



PRESSE RELEASE

ACOTEL GROUP: Board approves report for H1 2010

- **Consolidated revenue €80 million (up 33% on H1 2009)**
- **Negative consolidated EBITDA €4.5 million (negative €169 thousand in H1 2009)**
- **Negative consolidated EBIT €6.3 million (negative €1.1 million in H1 2009)**
- **Net loss €6.6 million (net loss of €727 thousand in H1 2009)**

Net funds total €37.6 million.

Today's meeting of the Board of Directors of Acotel Group SpA has approved the Group's interim report for the six months ended 30 June 2010, which shows a continuation of the consolidated revenue growth seen over recent years. This trend is, however, not reflected in EBITDA, which has deteriorated largely due to the mobile telecommunications business (still in its initial start-up phase and thus obliged to incur significant costs that have yet to be covered by adequate revenues) and large scale investment in B2C services in order to expand the customer base.

The Group reports revenue of over €80 million, marking a significant increase of 33% on the €60.2 million of the first half of 2009. The improvement was primarily driven by the ongoing growth achieved by the US-based Flycell Inc. and its direct subsidiaries, which offer B2C services, by the performance of Info2cell, which mainly supplies B2B services in the Middle East, by Jinny Software, which provides mobile messaging solutions, and by Acotel do Brasil, which supplies B2B services for the Brazilian market.

A more detailed breakdown shows that 90.9% of revenue was earned from the supply of value added mobile services, 7.5% was generated by mobile messaging solutions and 1% by the security systems business. Mobile telecommunications services, which the Group markets under the Noverca brand, continued to make a limited contribution (0.6%) to total consolidated revenue.

Within the **services** segment (€72.7 million), the B2C services provided almost entirely by the US subsidiary, Flycell Inc., in the USA, Mexico, Spain, Brazil, Italy, Turkey, Argentina and South Africa continue to account for the lion's share of revenues with 79% of the total (€57.4 million).

Revenues from the provision of services to network operators (€7.8 million) include those generated by the provision of services to Telecom Italia by Acotel SpA, by Info2cell's activities in the Middle Eastern market, and by Acotel do Brasil in Brazil. Services provided to corporate customers (€6.9 million) recorded a positive performance (up 168% on the first half of 2009), thanks to an improved commercial offering.

In the **mobile messaging solutions** business, the subsidiary, Jinny Software, ended the first half on a particularly positive note, having doubled turnover, which is up from the €4.4 million of the first half of 2009 to €8.8 million for the period under review. This reflects extension of the company's offering and the contribution from a number of recently agreed commercial partnerships.

With regard to the third area of business, represented by **security systems**, the subsidiary, AEM, reports revenues of €0.8 million, slightly down on the €0.9 million of the same period of 2009. In response to the current downturn in the company's sector of operation, management



has decided to develop new product lines aimed at revitalising the commercial offering and entering other market segments.

The Group provides **mobile telecommunications** services through the subsidiary, Noverca Italia Srl, which operates as a mobile virtual network operator (MVNO), using Telecom Italia's network infrastructure. The company's revenues have not yet permitted it to reach breakeven and, with revenues still not sufficient to cover either costs linked to marketing of the brand and the services offered, this has had a negative impact on margins at Group level.

During the first half the company signed a specific contract with Telecom Italia, enabling it to operate as a Full MVNO. This change in its operating model means that Noverca can now have its own SIM cards and its own mobile operator code, and can reduce its dependence on Telecom Italia's network. In return for the investments required for conversion to Full MVNO status, the company will benefit from significant savings on direct costs, whilst at the same time boosting margins and increasing its ability to develop an independent commercial offering.

The geographical revenue breakdown shows that North America is the principal market (32.7% of total revenue), followed by Europe (27.4%), Latin America (26.2%) and the Middle East (10.7%). Africa accounts for 2.5% of total revenue, whilst Asia contributes 0.5%.

The gross operating loss (negative EBITDA) amounts to €4.5 million (a loss of €0.2 million in the first half of 2009). This result is significantly influenced by the geographical expansion of the B2C business, which required spending on communication and service promotions, and the investment needed to support the start-up of mobile telecommunications services.

After amortization and depreciation, the operating loss (negative EBIT) is approximately €6.3 million (a loss of €1.1 million in the same period of 2009).

After net finance income of €0.2 million, estimated taxation for the period of €0.4 million and profit attributable to non-controlling interests of €0.1 million, the loss for the first half of 2010 is €6.6 million, compared with a loss of approximately €727 thousand for the same period of 2009.

Net funds at 30 June 2010 total approximately €37.6 million, having decreased with respect to the end of 2009.

Events after 30 June 2010

In July all the Group's service companies developed and offered services linked to the World Cup in South Africa. July also saw Acotel SpA launch an iPhone application in Italy, enabling mobile users to consult their horoscopes in video, audio and text format.

In the mobile telecommunications segment, Noverca Italia Srl made a series of services and commercial offerings linked to the summer season available to customers. These included *Guida Turistica* ("Tourist Guide") produced in collaboration with the publisher, Touring Editore, and the *Estero Low Cost* ("International Low Cost") price plan for making cheap calls abroad from Italy.



Outlook

In the services business, and specifically with regard to the B2C services managed by Flycell, we expect margins to pick up strongly on the back of customer acquisitions during the first half. In the Network Operator sector we expect to see an improved performance following the launch of mobile marketing services in collaboration with TIM Brasil and the agreement with Asiacell in Iraq.

The services segment will also see Acotel SpA involved in the launch of a project devoted to the provision of services for the Public Sector, named "Vivi Facile", which has been widely reported in the press over recent months.

Jinny Software Ltd. is expected to achieve satisfactory results in the mobile messaging solutions segment during the second half of the year, a period in which mobile operators tend to concentrate decisions regarding new investments.

Noverca Italia Srl's priority in the mobile telecommunications segment will be to boost the number of customers through greater involvement of its partner, Intesa Sanpaolo, in marketing and commercial activities and via the opening-up of new distribution channels for both the consumer and business markets.

Availability of company documents

The interim report for the six months ended 30 June 2010 will be available to the public, within the deadline established by art. 154-ter of Legislative Decree 158/1998 (the Consolidated Finance Act), 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.

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.

Note: the reclassified income statement and statement of financial position, the statement of cash flows and the analysis of net funds included in the interim report for the six months ended 30 June 2010 are attached.

Rome, 5 August 2010

Further 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 (H1 2010)

(€000)

	H1 2010	H1 2009	% inc./(dec.)
Revenues	79,979	60,031	33%
Other income	177	141	26%
Total	80,156	60,172	33%
Gross operating profit/(loss)	(4,538)	(169)	(2,585%)
	-5.66%	-0.28%	
Operating profit/(loss)	(6,257)	(1,144)	(447%)
	-7.81%	-1.90%	
Net finance income/(costs)	179	499	(64%)
PROFIT/(LOSS) BEFORE TAX	(6,078)	(645)	(842%)
	-7.58%	-1.07%	
PROFIT/(LOSS) BEFORE NON- CONTROLLING INTERESTS	(6,497)	(703)	(824%)
	-8.11%	-1.17%	
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(6,603)	(727)	(808%)
	-8.24%	-1.21%	
Earnings per share	(1.61)	(0.18)	
Diluted earnings per share	(1.61)	(0.18)	



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Reclassified Consolidated statement of financial position

(€000)

	30 June 2010	31 December 2009	% inc./ (dec.)
Non-current assets:			
Property, plant and equipment	6,820	5,218	31%
Intangible assets	13,215	13,404	(1%)
Other assets	4,892	3,462	41%
TOTAL NON-CURRENT ASSETS	24,927	22,084	13%
Net current assets:			
Inventories	703	845	(17%)
Trade receivables	29,857	27,015	11%
Other current assets	5,134	4,482	15%
Trade payables	(22,454)	(17,585)	(28%)
Other current liabilities	(9,814)	(9,574)	(3%)
TOTAL NET CURRENT ASSETS	3,426	5,183	(34%)
STAFF TERMINATION AND AND OTHER EMPLOYEE BENEFITS	(1,504)	(1,389)	(8%)
NON-CURRENT PROVISIONS	(300)	(392)	23%
NET INVESTED CAPITAL	26,549	25,486	(4%)
Equity:			
Share capital	1,084	1,084	-
Reserves and retained earnings/(accumulated losses)	69,230	66,079	5%
Profit/(loss) for the period	(6,603)	1,311	(604%)
Non-controlling interests	414	308	34%
TOTAL EQUITY	64,125	68,782	(7%)
MEDIUM-/LONG TERM DEBT	69	69	-
Net cash and cash equivalents:			
Current financial assets	(27,658)	(27,843)	1%
Cash and cash equivalents	(14,104)	(19,045)	26%
Current financial liabilities	4,117	3,523	17%
	(37,645)	(43,365)	13%
NET FUNDS	(37,576)	(43,296)	13%
TOTAL EQUITY AND NET FUNDS	26,549	25,486	(4%)



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Consolidated statement of cash flows
(€000)

	H1 2010	H1 2009
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,365	38,564
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	(3,104)	4,530
Cash flows from operating activities before changes in working capital	(4,485)	427
Profit/(loss) for the period	(6,603)	(727)
Amortisation and depreciation	1,719	974
Impairment of assets	-	-
Net change in staff termination benefits	115	138
Net change in deferred tax liabilities	(92)	42
Net change in provisions	376	-
(Increase) / decrease in receivables	(3,494)	(6,312)
- <i>due from related parties</i>	(448)	(102)
- <i>other</i>	(3,046)	(6,210)
(Increase) / decrease in inventories	142	(49)
Increase / (decrease) in payables	4,733	10,464
- <i>due to related parties</i>	741	767
- <i>other</i>	3,992	9,697
C. CASH FLOW FROM (FOR) INVESTING ACTIVITIES	(4,562)	(4,304)
(Purchases)/disposals of fixed assets:		
- Intangible assets	(467)	(1,647)
- Property, plant and equipment	(2,665)	(1,387)
- Financial assets	(1,430)	(1,270)
D. CASH FLOW FROM (FOR) FINANCING ACTIVITIES	1,946	1,306
Other changes in equity	1,840	1,237
Change in non-controlling interests	106	69
E. CASH FLOW FOR PERIOD (B+C+D)	(5,720)	1,532
F. NET CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+E)	37,645	40,096



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**Analysis of consolidated net funds
(€000)**

	30 June 2010	31 December 2009	Increase/(Decrease)
A. Cash and cash equivalents	14,104	19,045	(4,941)
B. Assets held for trading	22,763	10,627	12,136
C. Liquidity (A + B)	36,867	29,672	7,195
D. Other current financial assets	4,895	17,216	(12,321)
E. Current bank borrowings	(4,084)	(3,491)	(593)
F. Current portion of non-current debt	(33)	(32)	(1)
G. Current financial liabilities (E + F)	(4,117)	(3,523)	(594)
H. Net current funds (C+D+G)	37,645	43,365	(5,720)
I. Non-current financial liabilities	(69)	(69)	-
L. Non-current debt (I)	(69)	(69)	-
M. Net funds (H + L)	37,576	43,296	(5,720)