



PRESS RELEASE

ACOTEL GROUP: Board approves quarterly report for Q3 2010

Consolidated results for the first nine months (9M) of 2010:

- **Revenue of €117.4 million (€99.1 million in 9M 2009)**
- **Negative EBITDA €3.4 million (positive €4.5 million in 9M 2009)**
- **Negative EBIT €6 million (positive €2.9 million in 9M 2009)**
- **Net loss €8.1 million (net profit of €1.8 million in 9M 2009)**

Today's meeting of the Board of Directors of Acotel Group S.p.A. has approved the Group's report for the nine months ended 30 September 2010.

Results for 9M 2010

During the first nine months of the year the Group recorded an 18% increase in revenue to €117.4 million, compared with the €99.1 million of the same period of 2009.

The result was driven by the performances of Flycell Inc. and its direct subsidiaries, which offer B2C services, of Info2cell and Acotel do Brasil, which supply B2B services in the Middle East and Brazil, and of Jinny Software, which provides mobile messaging solutions.

A more detailed breakdown shows that 90.8% of revenue was earned from the supply of value added mobile services and 7.2% was generated by mobile messaging solutions, with the mobile telecommunications and security systems design businesses accounting for 1% each.

Within the **services** segment (€106.7 million), the B2C services provided mainly by the US subsidiary, Flycell Inc., in North America, Argentina, Brazil, Italy, Mexico, Spain, South Africa and Turkey continue to account for the lion's share of revenues, with 77.5% of the total.

Revenues from the provision of services to network operators (11.9% of service revenues) regard the activities of the subsidiaries, Acotel do Brasil (providing services to the Brazilian operators, TIM Celular and TIM Nordeste Telecomunicacoes), Acotel SpA (which provides services to Telecom Italia) and Info2cell (whose customers consist of the principal Middle Eastern mobile operators).

Revenues from corporate services (9.8% of service revenues) are generated in Italy by Acotel S.p.A., most of whose customers are banks, and in the Middle East by Info2cell. The remaining revenues generated by this area of business (0.8%) regard the services supplied to media companies, and are almost entirely attributable to the subsidiary, Info2cell, in the Middle East, and Acotel S.p.A. in Italy.



In the **mobile messaging solutions** business, revenues for the first nine months of 2010 amount to €11.3 million (including €3.1 million in intercompany revenues) and regard the supply of new equipment and the provision of maintenance to mobile operators in the Middle East, Africa, Asia, Europe, Latin America and North America.

Mobile Telecommunications revenues of €1.1 million are entirely attributable to Noverca Italia Srl, representing the Group's proportionate share of the company's revenues (59.4%). Revenues generated by this segment do not reflect the effective volume of traffic (voice, SMS, data and services) used by customers, as the priority aim is to increase the number of active SIM cards. This has been in part pursued via promotions in which customers were offered free use of their phones.

Revenues from **security systems design** amount to €1.1 million and are entirely generated by the subsidiary, AEM S.p.A., which is responsible for 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 shows that North America continues to be the Group's principal market (32.9% of total revenue), followed by Latin America (26.7%), Italy (15.8%), the Middle East (11.3%) and other European countries (10.5%). The remaining percentages are accounted for by Africa (2.2%) and Asia (0.6%).

The Group reports a gross operating loss (negative EBITDA) of €3.4 million (a profit of €4.5 million in the same period of 2009). This primarily reflects the geographical expansion strategy for the B2C business managed by Flycell and the large scale expenditure incurred by Noverca in launching its mobile telecommunications activities. The nature of both these businesses means that companies have to invest significantly in advertising their brands and promoting their services before they see any revenue generation.

After amortisation and depreciation, the operating loss (negative EBIT) is €6 million (a profit of €2.9 million in the same period of 2009).

After net finance costs, estimated taxation for the period and profit attributable to minority interests, the loss attributable to owners of the Parent totals €8.1 million (a profit of 1.8 million for the first nine months of 2009).

Net funds at 30 September 2010 amount to 34.9 million euros, marking a reduction with respect to the €43.3 million of the end of 2009. This essentially reflects the significant amount being invested by the Group in order to support its expansion into both new geographical areas and new businesses.



Results for Q3 2010

Consolidated third-quarter revenue of €37.5 million is down on the €39.1 million of the same period of 2009, reflecting a reduction in turnover generated in the B2C segment by Flycell Inc. and its direct subsidiaries.

The Group reports a gross operating profit (EBITDA) of 1.1 million euros, down on the profit of 4.7 million euros for the third quarter of 2009. After amortisation and depreciation and impairments of non-current assets, operating profit (EBIT) amounts to 257 thousand euros.

After net finance costs, estimated taxation for the period and profit attributable to minority interests, the net loss attributable to owners of the Parent totals €1.5 million (a profit of €2.6 million in the same period of 2009).

Significant events during the third quarter

Flycell Inc. saw a significant improvement in its profit margins during the quarter, primarily due to the decision to insource management of the company's expenditure on advertising.

The subsidiary, Acotel do Brasil, launched Meu Jornal, allows users to receive a personalised collection of press clippings, sent straight to their mobile phone.

Acotel S.p.A. concluded an agreement for the supply of services to the Public Sector, involving the development and provision of mobile services as part of the "*Vivi facile*" project set up by the Ministry for Public Administration and Innovation. The initiative is designed to improve communication between the general public and government entities, in areas such as justice, taxation, education, transport, pensions and health.

Info2cell strengthened its market position in Iraq and scored a notable success with its WAP portal offering coverage of the recent World Cup, which has now been transformed into a site offering general sports coverage. The company has also successfully launched the BBC Video Bulletin service with Etisalat in the United Arab Emirates.

The subsidiary, Jinny Software Ltd., recorded an increase in revenues, thanks to the success of its upselling initiatives designed to encourage existing customers to upgrade and purchase new platforms.

Noverca Italia S.r.l. registered an increase in users, thanks to a series of marketing and commercial initiatives primarily designed to build loyalty among existing customers. The third quarter also saw the company conclude two agreements with retailers and retail chains for the sale of SIM cards and topups, thereby enlarging its distribution network, which now consists of more than 40,000 outlets.



AEM S.p.A. announced the production of a new line of alarm systems that will eventually replace those sold until now. The new products, developed in order to meet the changing needs of the security market.

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 Law on Finance, that the accounting information in this press release is consistent with the underlying accounting records.

Availability of company documents

The interim report for the three months ended 30 September 2010 will be available to the public, within the deadline established by art. 154-ter of Legislative Decree 158/1998 (the Consolidated Law on Finance), at the Company's registered office and at Borsa Italiana SpA. Copies of the documents will also be available on the Company's website at www.acotel.com.

Note: the reclassified income statement and statement of financial position and the analysis of net funds included in the quarterly report for the third quarter of 2010, approved by the Board of Directors, are attached.

Rome, 12 November 2010

More information

Acotel Group SpA Carlo Ficini Investor Relator Tel. +3906 6114 1000 e-mail carlo.ficini@acotel.com	Barabino&Partners Andrea Pagano Mariano Tel. +3906 6792929 e-mail A.PaganoMariano@barabino.it
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ACOTEL GROUP
Reclassified consolidated income statement (€000)

	Q3			9M		
	2010	2009	Inc./(Dec.)	2010	2009	Inc./(Dec.)
Revenues	37,456	39,112	(1,656)	117,435	99,143	18,292
Other income	86	88	(2)	263	229	34
Total	37,542	39,200	(1,658)	117,698	99,372	18,326
Movements in work in progress, semi-finished and finished goods	(278)	577	(855)	(463)	586	(1,049)
Raw materials	(279)	(990)	711	(1,112)	(1,566)	454
External services	(29,229)	(28,766)	(463)	(99,722)	(77,634)	(22,088)
Rentals and leases	(452)	(416)	(36)	(1,406)	(1,288)	(118)
Staff costs	(5,390)	(4,865)	(525)	(16,932)	(15,161)	(1,771)
Internal capitalised costs	237	363	(126)	917	1,342	(425)
Other costs	(1,060)	(402)	(658)	(2,427)	(1,119)	(1,308)
Gross operating profit/(loss)	1,091	4,701	(3,610)	(3,447)	4,532	(7,979)
Amortisation and depreciation	(826)	(639)	(187)	(2,545)	(1,613)	(932)
Impairment charges/reversal of impairment charges on non-current assets	(8)	-	(8)	(8)	(1)	(7)
Operating profit/(loss)	257	4,062	(3,805)	(6,000)	2,918	(8,918)
Net finance income/(costs)	(96)	(198)	102	83	301	(218)
PROFIT/(LOSS) BEFORE TAX	161	3,864	(3,703)	(5,917)	3,219	(9,136)
Taxation	(1,625)	(1,130)	(495)	(2,044)	(1,188)	(856)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	(1,464)	2,734	(4,198)	(7,961)	2,031	(9,992)
Profit/(Loss) attributable to non-controlling interests	17	173	(156)	123	197	(74)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	(1,481)	2,561	(4,042)	(8,084)	1,834	(9,918)
Earnings per share	(0.36)	0.62		(1.96)	0.45	
Diluted earnings per share	(0.36)	0.62		(1.96)	0.45	



ACOTEL GROUP

Reclassified consolidated statement of financial position (€000)

	30 September 2010	31 December 2009	Increase/(Decrease)	% inc./ (dec.)
Non-current assets:				
Property, plant and equipment	6,709	5,218	1,491	29%
Intangible assets	12,966	13,404	(438)	(3%)
Other assets	3,527	3,462	65	2%
TOTAL NON-CURRENT ASSETS	23,202	22,084	1,118	5%
Net current assets:				
Inventories	393	845	(452)	(53%)
Trade receivables	27,361	27,015	346	1%
Other current assets	5,008	4,482	526	12%
Trade payables	(18,050)	(17,585)	(465)	(3%)
Other current liabilities	(8,471)	(9,574)	1,103	12%
TOTAL NET CURRENT ASSETS	6,241	5,183	1,058	20%
STAFF TERMINATION AND AND OTHER EMPLOYEE BENEFITS	(1,573)	(1,389)	(184)	(13%)
NON-CURRENT PROVISIONS	(686)	(392)	(294)	(75%)
NET INVESTED CAPITAL	27,184	25,486	1,698	7%
Equity:				
Share capital	1,084	1,084	-	-
Reserves and retained earnings/(accumulated losses)	68,616	66,079	2,537	4%
Profit/(Loss) for the period	(8,084)	1,311	(9,395)	(717%)
Non-controlling interests	430	308	122	40%
TOTAL EQUITY	62,046	68,782	(6,736)	(10%)
MEDIUM-LONG TERM DEBT	69	69	-	-
Net cash and cash equivalents:				
Current financial assets	(25,376)	(27,843)	2,467	9%
Cash and cash equivalents	(13,252)	(19,045)	5,793	30%
Current financial liabilities	3,697	3,523	174	5%
	(34,931)	(43,365)	8,434	19%
NET FUNDS	(34,862)	(43,296)	8,434	19%
TOTAL EQUITY AND NET FUNDS	27,184	25,486	1,698	7%



ACOTEL GROUP

Net funds (€000)

	30 September 2010	30 June 2010	31 December 2009
A. Cash and cash equivalents	13,252	14,104	19,045
B. Assets held for trading	22,861	22,763	10,627
C. Liquidity (A + B)	36,113	36,867	29,672
D. Other current financial assets	2,515	4,895	17,216
E. Current bank borrowings	(3,664)	(4,084)	(3,491)
F. Current portion of non-current debt	(33)	(33)	(32)
G. Current financial liabilities (E + F)	(3,697)	(4,117)	(3,523)
H. Net current funds (C+D+G)	34,931	37,645	43,365
I. Non-current financial liabilities	(69)	(69)	(69)
L. Non-current debt (I)	(69)	(69)	(69)
M. Net funds (H + L)	34,862	37,576	43,296