



PRESS RELEASE

ACOTEL GROUP: Board approves Annual Report for 2007

Consolidated results:

- Revenue approximately €70.3 million (up 11%)
- EBITDA approximately €2.8 million (€4.8 million in 2006)
- EBIT approximately €1.7 million (€3.9 million in 2006)
- Profit before tax €2 million (€3.5 million in 2006)
- Net loss €1.3 million (net profit of €1.2 million in 2006)

Revenue growth continues, thanks to subsidiaries operating in Ireland, Italy, the United States and Latin America.

Parent Company, Acotel Group SpA, reports significant improvement.

Today's meeting of the Board of Directors of Acotel Group SpA has approved the separate and consolidated financial statements for the year ended 31 December 2007, which will be submitted to the Annual General Meeting of shareholders (AGM) to be held on 24 April, in first call, and on 14 May, in second call.

Consolidated financial statements 2007

The Acotel Group reports total consolidated revenue of approximately €70.3 million for 2007, marking an improvement of 11% on the €63.2 million of the previous year. The figure is even more significant if the strong revenue growth already registered in 2006 (up 126% on 2005) is taken into account.

In terms of business segment, 85.3% of revenue was earned from the supply of services, 12.6% was generated by the design and sale of ICT equipment and the remaining 2.1% by the design of security systems.

In the **services segment**, around 59.2% of revenues (approximately €60 million) were generated by B2C services provided by the US subsidiary, Flycell Inc., in the USA, Brazil and Turkey. The remaining 36.8% of service revenues were generated by the provision of services to network operators by the subsidiaries, Acotel SpA (Italy), Acotel do Brasil (Latin America) and Info2Cell (Middle East). These companies have seen revenue growth of over 24.5% compared with 2006. The balance regards services supplied to corporate customers (2.3%) and media companies (1.8%).

Revenues from the **design of ICT equipment** amount to €8.9 million, which is up 42% on 2006, and are generated by the activities of the Irish subsidiary, Jinny Software. During 2007



this company saw further growth in customers and, at geographical level, substantially increased its commercial activities in Africa, Asia and Latin America, whilst continuing to operate in the Middle East, Europe and North America.

Revenues from the **design of electronic security systems** amount to €1.5 million (€1.7 million in 2006) and regard the activities of the Italian subsidiary, AEM SpA. They derive from the installation, servicing and maintenance of remote surveillance equipment installed at Italian police headquarters, at certain provincial branches of the Bank of Italy and for certain companies in the Acea Group.

The geographical revenue breakdown shows the Group's widespread presence internationally: North America (48.4%), Italy (22.3%), Latin America (11%), Middle East (8%), Africa (5.6%), Asia (2.8%) and other European countries (1.9%).

The Group reports consolidated gross operating profit (EBITDA) of approximately €2.8 million for 2007, marking a decrease on the €4.8 million of 2006. The reduction in EBITDA reflects the decision, taken partly in response to the current round of consolidation in the sector, to speed up expansion of the business and the Group's entry into new markets with its B2C services. This has resulted in a significant increase in the advertising costs incurred by the companies operating B2C services in the USA, Turkey and Latin America, above all during the last quarter of the year.

Amortisation and depreciation amount to €1.1 million (€813 thousand in 2006). This refers to amortisation of the software and licences utilised by the Group and depreciation of the telecommunications equipment and infrastructures used by Group companies.

As a result of the above items, consolidated operating profit (EBIT) amounts to approximately €1.7 million, compared with €3.9 million for 2006.

After net finance income of €293 thousand and taxation for the year, the Group reports a net loss of around €1.3 million, compared with a net profit of approximately €1.2 million for 2006.

Net funds at 31 December 2007 total €24.6 million, compared with the €25.6 million of 31 December 2006. The reduction largely reflects the cost of launching B2C services in Brazil and Turkey and IP communications services in Italy.

Parent Company's separate financial statements 2007

During 2007 Acotel Group SpA continued to focus on management of the Group's expansion, carrying out its role as a provider of strategic planning, administration, organisation and control. Given that the Company has almost total direct or indirect control of all its subsidiaries, achieving the Group's targets coincides with optimisation of the Company's own performance.



Acotel Group SpA reports revenue of approximately €7.5 million, marking an increase of 22% on the €6.1 million of the previous year.

Gross operating profit (EBITDA) is up 150% from the €1.4 million of 2006 to €3.5 million for 2007, due primarily to the above revenue growth.

After amortisation, depreciation and impairment charges on non-current assets, operating profit (EBIT) is approximately €3.3 million, marking a significant improvement on the €924 thousand of 2006.

After net finance income, Acotel Group SpA's profit before tax amounts to €4.8 million, representing a substantial increase (up 215%) on 2006. After taxation for the year, net profit for 2007 amounts to €2.9 million, compared with the €644 thousand of 2006.

At the upcoming AGM, the Board of Directors will propose to take net profit to distributable reserves as retained profit.

Subsequent events

In January Flycell Inc. signed an agreement with Island Def Jam (a leading US record company) for the creation of a "label" for mobile services and the joint supply of content such as ring tones, wallpapers, games and blog and messaging services (Island Def Jam will contribute content produced by its artists, whilst Flycell Inc. will take care of billing and distribution).

Following receipt of authorisation from the Saudi Investment Authority, during the first two months of 2008 the subsidiary, Info2cell, completed the incorporation of its joint venture with a local partner, through which it aims to supply services in Saudi Arabia using its Dubai-based technology platform.

The Brazilian subsidiary, Acotel do Brasil, has begun to provide mobile services linked to the well-known TV show, Big Brother, being aired between January and March 2008.

Finally, AEM and Telecom Italia have won the contract to supply a "contact centre" to the Acea Electrabel Group. Under the agreement, AEM will be responsible for the security of applications infrastructure and safeguarding access levels.

Outlook

In the B2C services segment the Group is committed to further expanding its geographical footprint and boosting customer loyalty.



In the B2B services segment the Group will to operate according to its existing business models, extending its offering with the introduction of services based on the location of customers and advertising.

The conditions precedent relating to the agreement entered into with the Intesa Sanpaolo Group on 28 December 2007 have yet to be met. The bank is to take a 4.75% stake in Acotel Group SpA, a 10% interest in the subsidiary, Noverca Srl, and a 34% stake in Noverca Italia Srl, which is in the process of being established.

Noverca Italia Srl, in which Noverca Srl will have a 66% interest, will operate in Italy as a mobile virtual network operator, offering added value IP services. The commercial launch of the services aimed at Intesa Sanpaolo customers is expected in the fourth quarter of 2008.

With regard to product sales, the high volume of orders is confirmation of good prospects for 2008. The subsidiary, Jinny Software, will continue to focus on maintaining the quality of its offering in line with market demand and on strengthening its distribution channels. The company plans to dedicate particular attention to the African market, where it already achieved significant results in 2007.

In the security systems segment, the subsidiary, AEM, will continue to operate in the Italian market, exploiting its prestigious customer portfolio and technological expertise in the video surveillance and access control fields.

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 information in this press release is consistent with the underlying accounting records.

Other Board resolutions

Today's Board meeting also decided to adopt the Organisational, Management and Control Model provided for by Legislative Decree 231/2001.

Note: the reclassified consolidated and separate income statements, balance sheets and cash flow statements are attached

Rome, Italy
28 March 2008



ACOTEL GROUP

Reclassified consolidated income statement
(€000)

	2007	2006	Increase/ (Decrease)	% Inc./ (Dec.)
Revenues	70,301	63,223	7,078	11%
Other income	2	75	(73)	(97%)
Total	70,303	63,298	7,005	11%
Gross operating profit/(loss)	2,806	4,752	(1,946)	(41%)
Operating profit/(loss)	1,680	3,902	(2,222)	(57%)
Net finance income/(costs)	293	(359)	652	182%
PROFIT/(LOSS) BEFORE TAX	1,973	3,543	(1,570)	(44%)
PROFIT/(LOSS) FOR THE YEAR BEFORE MINORITY INTERESTS	(1,278)	1,231	(2,509)	(204%)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY	(1,278)	1,231	(2,509)	(204%)
Earnings per share	(0.33)	0.31		
Diluted earnings per share	(0.33)	0.31		



ACOTEL GROUP

Reclassified consolidated balance sheet

(€000)

	31 Dec 2007	31 Dec 2006
Property, plant and equipment	3,221	2,976
Intangible assets	12,464	12,226
Financial assets	2	2
Other assets	273	530
TOTAL NON-CURRENT ASSETS	15,960	15,734
Inventories	642	478
Trade receivables	18,620	18,301
Other current assets	3,442	2,963
Trade payables	(9,526)	(7,660)
Other current liabilities	(4,020)	(4,334)
TOTAL NET CURRENT ASSETS	9,158	9,748
STAFF TERMINATION BENEFITS AND OTHER EMPLOYEE BENEFITS	(947)	(1,031)
NON-CURRENT PROVISIONS	(318)	(27)
NET INVESTED CAPITAL	23,853	24,424
Share capital	1,084	1,084
Reserves and retained profit/(accumulated losses)	48,469	47,526
Net profit/(loss) for the year	(1,278)	1,231
Minority interests	30	30
TOTAL SHAREHOLDERS' EQUITY	48,305	49,871
MEDIUM/LONG-TERM BORROWINGS	133	163
Net cash and cash equivalents:		
Current financial assets	(12,702)	(15,050)
Cash and cash equivalents	(12,178)	(10,620)
Current financial liabilities	295	60
	(24,585)	(25,610)
NET FUNDS	(24,452)	(25,447)
TOTAL SHAREHOLDERS' EQUITY AND NET FUNDS	23,853	24,424



ACOTEL GROUP
Consolidated cash flow statement
(€000)

	<u>2007</u>	<u>2006</u>
A. NET CASH AT BEGINNING OF THE YEAR	25,610	31,123
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	645	(2,873)
Cash flows from operating activities before changes in working capital	260	2,092
Net profit/(loss) for the year	(1,278)	1,231
Amortisation and depreciation	1,126	813
Impairment charges on assets	205	8
Net change in staff termination benefits	(84)	83
Net change in deferred tax liabilities	291	(43)
(Increase) / decrease in receivables	(1,003)	(7,161)
(Increase) / decrease in inventories	(164)	(179)
Increase/(decrease) in payables	1,552	2,375
C. CASH FLOW FROM (FOR) INVESTING ACTIVITIES	(1,352)	(2,420)
(Purchases)/disposals of non-current assets:		
- Intangible assets	(475)	(1,309)
- Property, plant and equipment	(1,134)	(947)
- Financial	257	(164)
D. CASH FLOW FROM (FOR) FINANCING ACTIVITIES	(318)	(220)
Increase/ (decrease) in medium/long-term borrowings	(30)	(30)
Other changes in shareholders' equity	(288)	(190)
E. CASH FLOW FOR THE YEAR (B+C+D)	(1,025)	(5,513)
F. NET CASH AT END OF THE YEAR (A+E)	24,585	25,610



ACOTEL GROUP SpA
Reclassified income statement
(€)

	<u>2007</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>	<u>% Inc./ (Dec.)</u>
Revenues	7,455,661	6,108,988	1,346,673	22%
Other income	1,073,036	445,320	627,716	141%
Total	8,528,697	6,554,308	1,974,389	30%
Gross operating profit/(loss)	3,505,523	1,401,525	2,103,998	150%
Operating profit/(loss)	3,347,637	923,535	2,424,102	262%
Net finance income/(costs)	1,472,040	605,202	866,838	143%
PROFIT/(LOSS) BEFORE TAX	4,819,677	1,528,737	3,290,940	215%
PROFIT/(LOSS) FOR THE YEAR	2,938,759	644,220	2,294,539	356%
Earnings per share	0.75	0.16		
Diluted earnings per share	0.75	0.16		



ACOTEL GROUP SpA
Reclassified balance sheet
(€)

	31 Dec 2007	31 Dec 2006
Property, plant and equipment	262,166	573,319
Intangible assets	29,532	1,452,375
Financial assets	50,211,308	41,190,171
Other assets	90,759	202,810
TOTAL NON-CURRENT ASSETS	50,593,765	43,418,675
Trade receivables	2,247,480	3,001,757
Other current assets	8,225,668	9,391,891
Trade payables	(589,764)	(740,210)
Other current liabilities	(11,523,616)	(11,788,460)
TOTAL NET CURRENT ASSETS	(1,640,232)	(135,022)
STAFF TERMINATION BENEFITS AND OTHER EMPLOYEE BENEFITS	(379,635)	(492,739)
NON-CURRENT PROVISIONS	(32,612)	(633,356)
NET INVESTED CAPITAL	48,541,286	42,157,558
Shareholders' equity:		
Share capital	1,084,200	1,084,200
Reserves and retained profit/(accumulated losses)	53,146,410	52,499,641
Net profit/(loss) for the year	2,938,759	644,220
TOTAL SHAREHOLDERS' EQUITY	57,169,369	54,228,061
MEDIUM/LONG-TERM BORROWINGS	-	-
Net cash and cash equivalents:		
Current financial assets	(5,902,792)	(8,023,328)
Cash and cash equivalents	(2,725,356)	(4,047,268)
Current financial liabilities	65	93
NET FUNDS	(8,628,083)	(12,070,503)
TOTAL SHAREHOLDERS' EQUITY AND NET FUNDS	48,541,286	42,157,558



ACOTEL GROUP SpA

Cash flow statement

(€)

	2007	2006
A. NET CASH AT BEGINNING OF THE YEAR	12,070,503	18,019,412
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	3,827,217	5,025,683
Cash flows from operating activities before changes in working capital	2,399,217	1,212,891
Net profit/(loss) for the year	2,938,759	644,220
Amortisation and depreciation	145,170	229,489
Net change in staff termination benefits	(83,968)	85,224
Net change in provisions	(600,744)	253,958
(Increase) / decrease in receivables	1,843,290	3,272,269
Increase / (decrease) in payables	(415,290)	540,523
C. CASH FLOW FROM (FOR) INVESTING ACTIVITIES	(7,272,186)	(10,604,596)
(Purchases)/disposals of non-current assets:		
- Intangible assets	(20,125)	(1,272,620)
- Property, plant and equipment	(142,975)	(430,269)
- Financial	(7,109,086)	(8,901,707)
D. CASH FLOW FROM (FOR) FINANCING ACTIVITIES	2,549	(369,996)
Other changes in shareholders' equity	2,549	(369,996)
- subsidiaries	-	(369,996)
- other	2,549	-
E. CASH FLOW FOR THE YEAR (B+C+D)	(3,442,420)	(5,948,909)
F. NET CASH AT END OF THE YEAR (A+E)	8,628,083	12,070,503