



PRESS RELEASE

ACOTEL GROUP: Board approves report for Q4 2006

Positive progress made in 2006:

- **Consolidated revenue €63.2 million (up 126%)**
- **Consolidated EBITDA €4.7 million (up 607%)**
- **Consolidated EBIT €3.9 million (a negative €258 thousand in 2005)**
- **Consolidated net profit €1.3 million (net loss of €561 thousand in 2005)**

Turnover driven by strong growth in US B2C business.

Today'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 report for the fourth quarter of 2006.

The document, which also contains the results for the full year period, reports strong improvements in all key financial indicators with reference to both 2006 as a whole and the last quarter.

Results for full year 2006 (1 January - 31 December)

The Acotel Group reports consolidated revenue of €63.2 million for 2006, marking a significant increase (126%) on the €27.9 million of the previous year.

In terms of business segment, 87.5% of revenue was earned from the supply of services, which traditionally represents the Group's core business, 9.8% was generated by the design of ICT equipment and the remaining 2.7% by the design of security systems.

Around 61.4% of service revenues was generated by B2C services provided primarily by the US subsidiary, Flycell Inc. The proportion of service revenues generated by the provision of value added services (VAS) to network operators was 32.1%, and includes revenues generated by the subsidiaries, Acotel, Acotel do Brasil and Info2cell. The remaining portion regards services supplied to media companies (3.7%) and corporate customers (2.8%).

The geographical revenue breakdown confirms the importance of the US market for the Group: 54.7% of revenue was generated in North America (compared with 2.6% in 2005), whilst 22% was generated in Italy (48% in 2005), 9.4% in the Middle East, 8.1% in Latin America, 3.1% in Africa, 1.5% in other European countries and the remaining 1.2% in Asia.

Consolidated gross operating profit (EBITDA) of €4.7 million represents an increase of 607% on 2005. This reflects both the improved earnings performances of the above subsidiaries, and the ongoing rationalisation of the Group's businesses, which has led us to call a halt to certain overseas activities whose ability to generate earnings is viewed as too remote.



Consolidated operating profit (EBIT) amounts to approximately €3.9 million, marking a significant improvement with respect to the loss of €258 thousand reported for 2005.

After net finance costs of €354 thousand, reflecting the negative impact of closing exchange rates on the value of intercompany loans originally disbursed in dollars, profit before tax is €3.5 million, representing an increase of 298% on the €878 thousand of the previous year.

Net profit attributable to the Parent Company in 2006 amounts to approximately €1.3 million, which again marks a significant improvement on the loss of €561 thousand registered in 2005.

The positive performance of earnings is also reflected in an improvement in net funds at 31 December 2006, which amount to €25.4 million and represent an increase with respect to both 30 September and 30 June 2006.

Results for Q4 2006 (1 October - 31 December)

The Group also turned in extremely positive results for the fourth quarter of 2006, with consolidated revenue of €17.2 million (up 88% on the same quarter of 2005).

As already noted with regard to the full-year results, an analysis of revenues during the fourth quarter of 2006 by business segment shows strong growth in the services segment (up 120%) compared with the same period of 2005 and, above all, in B2C services. The value of revenues from VAS provided to network operators is substantially unchanged with respect to the last quarter of 2005.

Consolidated gross operating profit (EBITDA) of over €5.7 million is also significantly ahead (up 282%), reflecting both the improved performances of the Group's businesses and the rationalisation of its overseas organisation.

After amortisation and depreciation of 187 thousand, the Group's operating profit (EBIT) totals over €5.5 million, marking an increase of 336% on the same period of the previous year.

After net finance costs of €34 thousand and estimated taxation of €569 thousand, net profit for the fourth quarter of 2006 is €4.9 million, representing a highly significant 401% increase on the same period of 2005.

Outlook

During 2007 the Group will continue to implement its expansion strategy, which in the previous year enabled it to achieve significant results in terms of both turnover and earnings.

The commercial offering will be extended to include both communications and social networking services using IP (Internet Protocol). The new services will be offered under the Noverca brand



and will range from audio/video communications to the supply of multimedia content and state-of-the-art messaging functions.

Rome, Italy
13 February 2007



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

| | Q4 | | | | FY | | | |
|---------------------------------------|---------------|--------------|---------------------|-------------|---------------|---------------|---------------------|--------------|
| | 2006 | 2005 | Increase/(Decrease) | | 2006 | 2005 | Increase/(Decrease) | |
| Revenues | 17,171 | 9,141 | 8,030 | 88% | 63,216 | 27,926 | 35,290 | 126% |
| Other income | 62 | 4 | 58 | 1498% | 75 | 94 | (19) | -20% |
| Total revenue | 17,233 | 9,145 | 8,088 | 88% | 63,291 | 28,020 | 35,271 | 126% |
| Gross operating profit/(loss) | 5,733 | 1,499 | 4,234 | 282% | 4,703 | 665 | 4,038 | 607% |
| Operating profit/(loss) | 5,545 | 1,272 | 4,273 | 336% | 3,852 | (258) | 4,110 | 1593% |
| Net finance income/(costs) | (34) | 290 | (324) | -112% | (354) | 1,136 | (1,490) | -131% |
| PROFIT/(LOSS) BEFORE TAX | 5,511 | 1,562 | 3,949 | 253% | 3,498 | 878 | 2,620 | 298% |
| ATTRIBUTABLE TO PARENT COMPANY | 4,942 | 986 | 3,956 | 401% | 1,256 | (561) | 1,817 | 324% |
| Earnings per share | 1.26 | 0.25 | 1.01 | 401% | 0.32 | (0.14) | 0.46 | 324% |
| Diluted earnings per share | 1.26 | 0.25 | 1.01 | 401% | 0.32 | (0.14) | 0.46 | 324% |

Consolidated revenue by business segment

| (€000) | 2006 | | 2005 | |
|-------------------------|---------------|---------------|--------------|---------------|
| | Q4 | FY | Q4 | FY |
| SERVICES | 13,167 | 55,312 | 5,991 | 20,947 |
| DESIGN OF ICT EQUIPMENT | 3,125 | 6,201 | 2,832 | 5,640 |
| SECURITY SYSTEMS DESIGN | 879 | 1,703 | 318 | 1,339 |
| | 17,171 | 63,216 | 9,141 | 27,926 |

Breakdown of service revenues

| (€000) | Q4 | | | FY | | |
|---------------------------|---------------|--------------|-------------------------|---------------|---------------|-------------------------|
| | 2006 | 2005 | Increase/ (Decrease) | 2006 | 2005 | Increase/ (Decrease) |
| B2C services | 7,973 | 346 | 7,627 | 33,956 | 1,025 | 32,931 |
| Network Operator services | 4,597 | 4,620 | (23) | 17,730 | 16,116 | 1,614 |
| Media services | 466 | 353 | 113 | 2,058 | 1,051 | 1,007 |
| Corporate services | 131 | 531 | (400) | 1,568 | 2,614 | (1,046) |
| Software development | - | 141 | (141) | - | 141 | (141) |
| | 13,167 | 5,991 | 7,176 | 55,312 | 20,947 | 34,365 |

Consolidated revenue by geographical segment

| (€000) | 2006 | | | | 2005 | | | |
|--------------------------|---------------|-------------|---------------|-------------|--------------|-------------|---------------|-------------|
| | Q4 | % | FY | % | Q4 | % | FY | % |
| NORTH AMERICA | 8,731 | 50.8% | 34,516 | 54.7% | 248 | 2.7% | 715 | 2.6% |
| ITALY | 4,080 | 23.8% | 13,902 | 22.0% | 4,167 | 45.6% | 13,411 | 48.0% |
| MIDDLE EAST | 1,331 | 7.7% | 5,930 | 9.4% | 2,092 | 22.9% | 6,547 | 23.4% |
| LATIN AMERICA | 1,109 | 6.5% | 5,151 | 8.1% | 1,355 | 14.8% | 3,465 | 12.4% |
| AFRICA | 1,197 | 7.0% | 1,980 | 3.1% | 916 | 10.0% | 1,472 | 5.3% |
| OTHER EUROPEAN COUNTRIES | 554 | 3.2% | 959 | 1.5% | 386 | 4.2% | 1,863 | 6.7% |
| ASIA | 169 | 1.0% | 778 | 1.2% | (23) | -0.2% | 453 | 1.6% |
| | 17,171 | 100% | 63,216 | 100% | 9,141 | 100% | 27,926 | 100% |



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Analysis of consolidated net funds

(€000)

| | 31 Dec 2006 | 30 Sept 2006 | 30 June 2006 | 31 Dec 2005 |
|--|---------------|---------------|---------------|---------------|
| Current financial assets | 15,049 | 15,748 | 17,817 | 19,761 |
| Cash and cash equivalents | 10,620 | 6,228 | 5,775 | 11,395 |
| Current financial liabilities | (60) | (234) | (28) | (33) |
| Net cash and cash equivalents (A) | 25,609 | 21,742 | 23,564 | 31,123 |
| Medium/long-term borrowings | (163) | (193) | (193) | (193) |
| Medium/long-term debt (B) | (163) | (193) | (193) | (193) |
| Net funds (A)+(B) | 25,446 | 21,549 | 23,371 | 30,930 |