarise operating and financial highlights from the quarterly report for the third quarter of 2008 approved by the Board of Directors.

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ACOTEL GROUP

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

€(000)	Q3			9M		
	2008	2007	Inc./(Dec.)	2008	2007	Inc./(Dec.)
Revenues	23,441	15,733	7,708	64,577	48,979	15,598
Other income	47	-	47	143	10	133
Total	23,488	15,733	7,755	64,720	48,989	15,731
Movements in work in progress, semi-finished and finished goods	-	65	(65)	(3)	64	(67)
Raw materials	(507)	(269)	(238)	(1,930)	(908)	(1,022)
External services	(20,199)	(11,338)	(8,861)	(49,957)	(33,413)	(16,544)
Rentals and leases	(395)	(359)	(36)	(1,165)	(1,147)	(18)
Staff costs	(4,501)	(3,596)	(905)	(13,162)	(11,019)	(2,143)
Internal capitalised costs	258	-	258	767	87	680
Other costs	(545)	(306)	(239)	(1,371)	(1,317)	(54)
Gross operating profit/(loss)	(2,401)	(70)	(2,331)	(2,101)	1,336	(3,437)
Amortisation and depreciation	(347)	(299)	(48)	(1,015)	(718)	(297)
Impairment charges/reversal of impairment charges on non-current assets	-	-	-	(1)	-	(1)
Operating profit/(loss)	(2,748)	(369)	(2,379)	(3,117)	618	(3,735)
Income from investments	-	-	-	7,940	-	7,940
Net finance income/(costs)	730	75	655	945	328	617
PROFIT/(LOSS) BEFORE TAX	(2,018)	(294)	(1,724)	5,768	946	4,822
Taxation	(704)	(698)	(6)	(1,979)	(2,131)	152
NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(2,722)	(992)	(1,730)	3,789	(1,185)	4,974
Net profit/(loss) attributable to minority interests	(17)	-	(17)	83	-	83
NET PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY	(2,705)	(992)	(1,713)	3,706	(1,185)	4,891
Earnings per share	(0.66)	(0.25)		0.90	(0.30)	
Diluted earnings per share	(0.66)	(0.25)		0.90	(0.30)	



ACOTEL GROUP

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€000)	30 Sept 2008	31 Dec 2007	Inc./Dec.	% inc./dec.
Non-current assets:				
Property, plant and equipment	2,796	3,221	(425)	(13%)
Intangible assets	13,124	12,464	660	5%
Non-current financial assets	2	2	-	-
Other assets	1,021	273	748	274%
TOTAL NON-CURRENT ASSETS	16,943	15,960	983	6%
Net current assets:				
Inventories	602	642	(40)	(6%)
Trade receivables	20,252	18,620	1,632	9%
Other current assets	3,006	3,442	(436)	(13%)
Trade payables	(13,367)	(9,526)	(3,841)	(40%)
Other current liabilities	(4,530)	(4,020)	(510)	(13%)
TOTAL NET CURRENT ASSETS	5,963	9,158	(3,195)	(35%)
STAFF TERMINATION AND OTHER EMPLOYEE BENEFITS	(1,077)	(947)	(130)	(14%)
NON-CURRENT PROVISIONS	(336)	(318)	(18)	(6%)
NET INVESTED CAPITAL	21,493	23,853	(2,360)	(10%)
Shareholders' equity:				
Share capital	1,084	1,084	-	-
Reserves and retained earnings/(accumulated losses)	58,395	48,469	9,926	20%
Net profit/(loss) for the period	3,706	(1,278)	4,984	390%
Minority interests	113	30	83	277%
TOTAL SHAREHOLDERS' EQUITY	63,298	48,305	14,993	31%
MEDIUM-/LONG TERM DEBT	133	133	-	-
Net cash and cash equivalents:				
Current financial assets	(19,069)	(12,702)	(6,367)	(50%)
Cash and cash equivalents	(26,395)	(12,178)	(14,217)	(117%)
Current financial liabilities	3,526	295	3,231	1095%
	(41,938)	(24,585)	(17,353)	(71%)
NET FUNDS	(41,805)	(24,452)	(17,353)	(71%)
TOTAL SHAREHOLDERS' EQUITY AND NET FUNDS	21,493	23,853	(2,360)	(10%)

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NET FUNDS

(€000)

	30 Sept 2008	30 June 2008	31 Dec 2007
A. Cash and cash equivalents	26,395	26,442	12,178
B. Assets held for trading	16,450	16,089	10,052
C. Liquidity (A + B)	42,845	42,531	22,230
D. Other current financial assets	2,619	2,604	2,650
E. Current bank borrowings	(3,496)	(2,039)	(265)
F. Current portion of non-current debt	(30)	(30)	(30)
G. Current financial liabilities (E + F)	(3,526)	(2,069)	(295)
H. Net current funds (C+D+G)	41,938	43,066	24,585
I. Non-current financial liabilities	(133)	(133)	(133)
L. Non-current debt (I)	(133)	(133)	(133)
M. Net funds (H + L)	41,805	42,933	24,452