INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

ACOTEL group

Registered office: Via della Valle dei Fontanili 29/37 – 00168 Rome, Italy
Share capital: 1,084,200.00 euros, fully paid-up
Rome Companies' Register,
Tax Code and VAT number: 06075181005

CORPORATE OFFICERS

BOARD OF DIRECTORS

Claudio Carnevale
Chairman and CEO

Francesco Ago (1), (2), (3)
Director

Margherita Argenziano
Director

Luca De Rita
Director

Giovanni Galoppi (1), (2)
Director

Giuseppe Guizzi (1), (2)
Director

Andrea Morante
Director

(1) Member of the Remuneration Committee
(2) Member of the Internal Audit Committee
(3) Lead Independent Director

BOARD OF STATUTORY AUDITORS

Antonio Mastrangelo
Chairman

Maurizio Salimei
Statutory auditor

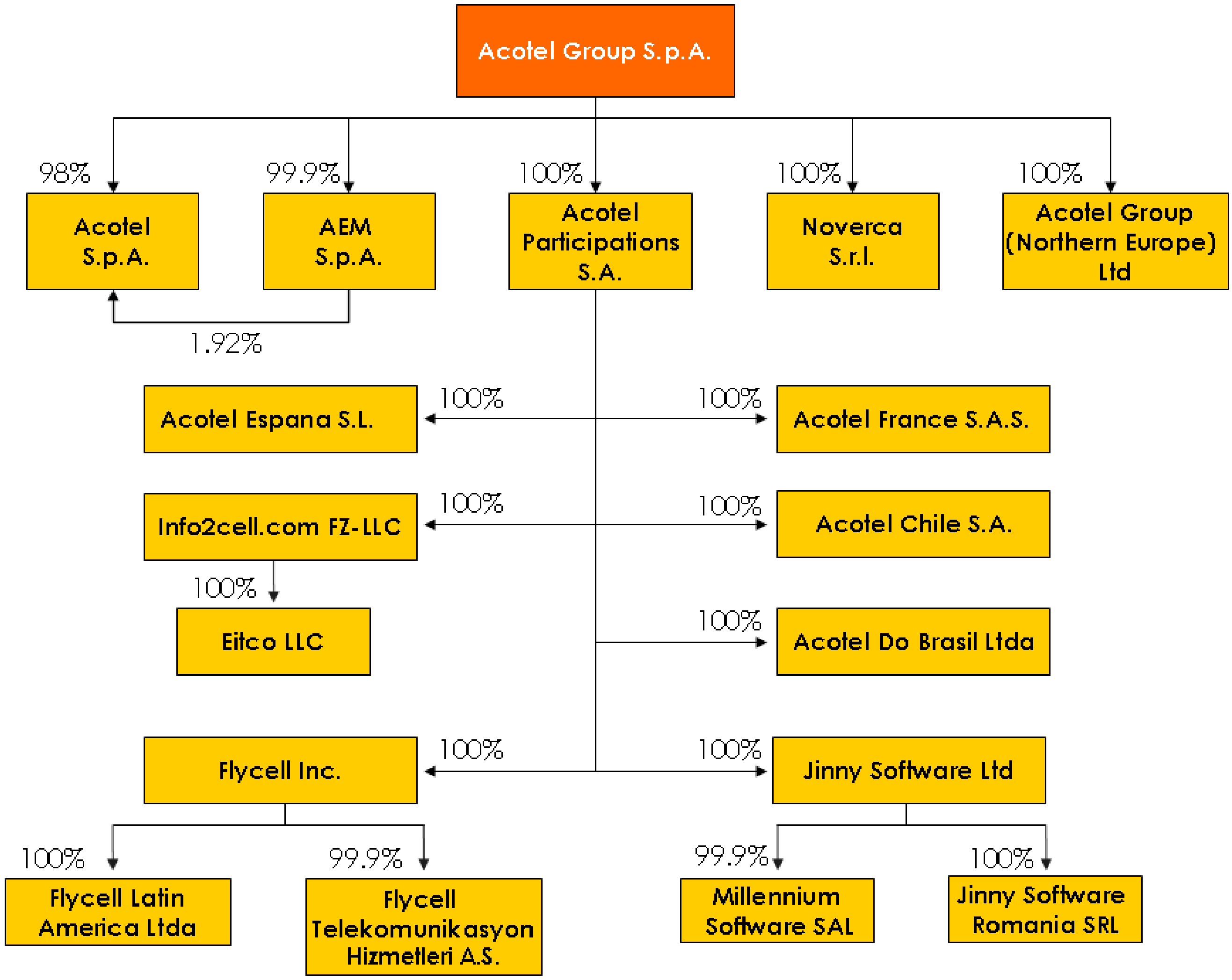
Umberto Previti Flesca
Statutory auditor

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

THE GROUP

The following chart shows the structure of the Acotel Group at 30 June 2007:



The parent company of Acotel Group S.p.A. is Clama S.r.l., which at 30 June 2007 holds 1,727,915 ordinary shares, representing 41.4% of the share capital.
Clama S.r.l. does not carry out management and coordination activities pursuant to art. 2497 of the Italian Civil Code.

DIRECTORS' OPERATING AND FINANCIAL REVIEW

MAIN FACTORS THAT HAVE INFLUENCED THE RESULTS FOR THE PERIOD

The main results achieved by the Acotel Group in the first half of 2007 consist of:

- strong revenue growth, up 22% on the previous year, rising from 27.2 million euros in the first half of 2006 to 33.2 million euros;
- a substantial improvement in all profit margins. Gross operating profit (EBITDA) has improved 174% to 1.4 million euros, compared with the loss of 1.9 million euros for the first half of 2006. The net loss has been reduced by 95% to 193 thousand euros, compared with a figure of 4 million euros for the first half of 2006.

A full analysis of the interim results is provided in the reclassified income statement below.

In terms of business segment, value added services (VAS) for mobile operators saw revenues rise from 24.8 million euros in the first half of 2006 to 28.7 million euros in the first half of 2007, marking an increase of 16.1% and accounting for 86.5% of total Group revenues. The Business Products segment (the design and sale of ICT equipment) revenues are up from the 1.9 million euros of the first half of 2006 to 3.9 million euros in the period under review, recording an increase of 110.6% and accounting for 11.7% of total revenues, compared with the 6.8% of the same period of 2006. Finally, the Security segment (security systems design) has seen revenues rise from the 547 thousand euros of the first half of 2006 to 593 thousand euros in the first six months of 2007, accounting for 1.8% of total Group revenues.

From a geographical point of view, 53.2% of turnover was generated in the USA, marking a slight increase with respect to the 50.4% of the first half of 2006, and confirming this as the Group's principal market. In terms of the other geographical segments, revenues in Africa are up from 1.3% of total turnover in the first half of 2006 to 5.6%, whilst over the same period the Middle East has witnessed a decline from 12.2% to 7.6%. Revenues generated in Italy and Latin America during the first half of 2007 account for 22.9% and 8% of total revenue, respectively, remaining more or less in line with the same period of 2006.

The main events that took place in the first half of 2007 in the three business segments in which the Group operates are described below.

SERVICES

Of the four areas of the "Services" market in which the Group operates, the largest contribution to turnover again came from the B2C or "Business to Consumer" services, which see the Group sell its multimedia content directly to end customers. These services generated 17.6 million euros of the total turnover of 28.7 million euros reported by this business segment, accounting for 61.1% of the total. The next largest contribution in revenue terms was provided by the sale of services to "Network Operators", which generated turnover of 10 million euros, equal to 34.7% of total revenues from Services. The other two areas of the market, media services and other corporate services, contributed 773 thousand euros (2.7% of the total) and 431 thousand euros (1.5%), respectively.

The US subsidiary, *Flycell Inc.*, which operates out of New York providing B2C services, generated revenues of 17.4 million euros during the first half, marking an improvement of 27.9% on the first half of 2006. This company continues to produce the highest turnover in this business segment.

The results for 2007 also take account of activities in the Turkish market where *Flycell Telekomünicasyon Hizmetleri A.Ş.* operates. This company was sold by *Acotel Group S.p.A.* to *Flycell Inc.* in May 2007 as part of the rationalisation process that has seen the US subsidiary given responsibility for B2C services worldwide.

The business model adopted by *Flycell Inc.* since its commercial launch on the North American market, which took place in late 2005, continues to focus on the sale of subscription-based services. This quality of the services offered under this model has been continually refined and improved in order to boost customer acquisitions, driving so-called redemptions, and build customer loyalty, thus reducing the churn rate. Thanks to these initiatives, and in an increasingly competitive market environment, the company has earned a reputation for providing high quality services that meet the very strictest consumer protection laws.

Flycell Inc. exclusively uses the web in order to acquire new customers, as this channel has proved to be far more effective than other channels for promoting this kind of service. The company now manages websites aimed at the US market (www.flycell.com), Canada (www.flycell.ca), Brazil (www.flycell.br) and Turkey (www.flycell.com.tr). The sites' graphics and content are continually renewed to enhance its attractiveness to customers. A total of 9 million euros was invested in promotional activities during the first half of 2007. This money was paid to web portals that promote Flycell's sites and are paid on the basis of the number of subscriptions generated.

Customer loyalty initiatives focus mainly on improving the quality of the content provided, offering, for example, an increasingly wide range of new content, and on the transparency of the services supplied, above all by giving the customer clear information about prices and the terms and conditions of the related contracts.

The second contribution to the Services business segment was made by *Acotel S.p.A.*, the subsidiary that operates in the Italian market, which reports turnover of approximately 7 million euros for the first half of 2007, marking an increase of 19.5% on the same period of 2006. As in the past, the company generated most of its revenues from the sale of services to Network Operators, above all those from those provided under the long-term contract with *Telecom Italia.* In this regard, in addition to the positive results achieved by the services launched in previous years, such as ScripTIM which now boasts a significant pool of loyal customers, excellent results have also been obtained with new subscription services offering ringtone downloads and by the IGameStore platform. This platform, which was developed and is operated entirely by *Acotel S.p.A.* in ASP ("Application Service Provisioning") format, handles all the games offered over *Telecom Italia* mobiles, chalking up a total of over 600,000 downloads in the first half of 2007.

Acotel S.p.A. also continues to operate in the Media segment, working primarily with the television company, *RAI,* and with corporate customers, building on its existing relationship with *Unicredit Banca* regarding the distribution of SMS text information.

During the period the Brazilian subsidiary, *Acotel do Brasil*, which provides services to Network Operators, earned revenues of 2.1 million euros, down 15% on the 2.5 million euros of the same period of 2006. The reduction is partly explained by the large volume of traffic generated during the first half of 2006 as a result of the football World Cup. One of the new services launched during the first six months of 2007 was a video download service, which has proved an enormous success (approximately 300,000 downloads a month).

The subsidiary, *Info2cell*, which operates in the Middle East, generated revenues of 2.0 million euros, down 17% on the 2.4 million euros of the same period of 2006. The decrease is explained by the fact that the figure for the first half of 2006 reflected income from the mobile marketing campaign carried out on behalf of Pepsi Cola, which has not been repeated in 2007.

Serving almost all operators in the Gulf area, *Info2cell* has built an unparalleled presence in the market for services to Network Operators. During the first half this strategic position was further strengthened with the signature of new agreements such as, for example, the contract with *Batelco Bahrain* for the distribution of the entire catalogue of SMS, MMS and multimedia content via the operator's portal, or the agreement with *Jawwal Palestine* regarding the sale of Ring Back Tones, and the one with *Du,* the number two operator in the United Arab Emirates, for the sale of services linked to the Cricket World Cup. The company also entered into an interconnection agreement with *Asia Cell Iraq*. In the Media segment, *Info2cell* grew its sales of interactive services via TV and mobile "SMS2TV". This area of business saw the company enter into agreements with the broadcasters, *Al Majd*, *Jawaher TV* and *Recruitment TV*.

PRODUCTS

With regard to the design and sale of ICT equipment, carried out exclusively by *Jinny Software,* the Irish subsidiary enjoyed its best ever first half in revenue terms, generating turnover of 3.9 million euros, up 110.6% on the 1.9 million euros of the same period of 2006.

This result was achieved thanks to the competitive range of messaging platforms put together by the company over the last two years.

In addition to the excellent volume of turnover, the company also saw its order book increase during the first half. This includes its first order from the US, an extremely competitive market and thus important in terms of building a reputation, and an order from a major African operator (a so-called Tier 1 Operator) for the supply of a messaging platform.

In commercial terms, the first half confirmed the validity of the company's decision to develop two sales channels, one direct and one indirect. The indirect channel, set up via alliances with channel partners who add *Jinny*'s products to their ranges, generated 60% of turnover for the period.

The majority of revenues derive from the sale of core messaging platforms, or rather SMSC and MMSC, although more recent products, such as the real-time charging gateway and the Ringback Tone Server, have also proved a success.

SECURITY SYSTEMS

The Italian subsidiary, *AEM S.p.A.*, which operates in this business segment, generated revenues of 593 thousand euros in the first half of 2007, up 8.4% on the 547 thousand euros of the same period of 2006.

The company intensified its commercial initiatives, renewing its contract with *Telecom Italia* for the maintenance of the customer's Teleallarme systems, and its development of new products, with a view to extending its market offering.

Installation of the new video-surveillance system for the *ACEA* Group in Rome began during the first half. This involved the design and construction of two new control panels to decode the protocols used by the old equipment, some of which has remained in service, and make it compatible with the new system. Thanks to its expertise in this area, *AEM* has established a privileged relationship with the *ACEA* Group, which has resulted in the company being the lead supplier of security and remote control systems.

RESULTS OF OPERATIONS

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€000)	H1 2007	H1 2006	Increase/ (Decrease)	% inc./(dec.)
Revenues	33,246	27,163	6,083	22%
Other income	10	13	(3)	(23%)
Total revenue	**33,256**	**27,176**	**6,080**	**22%**
Gross operating profit/(loss)	**1,438**	**(1,946)**	**3,384**	**174%**
	4.32%	*-7.16%*		
Operating profit/(loss)	**1,019**	**(2,368)**	**3,387**	**143%**
	3.06%	*-8.71%*		
Net finance income/(costs)	221	(590)	811	137%
PROFIT/(LOSS) BEFORE TAX	**1,240**	**(2,958)**	**4,198**	**142%**
	3.73%	*-10.88%*		
NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS	**(193)**	**(3,999)**	**3,806**	**95%**
	-0.58%	*-14.72%*		
NET PROFIT/(LOSS) ATTRIBUTABLE TO PARENT COMPANY	**(193)**	**(3,999)**	**3,806**	**95%**
	-0.58%	*-14.72%*		
Earnings per share	(0.05)	(1.02)		
Diluted earnings per share	(0.05)	(1.02)		

Compared with the first half of 2006, the Acotel Group reported an upturn in revenues (up 22%) and robust improvement across all profit margins in the first half of 2007.

The increase in revenues, amounting to 33.2 million euros in the first half of 2007, derives primarily from the commercial activities carried out by the subsidiaries *Flycell Inc., Jinny Software* and *Acotel Sp.A.* which showed an improvement in turnover, compared to the corresponding period in 2006, amounting to 3.9 million euros (up 28%), 2 million euros (up 109%) and 1.1 million euros (up 20%) respectively.

Gross operating profit (EBITDA) for the first half, totalling 1,438 thousand euros, is a substantial improvement on the loss of 1,946 thousand euros recorded in the same period of 2006. This was primarily due to better performances from *Acotel Group S.p.A.* and certain subsidiaries, above all *Flycell Inc., Jinny Software* and *Acotel S.p.A.*, and to the process of rationalisation that took place within the Group during 2006, which involved a halt to certain overseas activities whose ability to generate earnings was viewed as too remote.

After amortisation and depreciation of 419 thousand euros, the Group's operating profit totals 1,019 thousand euros, compared with a loss of 2,368 thousand euros for the same period of 2006.

After net finance income of 221 thousand euros and estimated taxation for the period, amounting to 1,433 thousand euros, the net loss for the first half of 2007 amounts to 193 thousand euros, compared with a loss of 3,999 thousand euros for the same period of 2006.

FINANCIAL POSITION AND CASH FLOW

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€000)	30 June 2007	31 December 2006	Increase/ (Decrease)	% inc./(dec.)
Non-current assets:				
Property, plant and equipment	3,232	2,976	256	9%
Intangible assets	12,216	12,226	(10)	-
Financial assets	2	2	-	-
Other assets	308	530	(222)	(42%)
TOTAL NON-CURRENT ASSETS	**15,758**	**15,734**	**24**	**-**
Net current assets:				
Inventories	287	478	(191)	(40%)
Trade receivables	17,743	18,301	(558)	(3%)
Other current assets	3,466	2,963	503	17%
Trade payables	(7,844)	(7,660)	(184)	(2%)
Other current liabilities	(4,160)	(4,334)	174	4%
TOTAL NET CURRENT ASSETS	**9,492**	**9,748**	**(256)**	**(3%)**
STAFF TERMINATION BENEFITS AND OTHER EMPLOYEE BENEFITS	**(932)**	**(1,031)**	**99**	**10%**
NON-CURRENT PROVISIONS	**(177)**	**(27)**	**(150)**	**(556%)**
NET INVESTED CAPITAL	**24,141**	**24,424**	**(283)**	**(1%)**
Shareholders' equity:				
Share capital	1,084	1,084	-	-
Retained profit/(accumulated losses)	49,009	47,526	1,483	3%
Net profit/(loss) for the period	(193)	1,231	(1,424)	(116%)
Minority interests	30	30	-	-
TOTAL SHAREHOLDERS' EQUITY	**49,930**	**49,871**	**59**	**-**
MEDIUM-/LONG-TERM BORROWINGS	**163**	**163**	**-**	**-**
Net cash and cash equivalents:				
Current financial assets	(15,622)	(15,050)	(572)	(4%)
Cash and cash equivalents	(10,435)	(10,620)	185	2%
Current financial liabilities	105	60	45	75%
	(25,952)	**(25,610)**	**(342)**	(1%)
NET FUNDS	**(25,789)**	**(25,447)**	**(342)**	**(1%)**
TOTAL SHAREHOLDERS' EQUITY AND NET FUNDS	**24,141**	**24,424**	**(283)**	**(1%)**

The Group's net invested capital at 30 June 2007 stands at 24,141 thousand euros, made up of non-current assets of 15,758 thousand euros, net current assets of 9,492 thousand euros, staff termination benefits of 932 thousand euros and other non-current provisions of 177 thousand euros.

Net invested capital is financed by shareholders' equity of 49,930 thousand euros and net funds of 25,789 thousand euros.

A detailed analysis of changes in the principal balance sheet items shows that:

- non-current assets are in line with the figure for the end of the previous year;
- net current assets do not show major changes;
- net funds at 30 June 2007 amount to 25,789 thousand euros, marking an increase of 342 thousand euros compared with 31 December 2006. This is primarily due the Group's operating cash flow.

Reconciliation with the Parent Company's financial statements

The reconciliation between the net result and shareholders' equity of *Acotel Group S.p.A.* and the corresponding consolidated items is as follows:

(€000)	Result for the period	Shareholders' equity at 30 June 2007
	profit / (loss)	positive/(negative)
Shareholders' equity and result for the financial year as reported in the financial statements of the Parent Company	**1,260**	**55,491**
Effect of consolidation of the Group companies	(1,453)	(601)
Consolidation reserve	-	909
Cash flow hedge and currency translation reserve	-	(27)
Amortisation and impairment of goodwill arising from consolidation	-	(5,872)
Group share of shareholders' equity and net result for the year	**(193)**	**49,900**
Minority interests	-	30
Shareholders' equity and net result for the year in consolidated financial statements	**(193)**	**49,930**

FINANCIAL RISK MANAGEMENT

Credit risk

56.1% of total trade receivables relates to amounts due from the mobile transaction network provider, *mBlox* (28.6%), which supplies *Flycell Inc.* with operator connectivity in the US, and *Telecom Italia* (27.5%). All such receivables had been collected by the date of preparation of this report.
There are no significant disputes with customers regarding the payment of receivables.

Liquidity risk

The Group does not resort to external sources of funds, as it is able to meet its cash requirements from operating cash flow.

The cash flows, borrowing requirements and liquidity of Group companies are monitored and managed centrally under the Parent Company's control, with the aim of ensuring effective and efficient management of the Group's financial resources.

Foreign exchange risk

The Group is not exposed to any significant extent to foreign exchange risk, which is, however, limited to the conversion of the financial statements of certain foreign subsidiaries, as, with the exception of Jinny Software Ltd., foreign operating companies report substantial convergence between the currencies used for receivables and payables.

Interest rate risk

As the Group does not rely on external sources of funds, it is not exposed to interest rate risk.

SHAREHOLDINGS OF MANAGEMENT AND SUPERVISORY BODIES, GENERAL MANAGERS AND KEY MANAGERS (art. 79, CONSOB Regulation no. 11971/99)

NAME	GROUP COMPANY	NO. OF SHARES HELD AT 1 JAN 2007	NO. OF SHARES PURCHASED	NO. OF SHARES SOLD	NO. OF SHARES HELD AT 30 JUNE 2007	PERCENTAGE INTEREST AT 30 JUNE 2007
Claudio Carnevale (a)	Acotel Group S.p.A.	664,980	-	-	664,980	15.95%
Andrea Morante	Acotel Group S.p.A.	99,827	-	63,540	36,287	0.87%
Claudio Carnevale	Acotel S.p.A.	20,000	-	-	20,000	0.48%
Claudio Carnevale	AEM S.p.A.	2,366	-	-	2,366	0.06%

(a) Ownership is exercised via Clama S.A. of which Claudio Carnevale owns 99.9% of the share capital.

Claudio Carnevale and Margherita Argenziano each hold 25% of the share capital of *Clama S.r.l.*, which in turn holds 1,727,915 shares of *Acotel Group S.p.A.* at 30 June 2007.
No transactions took place between Clama S.r.l. and Acotel Group S.p.A. and other Group companies during the period.

At 30 June 2007 *Acotel Group S.p.A.* does not possess shares or units of holding companies, either directly or through fiduciary companies or proxies, nor has it acquired or sold shares during the financial year.

Other Group companies do not possess *Acotel Group S.p.A.* shares, either directly or through fiduciary companies or proxies, nor have they acquired or sold shares during the financial year.

CONTINUITY WITH DATA PUBLISHED IN THE SECOND QUARTER OF 2007

In order to guarantee the continuity of published accounting data, in compliance with the provisions of Annex 3D to the Regulations for Issuers introduced by CONSOB Resolution no. 11971 of 14 May 1999, the differences reported with respect to fourth-quarter data are shown in the table below. Such differences are not significant.

Results for H1 2007	**Q2**	**H1**	**Difference**
Revenues	33,299	33,246	(53)
Gross operating profit	1,503	1,438	(65)
Operating profit	1,084	1,019	(65)
Net loss attributable to the Parent Company	(137)	(193)	(56)

SUBSEQUENT EVENTS

On 20 July 2007 Acotel Group S.p.A. signed a memorandum of understanding with the Merchant Banking arm of Intesa Sanpaolo that will result in the bank becoming one of the Company's core shareholders.
The transaction will take place via Intesa Sanpaolo's purchase of 198,075 shares (equal to 4.75% of the share capital), previously held by Acotel Group S.p.A. in the form of treasury shares (and accounted for in shareholders' equity), at a price of 62 euros per share, in line with the average price of Acotel's shares over the three-month period May-July. The bank will pay a total price of over 12 million euros.

Moreover, under the agreement Intesa Sanpaolo will also subscribe two capital increases reserved to the bank so as to acquire 10% of Noverca S.r.l. (whose name is to be changed to Noverca Holding), currently a wholly owned subsidiary of Acotel Group S.p.A. and 34% of Noverca Italia, which is in the process of being established. Acotel Group will continue to control Noverca Italia via Noverca Holding, which will hold the remaining 66% of the shares.

Noverca, which as part of the agreement will be offered on an exclusive basis to Intesa Sanpaolo's Italian banking customers, is an Internet Protocol-based telecom solution offering end customers an integrated solution designed to meet both basic needs, such as interpersonal communications and multimedia content, and specific requirements regarding security, remote control systems and electronic money.

In order to implement the above arrangements, Intesa Sanpaolo and Acotel Group S.p.A. have set up a joint working group to assess the technical feasibility of the agreement, which is expected to close on 15 November 2007 and, in any event, no later than 31 December 2007.

OUTLOOK

In 2007 the Group will continue to implement its previously announced expansion strategy, which in 2006 enabled it to achieve significant results in terms of both turnover and earnings.

The commercial offering will be extended to include both IP communications services offered under the Noverca brand. The new services will range from audio/video communications, conference calling, instant messaging and file transfer to state-of-the-art virtual PBX services.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€000)	Note	H1 2007	H1 2006
Revenues	1	33,246	27,163
Other income		10	13
Total revenue		**33,256**	**27,176**
Movement in work in progress, semi-finished and finished goods		(1)	2
Raw materials	2	(639)	(595)
External services	3	(22,075)	(21,146)
Rentals and leases	4	(788)	(718)
Staff costs	5	(7,423)	(6,064)
Amortisation and depreciation	6	(419)	(421)
Internal capitalised costs	7	87	-
Impairment charges/reversal of impairment charges on non-current assets		-	(1)
Other costs	8	(979)	(601)
Finance income	9	547	425
Finance costs	9	(326)	(1,015)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**1,240**	**(2,958)**
Taxation	10	(1,433)	(1,041)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(193)**	**(3,999)**
Net profit/(loss) from discontinued operations		-	-
NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**(193)**	**(3,999)**
Net profit/(loss) attributable to minority interests		-	-
NET PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY		**(193)**	**(3,999)**
Earnings per share	11	(0.05)	(1.02)
Diluted earnings per share	11	(0.05)	(1.02)

CONSOLIDATED BALANCE SHEET
ASSETS

(€000)	Note	30 June 2007	31 December 2006
Non-current assets:			
Property, plant and equipment	12	3,232	2,976
Goodwill arising from consolidation	13	11,531	11,531
Other intangible assets	14	685	695
Non-current financial assets		2	2
Other non-current assets		52	53
Deferred tax assets	15	256	477
TOTAL NON-CURRENT ASSETS		**15,758**	**15,734**
Current assets:			
Inventories	16	287	478
Trade receivables	17	17,743	18,301
Other current assets	18	3,466	2,963
Current financial assets	19	15,622	15,050
Cash and cash equivalents	20	10,435	10,620
TOTAL CURRENT ASSETS		**47,553**	**47,412**
NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**
TOTAL ASSETS		**63,311**	**63,146**

CONSOLIDATED BALANCE SHEET
LIABIITIES AND SHAREHOLDERS' EQUITY

(€000)	Note	30 June 2007	31 December 2006
Shareholders' equity:			
Share capital		1,084	1,084
Share premium reserve		55,106	55,106
- Treasury shares		(3,873)	(3,873)
- Cost of capital increase		(59)	(59)
Cash flow hedge and currency translation reserve		(27)	(279)
Other reserves		388	357
Retained profit/(accumulated losses)		(2,526)	(3,726)
Net profit/(loss) for the year		(193)	1,231
Shareholders' equity attributable to the Parent Company		**49,900**	**49,841**
Minority interests		30	30
TOTAL SHAREHOLDERS' EQUITY	21	**49,930**	**49,871**
Non-current liabilities:			
Non-current financial liabilities	22	163	163
Staff termination benefits and other employee benefits	23	932	1,031
Deferred tax liabilities		177	27
TOTAL NON-CURRENT LIABILITIES		**1,272**	**1,221**
Current liabilities:			
Current financial liabilities	24	105	60
Trade payables	25	7,844	7,660
Tax liabilities	26	1,277	1,570
Other current liabilities	27	2,883	2,764
TOTAL CURRENT LIABILITIES		**12,109**	**12,054**
NON-CURRENT LIABILITIES HELD FOR SALE		**-**	**-**
TOTAL LIABILITIES		**13,381**	**13,275**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**63,311**	**63,146**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€000)	Share capital	Share premium reserve	- Treasury shares	- Cost of capital increases	Cash flow hedge and currency translation reserve	Other reserves	Reserves and retained profit	Net profit for the period	TOTAL
Balances at 1 Jan 2006	**1,084**	**55,106**	**(3,873)**	**(59)**	**(89)**	**335**	**(3,143)**	**(561)**	**48,800**
Appropriation of net profit for 2005						22	(583)	561	**-**
Other movements					271				**271**
Net result for the period								(3,999)	**(3,999)**
Balances at 30 June 2006	**1,084**	**55,106**	**(3,873)**	**(59)**	**182**	**357**	**(3,726)**	**(3,999)**	**45,072**
Balances at 1 Jan 2007	**1,084**	**55,106**	**(3,873)**	**(59)**	**(279)**	**357**	**(3,726)**	**1,231**	**49,841**
Appropriation of net profit for 2006						31	1,200	(1,231)	**-**
Other movements					252				**252**
Net result for the period								(193)	**(193)**
Balances at 30 June 2007	**1,084**	**55,106**	**(3,873)**	**(59)**	**(27)**	**388**	**(2,526)**	**(193)**	**49,900**

The share of shareholders' equity attributable to minority interests at 30 June 2007 amounts to 30 thousand euros and has not changed over the last three years.

CONSOLIDATED CASH FLOW STATEMENT

(€000)	H1 2007	H1 2006
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**25,610**	**31,123**
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	**533**	**(7,086)**
Cash flows from operating activities before changes in working capital	**309**	**(3,436)**
Net profit/(loss) for the period	(193)	(3,999)
Amortisation and depreciation	419	421
Impairment of assets	32	-
Net change in staff termination benefits	(99)	33
Net change in provisions	150	109
(Increase) / decrease in receivables	23	(6,029)
(Increase) / decrease in inventories	191	92
Increase / (decrease) in payables	10	2,287
C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES	**(443)**	**(744)**
(Purchases)/disposals of fixed assets:		
- Intangible assets	(93)	(91)
- Property, plant and equipment	(572)	(484)
- Financial assets	222	(169)
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES	**252**	**271**
Other changes in shareholders' equity	252	271
E. CASH FLOW FOR THE PERIOD (B+C+D)	**342**	**(7,559)**
F. NET CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+E)	**25,952**	**23,564**

NOTES TO THE
INTERIM FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The Acotel Group's interim financial statements for the six months ended 30 June 2007 have been prepared in compliance with the requirements of art. 81 of the Regulations for Issuers introduced by CONSOB Resolution no. 11971/1999 and subsequent amendments and additions. The Group has adopted the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. IFRS also includes all the revised International Accounting Standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which was previously called the Standing Interpretations Committee (SIC).

In particular, these financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting, which establishes the basis for the preparation of interim financial statements. The financial statements have been prepared in condensed form, applying the option provided for by IAS 34. They do not, therefore, include all the information required for annual IFRS financial statements.

The accounting standards applied are consistent with those adopted for preparation of the Acotel Group's consolidated financial statements for the year ended 31 December 2006, to which reference should be made. These interim financial statements have been prepared on the basis of the accounting standards in force at the date of preparation. These standards may not coincide with the IFRS in force at 31 December 2007 as a result of future changes introduced by the European Commission during the process of endorsing international accounting standards or due to the issue of new standards or interpretations by the IASB or IFRIC.

In order to facilitate a comparison of the amounts for "Property, plant and equipment" and "Other intangible assets" at 30 June 2007 with prior year amounts, it should be noted that in these interim financial statements the internal and external development costs incurred during creation of the software used in the *Noverca* platform, totalling 1,397 thousand euros and classified in "Other intangible assets in process" in the previous year, have been reclassified to "Property, plant and equipment under construction" at 31 December 2006.

The consolidated financial statements for the six months ended 30 June 2007 have been prepared on the basis of the underlying accounting records at that date, as adjusted in accordance with the matching principle.

NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

This section shows a list of standards, interpretations and updates to previously published standards, whose application will be obligatory in future periods and whose adoption it was decided not to bring forward:

- IFRS 8 – Operating Segments;
- IFRIC 10 – Interim Financial Reporting and Impairment;
- IFRIC 11 – Group and Treasury Share Transactions;
- IFRIC 12 – Service Concession Arrangements;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 14 on IAS 19 – The Limit on a Defined benefit Asset and Minimum Funding;
- IAS 23 – Borrowing Costs.

The Group is evaluating the eventual impact that these changes may have on the consolidated financial statements.

BASIS OF CONSOLIDATION

The following table provides summary information on consolidated companies held, directly or indirectly, by *Acotel Group S.p.A.,* the Parent Company.

Company	Date of acquisition	Group's interest (%)	Registered office	Share capital	
Acotel S.p.A.	28 April 2000	99.9% (4)	Rome	EURO	13,000,000
AEM Advanced Electronic Microsystems S.p.A.	28 April 2000	99.9%	Rome	EURO	858,000
Acotel Participations S.A.	28 April 2000	100%	Luxembourg	EURO	1,200,000
Acotel Chile S.A.	28 April 2000	100% (5)	Santiago, Chile	USD	17,500
Acotel Espana S.L.	28 April 2000	100% (5)	Madrid	EURO	3,006
Acotel Do Brasil LTDA	8 August 2000 (1)	100% (5)	Rio de Janeiro	BRL	1,868,250
Acotel France S.A.S.	22 October 2002 (1)	100% (5)	Paris	EURO	56,000
Jinny Software Ltd.	9 April 2001	100% (5)	Dublin	EURO	2,972
Millennium Software SAL	9 April 2001	99.9% (6)	Beirut	LBP	30,000,000
Info2cell.com FZ-LLC	29 January 2003 (3)	100% (5)	Dubai	DH	18,350,000
Emirates for Information Technology Co.	29 January 2003	100% (7)	Amman	JD	710,000
Noverca S.r.l.	10 July 2002 (2)	100%	Rome	EURO	2,200,000
Flycell Inc.	28 June 2003 (1)	100% (5)	Wilmington	USD	10,100,000
Acotel Group (Northern Europe) Ltd	27 May 2004 (1)	100%	Dublin	EURO	101,000
Flycell Telekomunikasyon Hizmetleri A.S.	2 July 2005 (1)	99.9%	Istanbul	TRY	50,000
Flycell Latin America Conteúdo Para Telefonia Móvel LTDA	6 June 2006 (1)	100% (8)	Rio de Janeiro	BRL	250,000
Jinny Software Romania SRL	26 June 2007 (1)	100% (6)	Bucharest	LEI	200

(1)The date of the company's entry into the Group coincides with its incorporation.
(2)Prior to such date the Group held 50% of the company's share capital, posted to investments in associates.
(3)Prior to such date the Group held 33% of the company's share capital, posted to investments in associates.
(4)AEM owns 1.92% of the share capital.
(5)Controlled via Acotel Participations S.A.
(6)Controlled via Jinny Software Ltd.
(7)Controlled via Info2cell.com FZ-LLC.
(8)Controlled via Flycell Inc.

The basis of consolidation changed during the first half of 2007 due to *Jinny Software Ltd.'s* incorporation of *Jinny Software Romania SRL.*

As part of the process of rationalisation underway within the Group, the entire investment held by *Acotel Group S.p.A.* in *Flycell Telekomünicasyon Hizmetleri A.Ş.* was sold in May 2007 to *Flycell Inc.*, the company that coordinates all the Group's activities relating to the direct distribution of mobile multimedia content.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of *Acotel Group S.p.A.* and those of its subsidiaries. Subsidiaries are defined as entities over which the Group has the power to govern the financial and operating policies.

The net profit or loss of subsidiaries acquired or sold during the period is included in the consolidated income statement from the effective acquisition date until the effective disposal date.

Where necessary, adjustments are made to the financial statements of subsidiaries in order to bring their accounting policies into line with those adopted by the Group.

The assets and liabilities and the revenues and expenses of consolidated companies are recorded on a line-by-line basis. The carrying amount of investments is eliminated against the corresponding share of the investee companies' shareholders' equity and the individual assets and liabilities are recognised at fair value at the date control was obtained. Any positive difference is recognised in non-current assets as "Goodwill arising from consolidation", while negative differences are recognised in the income statement.

Intercompany receivables and payables, including dividends distributed within the Group, are eliminated. Profits and losses and revenues and expenses arising from intercompany transactions are eliminated.

The financial statements of Group companies are prepared in the functional currency of each company. For the purposes of the consolidated financial statements, the financial statements of each company are translated into the Group's functional and presentation currency: the euro. The assets and liabilities of overseas subsidiaries are translated into euros at closing exchange rates. Revenues and costs are translated at average rates for the period. Any translation differences are recognised in shareholders' equity in the "currency translation reserve". This reserve is recognised in the income statement as a gain or a loss in the period in which the related subsidiary is sold.

Minority interests in shareholders' equity and in net profit for the period is shown in the specific items in the consolidated balance sheet and income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group was required to make estimates and assumptions during preparation of the financial statements and the related notes in application of IFRS. These had an effect on the carrying amounts of the assets and liabilities recorded in the balance sheet and on the related disclosures. The actual results could differ from these estimates.

The estimates were used to record adjustments to revenues from B2C services, as explained below, as well as the related direct costs, and any impairments of goodwill arising from consolidation and provisions for bad debts and taxation. The estimates and assumptions are periodically reviewed and the effects of any change are immediately reflected in the income statement.

The adjustments to revenues from B2C services relate to the value of any refunds that might be requested by *Flycell Inc.* customers dissatisfied with the services provided by the latter until 30 June 2007. This estimate is carried out based on available data and current contracts entered into with telephone operators via the mobile transaction network provider, *mBlox*. The portion of revenues deriving from subscriptions for B2C services billed in June 2007 and carried forward on an accruals basis to the following year is also estimated.

In addition, certain measurement procedures, above all the most complex such as impairment testing, are generally only carried out in their full form during preparation of the annual financial statements, unless there is evidence of impairment requiring an immediate assessment of the loss in value.

SEGMENT INFORMATION

Results by business segment

(€000)	H1 2007				
	Services	Design of ICT equipment	Security systems design	Eliminations / Other	Total
Revenue					
Revenue from third party customers	28,747	3,906	593	-	33,246
Inter-segment revenues	-	-	-	-	-
Total	**28,747**	**3,906**	**593**	**-**	**33,246**
Segment operating profit/(loss)	**839**	**438**	**(248)**	-	**1,029**
Unallocated costs					(10)
Operating profit/loss from continuing operations					**1,019**
Income from investments					547
Finance costs					(326)
Profit/(loss) before tax					**1,240**
Taxation					(1,433)
Net profit/(loss) for the period					**(193)**

(€000)	H1 2006				
	Services	Design of ICT equipment	Security systems design	Eliminations / Other	Total
Revenue					
Revenue from third party customers	24,761	1,855	547	-	27,163
Inter-segment revenues	-	10	-	(10)	-
Total	**24,761**	**1,865**	**547**	**(10)**	**27,163**
Operating profit/(loss)	**(1,613)**	**(809)**	**71**	-	**(2,351)**
Unallocated costs					(16)
Impairment charges/reversals of impairment charges on non-current assets					(1)
Operating profit/loss from continuing operations					**(2,368)**
Income from investments					425
Finance costs					(1,015)
Profit/(loss) before tax					**(2,958)**
Taxation					(1,041)
Net profit/(loss) for the period					**(3,999)**

The above segment information provides a summary of the information already given in the “Directors’ operating and financial review”.

As can be seen from the tables, the improvement in the overall result is due to the results achieved by the Group companies that operate in the “Services” segment, including above all *Flycell Inc.* and *Acotel,* and the subsidiary, *Jinny Software*, which accounts for the entire “Design of ICT equipment” segment. This segment improved from a loss of 809 thousand euros in the first half of 2006 to a profit of 438 thousand euros in the first six months of 2007.

NOTES TO THE INCOME STATEMENT

Note 1 - Revenue

Revenue for the first half of 2007 amounts to 33,246 thousand euros, up 22% on the figure for the same period of the previous year (27,163 thousand euros).

As the following table show, all the business segments in which the Group operates report increases in revenue:

(€000)

	H1 2007	H1 2006	Increase/ (Decrease)
Services	28,747	24,761	3,986
Design of ICT equipment	3,906	1,855	2,051
Security systems design	593	547	46
Total	**33,246**	**27,163**	**6,083**

SERVICES

The Services business, up 16% on the figure for the first half of 2006, includes the activities carried out for telephone and commercial companies, as well as those supplied to end customers (B2C), and has the primary purpose of supplying value added services and content to mobile phone users.

A breakdown of service revenues is given in the following table:

(€000)

	H1 2007	H1 2006	Increase/ (Decrease)
B2C services	17,574	13,831	3,743
Network Operator services	9,969	8,825	1,144
Media services	773	1,093	(320)
Corporate services	431	1,012	(581)
Total	**28,747**	**24,761**	**3,986**

In the first half of 2007, as in 2006, B2C services represent the Group's most important commercial offering. During the first half of 2007 these revenues include an amount of 17,446 thousand euros (up 28% on the figure for the same period of the previous year) generated by the US subsidiary, *Flycell Inc.*. The remainder derives primarily from the subsidiaries, *Flycell Telekomünicasyon Hizmetleri A.Ş., Info2cell* and *Flycell Latin America.*

Revenues from services provided to network operators, amounting to 9,969 thousand euros, show an increase of 1,144 thousand euros (up 13%) compared with the same period of the previous year. They primarily include revenues from services rendered by the subsidiary, *Acotel S.p.A,* to *Telecom Italia,* which amount to 6,408 thousand euros, revenues from services rendered by the Brazilian subsidiary, *Acotel do Brasil*, to the Brazilian operators, *TIM Celular* and *TIM Nordeste Telecomunicaçoes,* amounting to 2,034 thousand euros, and revenues generated by activities carried out by *Info2cell* with the main mobile telephony operators in the Middle East, totalling 1,514 thousand euros. The increase compared with the same period of the previous year is essentially due to the performances of the Italian (up 27%) and Middle-Eastern (up 22%) subsidiaries.

Revenues from services provided to media companies, amounting to 773 thousand euros, are down compared with the same period of 2006. In detail, such revenues were generated in the Middle East by the subsidiary *Info2cell* (433 thousand euros), in Italy by *Acotel S.p.A.* (181 thousand euros), in Brazil by *Acotel do Brasil* (108 thousand euros) and in Turkey by the subsidiary, *Flycell Telekomünicasyon Hizmetleri A.Ş.* (41 thousand euros).

Revenues from corporate services amount to 431 thousand euros, and are essentially derived from revenues of 377 thousand euros generated by the Italian operations of *Acotel S.p.A.*, which primarily serves banks. The remainder derives from services provided in Italy by the subsidiaries, *AEM S.p.A.* and *Flycell Telekomünicasyon Hizmetleri A.Ş.* The decrease compared with the first half of 2006 is due to the subsidiaries, *Info2cell* and *AEM S.p.A.*

DESIGN OF ICT EQUIPMENT

Revenues from ICT equipment design in the first half of 2007 amount to 3,906 thousand euros. The substantial increase compared with the same period of 2006 in this line of business is due to the performance of *Jinny Software*, especially with regard to supply and maintenance contracts entered into with mobile operators in North America, the Middle East, Africa, Latin America, Asia and Europe.

The increase with respect to the same period of the previous year (up 111%) is due to sales of the new platforms developed in 2006 and to a strengthening of the sales structure. The latter has taken the form of both additional recruitment of in-house sales staff and the negotiation of agreements with so-called channel partners, who include products developed by *Jinny Software* in their product offerings.

SECURITY SYSTEMS DESIGN

Revenues from the design of electronic security systems amount to 593 thousand euros, and are entirely generated by the subsidiary *AEM S.p.A.*. Such revenues, which are up 8% on the figure for the first half of 2006, essentially regard the installation, supply, maintenance and servicing 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.

A breakdown of the Group's revenue by geographical segment is as follows:

-

(€000)

	H1 2007	H1 2006	Increase/ (Decrease)
North America	17,688	13,695	3,993
Italy	7,609	6,523	1,086
Latin America	2,666	2,691	(25)
Middle East	2,538	3,326	(788)
Africa	1,872	341	1,531
Asia	616	-	616
Other European countries	257	587	(330)
Total	**33,246**	**27,163**	**6,083**

The geographical revenue breakdown for the first half of 2007 shows growth in areas such as North America and Italy, where the Group already operates, and also continuous efforts to expand its businesses in new geographical areas such as Africa and Asia, where the subsidiary, *Jinny Software*, has begun to generate substantial revenues.

Note 2 – Raw materials

The cost of raw materials during the period, amounting to 639 thousand euros, refers principally to the purchase of materials for the construction of telecommunications equipment by *Jinny Software* (508 thousand euros).

Note 3 – External services

The cost of external services amounts to 22,075 thousand euros, representing an increase on the 21,146 thousand euros of the same period of 2006. This growth is entirely due to the operating methods chosen by *Flycell Inc.* to develop its business in the relevant market. This has entailed substantial costs (5,754 thousand euros) charged by mobile operators and the transaction network provider.

In addition to the above costs, the most significant items regard promotional expenses (9,111 thousand euros) to raise awareness of the American subsidiary's services in the market and increase its customer base, the cost of acquiring content from external content providers (2,055 thousand euros), marketing, administrative, legal and technical consulting fees incurred by Group companies, (742 thousand euros), travel expenses (639 thousand euros) and the cost of purchasing SMS packages from mobile operators (529 thousand euros).

Service costs also include telephone expenses (350 thousand euros), remuneration paid to directors and statutory auditors (254 thousand euros for directors and 41 thousand euros for statutory auditors), the cost of taking part in trade exhibitions and fairs (193 thousand euros), the cost of connecting to terrestrial and satellite transmission networks for the provision of value added services (147 thousand euros) and auditors' fees (145 thousand euros).

The balance reflects overheads (utilities, management and maintenance of the Group's operating properties, insurance, etc.) incurred by the Group in its day-to-day operations.

Note 4 – Rentals and leases

The cost of rentals and leases, amounting to 788 thousand euros, mainly includes rentals on offices occupied by Group companies.

Note 5 - Staff costs

Staff costs include:

(€000)

	H1 2007	H1 2006	Increase/ (Decrease)
Salaries and wages	5,782	4,497	1,285
Social security contributions	947	875	72
Staff termination benefits	126	124	2
Finance costs	(22)	(19)	(3)
Other costs	590	587	3
Total	**7,423**	**6,064**	**1,359**

The increase in staff costs shown in the table is primarily connected with the expansion of the Group's overseas subsidiaries.

Finance costs on staff termination benefits equal the discount rate, calculated on the basis of the method fully described in the following Note 23, to which reference should be made. This cost item, in accordance with IFRS, is recognised in finance costs (Note 8).

Other staff costs include charges incurred in relation to canteen services and luncheon vouchers, professional training and refresher courses, prevention and health care expenses, and contributions for defined-contribution pension plans for the staff of foreign subsidiaries. Further information is provided in Note 27.

The geographical distribution of the Group's staff is shown below:

	30 June 2007	31 Dec 2006	30 June 2006
Italy	90	95	97
Jordan	62	52	52
Lebanon	57	57	49
USA	45	36	30
Ireland	26	25	21
Brazil	21	18	17
United Arab Emirates	17	19	16
Malaysia	3	-	-
Turkey	2	2	-
Total	**323**	**304**	**282**

The number of staff by category at 30 June 2007, compared with the average number for the first halves of 2007 and 2006, is reported in the following schedule:

	30 June 2007	Average H1 2007	Average H1 2006
Managers	18	19	18
Supervisors	31	32	30
White- and blue-collar staff	274	264	221
Total	**323**	**315**	**269**

Note 6 - Amortisation and depreciation

Details of the amortisation and depreciation of assets is given below:

(€000)

	H1 2007	H1 2006	Increase/ (Decrease)
Amortisation of non-current intangible assets	103	135	(32)
Depreciation of property, plant and equipment	316	286	30
Total	**419**	**421**	**(2)**

Amortisation of non-current intangible assets mainly refers to amortisation of the software and licences utilised by various Group companies.
Depreciation of property, plant and equipment essentially refers to depreciation of the telecommunications equipment and infrastructure used by Group companies.

Note 7 - Internal capitalised costs

Internal capitalised costs, amounting to 87 thousand euros, regard the cost of staff employed during the second half of 2007 on the development of new products that have not yet been marketed.

Note 8 - Other costs

Other costs amount to 979 thousand euros for the second quarter of 2007 and include 330 thousand euros for charges relating to settlement of a legal dispute and 313 thousand euros for indirect taxes due from *Acotel do Brasil* in compliance with local legislation. The balance includes other general expenses and charges incurred by Group companies in connection with their ordinary activities.

Nota 9 – Finance income and costs

Net finance income of 221 thousand euros breaks down as follows:

(€000)

	H1 2007	H1 2006	Increase/ (Decrease)
Interest income from investments	438	391	47
Interest income on bank deposits	78	27	51
Foreign exchange gains	23	-	23
Other interest income	8	7	1
Total finance income	**547**	**425**	**122**
Interest expense and bank charges	(92)	(76)	(16)
Foreign exchange losses	(180)	(913)	733
Other interest expense	(22)	(20)	(2)
Impairment of current financial assets	(32)	(6)	(26)
Total finance costs	**(326)**	**(1,015)**	**689**
Net finance costs	**221**	**(590)**	**811**

Interest income from investments includes 129 thousand euros in income on loans and receivables and 309 thousand euros in profits on financial assets held for trading through the income statement.

Net foreign exchange losses reflect the effect of movements in closing exchange rates on the value of intercompany loans issued in dollars.

Interest and bank charges payable includes commissions of 4 thousand euros for fund management by *Insinger de Beaufort* bank.

Note 10 – Taxation

Taxation for the first half of 2007 breaks down as follows:

(€000)

	H1 2007	H1 2006	Increase/ (Decrease)
Income taxes for the period	1,291	1,090	201
Deferred tax assets	121	(96)	217
Deferred tax liabilities	21	47	(26)
Total	**1,433**	**1,041**	**392**

The total amount is 1,433 thousand euros and includes provisions for taxes on the income of Group companies, recognised in current taxes.
Deferred tax assets and liabilities include provisions made by Group companies after taking account of the reversal of deferred taxes recognised in previous years.

The reconciliation of the expected IRES (corporate tax) charge at 33% and the effective charge is shown in the following schedule:

(€000)

	H1 2007	%	H1 2006	%
Pre-tax profit/(loss)	**1,240**		**(2,958)**	
Expected tax charge calculated at 33% of the pre-tax result	409	33.0%	(976)	(33.0%)
Tax effect of the losses of foreign subsidiaries which do not meet all requirements for recognition of deferred tax assets	728	58.7%	1,859	62.8%
Difference between expected and effective tax charge for foreign subsidiaries	(30)	(2.4%)	(44)	(1.5%)
Net tax effect of increases and decreases of Italian companies	60	4.9%	(14)	(0.5%)
Tax effect of use of tax loss carryforwards for which deferred tax assets had not been recognised	(32)	(2.6%)	-	-
Other minor changes	23	1.9%	33	1.1%
IRES	**1,158**	**93.4%**	**858**	**(29.0%)**
IRAP	275		183	
Taxation for the period	**1,433**		**1,041**	

No account has been taken of IRAP (regional tax) in the comparison between the tax charge accounted for in the financial statements and the expected tax charge as, being a tax calculated on the basis of a different taxable income from pre-tax profit, it would generate a distortion between one year and another. The expected tax charge was accordingly only determined on the basis of the prevailing IRES (corporation tax) rate in Italy (33% in the first halves of 2007 and 2006).

The taxes relating to the taxable income of foreign subsidiaries were calculated according to the prevailing rates in the respective countries.

Deferred tax assets on tax losses reported by certain subsidiaries at 30 June 2007 were not recorded as they do not currently meet the conditions for recognition. Total deferred tax assets of 6.9 million euros include around 2.7 million euros regarding the US subsidiary, *Flycell Inc.*, around 2.3 million euros relating to the subsidiary, *Noverca S.r.l.*, and around 1.9 million euros regarding the Luxembourg subsidiary, *Acotel Partecipations S.A.*.

Note 11 - Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

(€000)	**H1 2007**	**H1 2006**
Net profit/(loss) (€000)	**(193)**	**(3,999)**
Number of shares (000)		
Shares in circulation at the start of the period	3,916 *	3,916 *
Weighted average of treasury shares acquired/sold in the period	-	-
Weighted average of ordinary shares in circulation	**3,916**	**3,916**
Basic and diluted earnings per share **	**(0.05)**	**(1.02)**

* : net of treasury shares held at the same date.
**: basic earnings per share for the first halves of 2006 and 2005 coincides with diluted earnings per share as the conditions provided for by IAS 33 do not exist.

NOTES TO THE BALANCE SHEET

NON-CURRENT ASSETS

Note 12 - Property, plant and equipment

A breakdown of this item, less accumulated depreciation, is as follows:

(€000)

	Historical cost	Depreciation	Carrying amount at 30 June 2007	Carrying amount at 31 Dec 2006
Plant and machinery	6,849	(4,396)	2,453	601
Industrial and commercial equipment	2,083	(1,540)	543	394
Assets under construction and advances	18	-	18	1,752
Other	936	(718)	218	229
Total	**9,886**	**(6,654)**	**3,232**	**2,976**

Plant and machinery mainly consists of data transmission platforms installed in the Rome, Dubai, Rio de Janeiro and New York offices, and used by the Group to provide value added services. The increase, compared with 31 December 2006, is primarily due to the rollout of the "VOIP" platform of the subsidiary, *Noverca S.r.l.*. The company uses this platform to provide its IP-based integrated communication services (data, audio, video). At 31 December 2006 the costs of developing the platform were classified in "Assets under construction and advances". This asset is depreciated over its estimated useful life (4 years) from the date it enters service.

Industrial and commercial equipment includes the computers used by the Group for development and maintenance of hardware and software products, for use by the Company or for sale to third parties, relating to the development and management of value added services and internal operating activities.

Furniture and fittings are included in "other" assets together with leasehold improvements, consisting of the costs incurred during recent years in order to renovate the building located in Rome, which is used as the registered office and operational headquarters of the Group's Italian companies. The relevant lease expires in 2013.

No property, plant or equipment was revalued or impaired during the period.

Changes in property, plant or equipment during the period are shown in an annex.

Note 13 – Goodwill arising from consolidation

“Goodwill arising from consolidation” comprises the difference arising between prices paid for the purchase of investments and the corresponding value of the subsidiaries’ shareholders’ equity on the date of acquisition. This item breaks down as follows:

(€000)

	Jinny Software	Info2cell	AEM	Eitco	Millenium Software	Total
Acquisition cost (A)	12,324	6,150	1,549	792	116	**20,931**
Shareholders'equity at date of acquistion (B)	(1,109)	2,784	1,086	570	72	**3,403**
Accumulated amortisation at 1 January 2004 (C)	(3,693)	(850)	(169)	(111)	(14)	**(4,837)**
Impairment charge recognised in 2004 (D)	(1,160)	-	-	-	-	**(1,160)**
Goodwill arising from consolidation at 30 June 2007 (A-B+C+D)	**8,580**	**2,516**	**294**	**111**	**30**	**11,531**

The Group tests the recoverability of goodwill arising from consolidation at least once a year, when closing its financial year, or more frequently if there are indicators of impairment.

Note 14 – Other intangible assets

A breakdown of other intangible assets at 30 June 2007 is as follows:

(€000)

	Historical cost	Amortisation	Carrying amount at 30 June 2007	Carrying amount at 31 Dec 2006
Industrial patents and intellectual property rights	1,097	(958)	139	63
Concessions, licences and similar rights	1,298	(839)	459	546
Intangible assets in process and advances	87	-	87	86
Total	**2,482**	**(1,797)**	**685**	**695**

Industrial patents and intellectual property rights consist of the specific software purchased from third parties and used by the Group in the provision of ICT services and for the internal information system used by Group companies.

Concessions, licenses, trademarks and similar rights primarily include the costs of the software used by the subsidiary, *Info2cell,* for the supply of value added services.

Intangible assets in progress and advances relates to the development of new products which have yet to be launched on the market.

No intangible assets were revalued or impaired during the period.

Changes in intangible assets during the period are shown in an annex.

Note 15 – Deferred tax assets

Deferred tax assets of 256 thousand euros arise from temporary differences between the carrying amounts of assets and liabilities and their tax bases. 93 thousand euros relates to *Acotel Group S.p.A.,* 71 thousand euros to *Jinny Software Ltd,* 54 thousand euros to *AEM S.p.A.* and 38 thousand euros to *Acotel S.p.A.*.

The following table shows a comparison of the temporary differences that led to the recognition of deferred tax assets:

(€000)

	30 June 2007		31 Dec 2006	
	Taxation	Tax rate	Taxation	Tax rate
Deferred tax assets:				
Impairment of investments	8	33%	8	33%
Recovery of taxed provisions for bad debts	37	33%	37	33%
Impairment of inventories	21	38.25% -37.75%	21	38.25% -37.75%
Recovery of taxed amortisation and depreciation for accounting purposes	62	38.25%	68	38.25%
Provisions for taxed directors' fees	6	33%	129	33%
Other	17	38.25% -33%	109	38.25% -33%
Sub-total	**151**		**372**	
Tax losses to be carried forward	105		105	
Total	**256**		**477**	

Deferred tax assets regarding accumulated tax losses were recorded in the previous year by the subsidiary, *Jinny Software,* (71 thousand euros), and the subsidiary, *AEM*, (34 thousand euros), due to the results achieved and future expectations. However, deferred tax assets were not allocated for tax losses incurred by other foreign companies, as explained above (Note 10).

CURRENT ASSETS

Note 16 - Inventories

The table that follows gives the detail of the inventories, valued using the average weighted cost method, and of provisions made to bring their carrying amounts into line with their estimated realisable values at 30 June 2007:

(€000)

	Gross value	Impairments	Carrying amount at 30 June 2007	Carrying amount at 31 Dec 2006
Raw and ancillary materials and consumables	89	(51)	38	36
Work in progress and semi-finished products	27	(3)	24	25
Finished products and goods for resale	226	(1)	225	417
Total	**342**	**(55)**	**287**	**478**

The decrease in the inventory of finished products is primarily attributable to the subsidiary, *Jinny Software*.

There were no movements in provisions for inventory impairments during the first half.

Note 17 - Trade receivables

These represent trade receivables less provisions for bad debts made to adjust their carrying amount to their estimated realisable value, as shown below:

(€000)

	30 June 2007	31 Dec 2006	Increase/(Decrease)
Trade receivables	18,016	18,544	(528)
Provisions for bad debts	(273)	(243)	(30)
Total	**17,743**	**18,301**	**(558)**

56.1% of total trade receivables relates to amounts due from *mBlox* (28.6%), which supplies *Flycell Inc.* with operator connectivity in the US, and *Telecom Italia S.p.A.* (27.5%).

Trade receivables, for which no provisions have been made, are collectible in full within 12 months.

Movements in provisions for bad debts are shown below:

(€000)

Balance at 31 December 2006	**243**
Provisions in the first half of 2007	30
Balance at 30 June 2007	**273**

Note 18 - Other current assets

At 30 June 2007 these total 3,466 thousand euros and break down as follows:

(€000)

	30 June 2007	31 Dec 2006	Increase/(Decrease)
VAT credits	1,270	1,495	(225)
Current income tax assets	22	8	14
Supplier advances	1,896	1,283	613
Other	278	177	101
Total	**3,466**	**2,963**	**503**

VAT credits include 968 thousand euros attributable to *Noverca s.r.l.* and 273 thousand euros to *Acotel S.p.A.*

Supplier advances of 1,896 thousand euros essentially regard sales commissions, service contracts, fees payable to third parties in return for advertising carried out by affiliates, who are paid on the basis of the contracts effectively signed by end users, and insurance premiums paid by Group companies in advance. The increase with respect to 31 December 2006 is primarily due to the sales commissions and advertising fees paid in advance by the subsidiaries *Info2cell* and *Flycell Inc*.

Note 19 – Current financial assets

"Current financial assets" of 15,622 thousand euros include:

(€000)

	30 June 2007	31 Dec 2006	Increase/(Decrease)
Loans and receivables	6,878	6,814	64
Assets held for trading	8,744	8,236	508
Total	**15,622**	**15,050**	**572**

Held-to-maturity assets comprise the bonds detailed below:

(€000)

	Nominal value	Interest	Rate	Maturity	Fair value at 30 June 2007
Monte dei Paschi di Siena S.p.A.	300	At maturity	Nominal gross annual rate (1.02%)	16 Jul 2007	300
Banca Nazionale del Lavoro S.p.A.	500	Quarterly in arrears	3-month Euribor	17 Apr 2008	503
Banca Nazionale del Lavoro S.p.A.	2,135	Quarterly in arrears	3-month Euribor	16 May 2008	2,145
Totale	**2,935**				**2,948**

Loans and receivables also include an insurance policy of 3,930 thousand euros (3,866 thousand euros at 31 December 2006) entered into with Montepaschi Vita S.p.A.. This is a separately managed fund with a duration of 15 years and the client has the option of withdrawal. This policy has a guaranteed annual interest rate of 1.5%. The redemption value at 30 June 2007 is 3,930 thousand euros.

Assets held for trading include investments managed by *Insinger de Beaufort* Bank and amounting to 5,346 thousand euros (5,158 thousand euros at 31 December 2005). *Insinger de Beaufort* Bank manages the assets in an individual and limited risk investment portfolio (almost exclusively consisting of bonds) in the name and on behalf of Acotel Group S.p.A.. This category also includes investments (mainly government bonds) of the Brazilian subsidiary, totalling 3,355 thousand euros, purchased through ItauBank and Citibank, and of the Turkish subsidiary, amounting to 43 thousand euros, purchased through GarantiBank.

Note 20 - Cash and cash equivalents

This item includes bank deposits of 10,423 thousand euros and cash and notes in hand of 12 thousand euros. At the end of last year these items amounted to 10,605 and 15 thousand euros, respectively.
The bank deposits represent the closing balances of Group companies' bank current accounts.

SHAREHOLDERS' EQUITY

Note 21 – Shareholders' equity attributable to the Group

Changes in shareholders' equity during the first half are shown in the financial statements.

At 30 June 2007 the fully paid-up share capital of *Acotel Group S.p.A.* consists of 4,170,000 ordinary shares with a par value of 0.26 euros each.

The share premium reserve amounts to 55,106 thousand euros and derives mainly from capital increases carried out in preparation for the Company's stock market flotation.

At 30 June 2007 treasury shares acquired by *Acotel Group S.p.A.* were recorded as a reduction of consolidated shareholders' equity, totalling 3,873 thousand euros. These shares have a carrying amount of 66,170 euros, representing 6.10% of the share capital.
This refers to 254,500 *Acotel Group S.p.A.* ordinary shares, of which 28,320 were acquired in execution of the authority granted by the General Meeting of 24 April 2002 and 226,180, net of sales to date, in execution of the authority granted by the General Meeting of 30 April 2004. The average purchase price of these shares was 15.22 euros; at 30 June 2007 the share price stood at 79.14 euros.

Other Group companies do not possess *Acotel Group S.p.A.* shares, either directly or through fiduciary companies or proxies, nor have they acquired or sold shares during the period.

At 30 June 2007 *Acotel Group S.p.A.* does not possess shares or units of holding companies, either directly or through fiduciary companies or proxies, nor has it acquired or sold shares during the period.

The "Cost of capital increase" reserve, which has a negative balance of 59 thousand euros, represents the historical cost relating to two capital increases carried out by the subsidiary, Acotel Partecipations S.A., in previous years.

The currency translation reserve, which has a positive balance of 182 thousand euros, derives from the application of closing exchange rates in the translation of the financial statements of foreign subsidiaries expressed in foreign currencies other than the euro.
Assets and liabilities are translated into euros using the related exchange rates at 30 June 2007, while shareholders' equity items are translated on the basis of historical exchange rates. Income statement items are translated utilising average exchange rates for the period.

The following exchange rates were used:

Company	Currency	Exchange rate at 30 June 2007	Average exchange rate H1 2007
Info2cell	Dh	4.960	4.882
Eitco	JD	0.958	0.942
Millenium Software	LBP	2,035.880	2,004.775
Flycell Inc.	USD	1.351	1.329
Acotel do Brasil	BRL	2.597	2.719
Flycell Latin America	BRL	2.597	2.719
Flycell Telekomunikasyon Hizmetleri A.S.	TRY	1.774	1.826

Other reserves of 388 thousand euros break down as follows:

(€000)

	30 June 2007	31 Dec 2006	Increase/(Decrease)
Legal reserve	217	217	-
Profit/(loss) on sale of treasury shares	70	70	-
Other	101	70	31
Total	**388**	**357**	**31**

Accumulated losses amount to 2,526 thousand euros.

Minority interests represent the share of shareholders' equity attributable to minority shareholders in subsidiaries. At 30 June 2007 minority interests amount to 30 thousand euros and relate to minority interests in the subsidiaries, *Acotel S.p.A., AEM S.p.A.* and *Millennium Software SAL.*

NON-CURRENT LIABILITIES

Note 22 - Non-current financial liabilities

This item totals 163 thousand euros and refers to the portion payable after 12 months from 30 June 2006 of the loan from the Ministry of Industry to cover research and development costs incurred by the subsidiary, *AEM S.p.A.*, to realise the remote surveillance systems and domestic automation. The agreed repayment schedule started from 2003 and will be completed by 2012. This loan bears an interest rate of 3.625% and is unsecured.

Note 23 - Staff termination benefits and other employee benefits

At 30 June 2007 these total 932 thousand euros and include accrued amounts due to employees as staff termination benefits, less any advances paid.

Movement during the period are shown below:

(€000)	**30 June 2007**	**31 Dec 2006**
Opening balance	**1,031**	**948**
Provisions	104	214
Finance costs	22	43
Uses	(214)	(151)
Various withholding taxes	(11)	(23)
Closing balance	**932**	**1,031**

Provisions for staff termination benefits shown in the financial statements were calculated by an independent actuary.
In application of IAS 19, the Projected Unit Credit Method, based on the following stages, was used to measure staff termination benefits:

- a projection, for each person employed at the date of measurement, of the staff termination benefits already provided for and future staff termination benefits accruing up to the projected time of payment;
- determination, for each employee, of probable payments of staff termination benefits that the Company will be obliged to make in the case of the employee leaving due to dismissal, resignation, disability, death or retirement, or on request for an advance;
- discounting, at the measurement date, each likely payment;
- re-proportioning, for each employee, the likely and discounted calculations based on seniority at the measurement date with respect to the corresponding projected time of payment.

Details of the financial assumptions adopted are as follows:

Financial assumptions	**June 2007**
Annual discount rate	4.85%
Annual inflation rate	2.00%
Annual rate of salary increase	Executives 2.50%; Managers/White-collar/Blue-collar 1.00%

The changes to the regulations governing staff termination benefits introduced by Law 296/06 (the “Finance Act 2007”), and the subsequent decrees and regulations issued in early 2007, have had no impact on the Group’s accounts as no Group company employs more than 50 staff. Moreover, most of the Group’s employees have not opted to invest their termination benefits accruing in future years (from 1 January 2007) in supplementary pension funds.

CURRENT LIABILITIES

Note 25 - Current financial liabilities

Current financial liabilities of 105 thousand euros include 29 thousand euros regarding the portion of the previously described loan from the Ministry of Industry falling due within 12 months. This item also includes bank overdrafts.

Note 26 - Trade payables

Trade payables of 7,844 thousand euros include payables due to suppliers within 12 months (5,776 thousand euros) and advances received from customers by Group companies (2,068 thousand euros). The latter refer principally to amounts received from customers and deferred by the subsidiaries *Flycell Inc.* (745 thousand euros), *Info2cell* (588 thousand euros) and *Jinny Software* (542 thousand euros).

Note 26 – Tax liabilities

This item breaks down as follows:

(€000)

	30 June 2007	31 Dec 2006	Increase/(Decrease)
Income taxes	414	705	(291)
VAT due	601	687	(86)
Substitute tax due	240	158	82
Other tax liabilities	22	20	2
Total	**1,277**	**1,570**	**(293)**

The item includes income taxes, less advances paid, and VAT due from Acotel Group companies, in addition to withholding taxes due from employees and consultants in the form of substitute tax.

It should be noted that no Group company is in dispute with the tax authorities, nor are any tax audits underway.

Note 27 - Other current liabilities

This item breaks down as follows:

€000)

	30 June 2007	31 Dec 2006	Increase/(Decrease)
Due to employees	1,284	1,222	62
Due to pension funds and social security institutions	658	646	12
Due to directors	35	393	(358)
Other payables	906	503	403
Total	**2,883**	**2,764**	**119**

Amounts due to employees mainly refer to pay, bonuses and holiday pay due.

Amounts due to pension funds and social security institutions include social security and insurance contributions due, which include the agreed contributions to be made to defined contribution plans for the employees of overseas subsidiaries.

Other amounts due include the charges deriving from the settlement of litigation, statutory auditors' fees and other general expenses of Group companies.

NET FUNDS

At 30 June 2007 net funds, amounting to 25,789 thousand euros, show an improvement compared with the end of the previous year due to increases in liquidity (up 323 thousand euros) and other current financial assets (up 64 thousand euros), as shown in the following table:

(€000)

	H1 2007	FY 2006	Increase/(Decrease)
A. Cash and cash equivalents	10,435	10,620	(185)
B. Assets held for trading	8,744	8,236	508
C. Liquidity (A + B)	**19,179**	**18,856**	**323**
D. Other current financial assets	**6,878**	**6,814**	**64**
E. Current bank borrowings	(76)	(31)	(45)
F. Current portion of non-current debt	(29)	(29)	-
G. Current financial liabilities (E+F)	**(105)**	**(60)**	**(45)**
H. Net current funds (C+D+G)	**25,952**	**25,610**	**342**
I. Non-current financial liabilities	(163)	(163)	-
L. Non-current debt (I)	**(163)**	**(163)**	**-**
M. Net funds (H+L)	**25,789**	**25,447**	**342**

CONTINGENCIES

The Board of Directors, having obtained the advice of their legal experts, considers that there are no liabilities for which it is necessary that Group companies make provision.

Sentence has been passed regarding the legal action in which the shareholder, Medial Project S.A., has requested the Court of Rome to ascertain and declare the nullity of or, as a subordinate matter, the cancellation of the resolution adopted by the Ordinary General Meeting of 29 April 2005, approving the financial statements for the year ended 31 December 2004 and the accompanying documents. Court of Rome sentence 5977/2007 of 22 March 2007 founded against the plaintiff.

COMMITMENTS

The guarantees granted by the Group include 570 thousand euros for a surety given to Tecnomen in fulfilment of the provisions of the commercial agreement signed by *Jinny Software*, 139 thousand euros for a surety given to the entity that owns the property that the Parent Company rents and where all the Group's Italian companies have their offices, 111 thousand euros for a surety given in 2005 in favour of the Bank of Italy, as provided for in the service contract renewed and obtained by the subsidiary, *AEM S.p.A.*, 287 thousand euros (equal to the relevant value at the end of the period

of 387,550 US dollars) regarding a surety given in favour of *Flycell Inc.* in order to guarantee a lease agreement entered into by the subsidiary.
The residual amount is for sureties of 21 thousand euros granted in fulfilment of agreements with third parties.

THIRD-PARTY ASSETS HELD BY THE GROUP

Third party assets held by the Group, totalling 2 thousand euros, relate to equipment loaned to *Acotel S.p.A.* by the provider *Il Sole 24 ore* for connection to their information network.

RELATED PARTY TRANSACTIONS

There are no significant related party transactions to be reported in the consolidated interim report of *Acotel Group S.p.A.*

Purchase of shares by shareholders

In the first half of 2007 no shares were traded between Acotel Group companies and their shareholders.

Remuneration of shareholders for membership of corporate bodies

Claudio Carnevale earned the following fees during the first half of 2007:
- 112,500 euros as Chairman of the Board of Directors and CEO of *Acotel Group S.p.A.*;
- 33,333 euros as Chairman of the Board of Directors of *Acotel S.p.A.*;
- 25,000 euros as Chairman of the Board of Directors of *AEM S.p.A.*

Margherita Argenziano earned the following fees during the first half of 2007:
- 7,500 euros as a Director of *Acotel Group S.p.A.*;
- 37,500 euros as CEO of *AEM S.p.A.*

Andrea Morante earned 7,500 euros during the first half of 2007 as a member of the Board of Directors of *Acotel Group S.p.A.*

At 30 June 2007, outstanding amounts due to the above-named directors from Group companies totalled 43,750 euros.

Transactions with subsidiaries

The most significant trading and financial relations during the first half of 2007 between *Acotel Group S.p.A.* and its subsidiaries are as follows:

- services rendered to *Acotel S.p.A.* for its role as service provider via the Parent Company's technological platform;
- administrative services, leasing and property management services rendered to Italian subsidiaries;
- loans granted to *Acotel Partecipations S.A.* in order to finance the sub-holding company's acquisition of investments and provide financial support to its foreign subsidiaries;
- loans granted to *Acotel Group (Northern Europe) Ltd* and *Noverca S.r.l.* to cover their financial requirements;
- sureties issued to *Jinny Software Ltd* and *AEM S.p.A.* with regard to the companies' business commitments, and to *Flycell Inc.* to guarantee lease agreements signed by these companies.

Acotel Group S.p.A., as the consolidating company, and the Italian subsidiaries, *Acotel S.p.A.* and *Noverca S.r.l.* have adopted the so-called "tax consolidation" introduced by articles of 117 and 128 of the Consolidated Act and the Ministerial Decree of 9 June 2004.

Transactions with associates

At 30 June 2007, the Group does not hold investments in associates.

Remuneration of Directors, Statutory Auditors, General Managers, Key Managers (art. 78, Consob Regulation no. 11971/99) and other related parties

ACOTEL GROUP SPA (€)

Name	Position	Period in which position held	Expiry of term of office	Remuneration for position held in Parent Company	Non-cash bonuses	Bonuses and other incentives	Other remuneration
Claudio Carnevale	Chairman / CEO	01/01/07-30/06/07	30/04/2009	112,500			
Francesco Ago	Director	01/01/07-30/06/07	30/04/2009	7,800			
Margherita Argenziano	Director	01/01/07-30/06/07	30/04/2009	7,500			
Luca De Rita	Director	01/01/07-30/06/07	30/04/2009	7,500	1,779		112,604
Giovanni Galoppi	Director	01/01/07-30/06/07	30/04/2009	7,800			55,080
Andrea Morante	Director	01/01/07-30/06/07	30/04/2009	7,500			
Giuseppe Guizzi	Director	01/01/07-30/06/07	30/04/2009	7,800			
Antonio Mastrangelo	Chairman Board of Statutory Auditors	01/01/07-30/06/07	30/04/2009	7,800			
Umberto Previti Flesca	Statutory Auditor	01/01/07-30/06/07	30/04/2009	5,200			
Maurizio Salimei	Statutory Auditor	01/01/07-30/06/07	30/04/2009	5,200			

AEM SPA

Name	Position	Period in which position held	Expiry of term of office	Remuneration for position held in Parent Company	Non-cash bonuses	Bonuses and other incentives	Other remuneration
Claudio Carnevale	Chairman	01/01/07-30/06/07	*	25,000			
Margherita Argenziano	Director	01/01/07-30/06/07	*	37,500			
Antonio Mastrangelo	Chairman Board of Statutory Auditors	01/01/07-30/06/07	*	2,808			
Umberto Previti Flesca	Statutory Auditor	01/01/07-30/06/07	*	1,872			

*: General Meeting called to approve financial statements for 2007

ACOTEL SPA

Name	Position	Period in which position held	Expiry of term of office	Remuneration for position held in Parent Company	Non-cash bonuses	Bonuses and other incentives	Other remuneration
Claudio Carnevale	Chairman	01/01/07-30/06/07	30/04/2010	33,333			
Margherita Argenziano	Director	01/01/07-30/06/07	30/04/2010	-			51,199
Antonio Mastrangelo	Chairman Board of Statutory Auditors	01/01/07-30/06/07	*	4,056			
Umberto Previti Flesca	Statutory Auditor	01/01/07-30/06/07	*	2,704			

*: General Meeting called to approve financial statements for 2007

NOVERCA SRL

Name	Position	Period in which position held	Expiry of term of office	Remuneration for position held in Parent Company	Non-cash bonuses	Bonuses and other incentives	Other remuneration
Claudio Carnevale	Chairman	01/01/07-30/06/07	*	-			
Margherita Argenziano	Director	01/01/07-30/06/07	*	-			
Giovanni Galoppi	Director	01/01/07-30/06/07	*	-			
Antonio Mastrangelo	Chairman Board of Statutory Auditors	01/01/07-30/06/07	*	3,000			
Umberto Previti Flesca	Statutory Auditor	01/01/07-30/06/07	*	2,000			

*: General Meeting called to approve financial statements for 2007

“Non-monetary benefits” regard personal use of company motor vehicles.

“Other remuneration” paid to the directors, Luca De Rita and Margherita Argenziano, regards the salary paid to Mr De Rita as CFO of *Acotel Group S.p.A.* and the salary paid to Ms Argenziano as a manager of *Acotel S.p.A.* These amounts exclusively regard remuneration for employment, and do not include social security contributions and employee termination benefits for which the company is not responsible.

Giovanni Galoppi received fees of 55,080 euros as legal counsel for Acotel Group S.p.A.

Expense incurred in the first half of 2007 for fees paid to key managers totalled approximately 85 thousand euros, including employee termination benefits of 5 thousand euros. Such expense, which does not include social security contributions for which the employer is responsible, relates to a key manager who has been in office since 2005.

Remuneration of 141 thousand euros paid to related parties refers entirely to the salaries paid to Cristian Carnevale, who is employed by the Parent Company, and Davide Carnevale, who is employed by the subsidiary, *Acotel S.p.A.*

OTHER INFORMATION

No exceptional and/or unusual transactions took place during the period.

ANNEXES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ANNEX 1

Statement of movements in property, plant and equipment and related accumulated depreciation

(€000)

Item	Historical cost					Accumulated depreciation				Total
	Balance at 1 Jan 2007	*Increases*	*Decreases*	*Exchange differences*	*Balance at 30 June 2007*	*Balance at 1 Jan 2007*	*Exchange differences*	*Depreciation for the period*	*Balance at 30 June 2007*	**30 June 2007**
Plant and machinery	4,757	2,050	-	42	6,849	(4,156)	(27)	(213)	(4,396)	**2,453**
Industrial and commercial equipment	1,869	227	-	(13)	2,083	(1,475)	8	(73)	(1,540)	**543**
Assets under construction	1,752	18	(1,752)	-	18	-	-	-	-	**18**
Other	919	18	-	(1)	936	(690)	2	(30)	(718)	**218**
Total	**9,297**	**2,313**	**(1,752)**	**28**	**9,886**	**(6,321)**	**(17)**	**(316)**	**(6,654)**	**3,232**

ANNEX 2

Statement of movements in intangible assets and related amortisation

(€000)

Item	Historical cost					Accumulated amortisation				Total
	Balance at 1 Jan 2007	*Increases*	*Decreases*	*Exchange differences*	*Balance at 30 June 2007*	*Balance at 1 Jan 2007*	*Exchange differences*	*Amortisation for the period*	*Balance at 30 June 2007*	**30 June 2007**
Industrial patents and intellectual property rights	995	102	-	-	1,097	(932)	-	(26)	(958)	**139**
Concessions, licences and similar rights	1,324	3	-	(29)	1,298	(779)	17	(77)	(839)	**459**
Intangibles in process	86	87	(86)	-	87	-	-	-	-	**87**
Total	**2,405**	**192**	**(86)**	**(29)**	**2,482**	**(1,711)**	**17**	**(103)**	**(1,797)**	**685**

PARENT COMPANY'S FINANCIAL STATEMENTS

INCOME STATEMENT OF THE PARENT COMPANY, ACOTEL GROUP S.p.A.

(€)	H1 2007	H1 2006
Revenue:	3,800,310	2,813,321
- from subsidiaries	*3,800,310*	*2,813,321*
- other	-	-
Other income:	284,150	212,685
- from subsidiaries	*284,125*	*202,567*
- other	*25*	*10,118*
Total	**4,084,460**	**3,026,006**
Raw materials	(10,205)	(9,794)
External services	(935,883)	(884,709)
- rendered by subsidiaries	*(64,500)*	-
- other	*(871,383)*	*(884,709)*
Rentals and leases	(329,583)	(327,383)
Staff costs	(1,297,179)	(1,417,673)
Amortisation and depreciation	(61,960)	(111,998)
Impairment charges/reversal of impairment charges on non-current assets	(11,410)	(245,961)
Other costs	(35,752)	(19,341)
Finance income:	910,066	658,801
- from subsidiaries	*733,337*	*431,085*
- other	*176,729*	*227,716*
Finance costs	(93,998)	(454,101)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**2,218,556**	**213,847**
Taxation	(958,292)	(274,863)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**1,260,264**	**(61,016)**
Net profit/(loss) from discontinued operations	-	-
NET PROFIT/(LOSS) FOR THE PERIOD	**1,260,264**	**(61,016)**
Earnings per share	0.32	(0.02)
Diluted earnings per share	0.32	(0.02)

BALANCE SHEET OF THE PARENT COMPANY, ACOTEL GROUP S.p.A.
ASSETS

(€)	30 June 2007	31 December 2006
Non-current assets:		
Property, plant and equipment	259,400	573,319
Intangible assets	33,909	1,452,375
Investments:	18,339,791	16,570,701
- investments in subsidiaries	*18,337,541*	*16,568,451*
- investments in other companies	*2,250*	*2,250*
Other non-current assets	25,145,906	24,621,124
- due from subsidiaries	*25,144,252*	*24,619,470*
- other	*1,654*	*1,654*
Deferred tax assets	92,740	201,156
TOTAL NON-CURRENT ASSETS	**43,871,746**	**43,418,675**
Current assets:		
Trade receivables:	3,174,798	3,001,757
- due from subsidiaries	*3,174,618*	*3,001,157*
- other	*180*	*600*
Other current assets:	1,461,076	1,292,739
- due from subsidiaries	*1,371,864*	*1,189,873*
- other	*89,212*	*102,866*
Loans and receivables:	11,121,370	8,099,152
- due from subsidiaries	*11,121,370*	*8,099,152*
Current financial assets	8,105,866	8,023,328
Cash and cash equivalents	823,430	4,047,268
TOTAL CURRENT ASSETS	**24,686,540**	**24,464,244**
NON-CURRENT ASSETS HELD FOR SALE	**-**	**-**
TOTAL ASSETS	**68,558,286**	**67,882,919**

BALANCE SHEET OF THE PARENT COMPANY, ACOTEL GROUP S.p.A.
LIABILITIES AND SHAREHOLDERS' EQUITY

(€)	30 June 2007	31 December 2006
Shareholders' equity:		
Share capital	1,084,200	1,084,200
Share premium reserve	55,106,013	55,106,013
- Treasury shares	(3,872,586)	(3,872,586)
Other reserves	(83,380)	(83,380)
Retained profit/(accumulated losses)	1,996,364	1,349,594
Net profit/(loss) for the period	1,260,264	644,220
TOTAL SHAREHOLDERS' EQUITY	**55,490,875**	**54,228,061**
Non-current liabilities		
Provisions	627,444	616,035
Staff termination benefits	392,421	492,739
Deferred tax liabilities	37,783	17,321
TOTAL NON-CURRENT LIABILITIES	**1,057,648**	**1,126,095**
Current liabilities:		
Current financial liabilities	22	93
Trade payables	640,013	740,210
Tax liabilities	674,005	940,916
Other current liabilities	10,695,723	10,847,544
- due to subsidiaries	*9,732,520*	*9,490,314*
- other	*963,203*	*1,357,230*
TOTAL CURRENT LIABILITIES	**12,009,763**	**12,528,763**
LIABILITIES DIRECTLY ATRIBUTABLE TO NON-CURRENT ASSETS HELD FOR SALE	**-**	**-**
TOTAL LIABILITIES	**13,067,411**	**13,654,858**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**68,558,286**	**67,882,919**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€)	Share capital	Share premium reserve	- Treasury shares	Other reserves	Retained profits	Net profit for the period	TOTAL
Balances at 1 Jan 2006	**1,084,200**	**55,106,013**	**(3,872,586)**	**286,616**	**821,683**	**527,911**	**53,953,837**
Appropriation of net profit for 2005					527,911	(527,911)	**-**
Other movements				3	1		**4**
Net result for the period						(61,016)	**(61,016)**
Balances at 30 June 2006	**1,084,200**	**55,106,013**	**(3,872,586)**	**286,619**	**1,349,595**	**(61,016)**	**53,892,825**
Balances at 1 Jan 2007	**1,084,200**	**55,106,013**	**(3,872,586)**	**(83,380)**	**1,349,594**	**644,220**	**54,228,061**
Appropriation of net profit for 2006					644,220	(644,220)	**-**
Other movements					2,550		**2,550**
Net result for the period						1,260,264	**1,260,264**
Balances at 30 June 2007	**1,084,200**	**55,106,013**	**(3,872,586)**	**(83,380)**	**1,996,364**	**1,260,264**	**55,490,875**

CASH FLOW STATEMENT

(€)	H1 2007	H1 2006
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**12,070,503**	**18,019,412**
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	**(2,628,748)**	**(6,433,397)**
Cash flows from operating activities before changes in working capital	**1,253,777**	**348,363**
Net profit/(loss) for the period	1,260,264	(61,016)
Amortisation and depreciation	61,960	111,998
Net change in staff termination benefits	(100,318)	51,420
Net change in provisions	31,871	245,961
- payable to subsidiaries	*11,409*	*245,961*
- other	*20,462*	*-*
(Increase) / decrease in receivables	(3,363,596)	(8,448,275)
- due from subsidiaries	*(3,377,670)*	*(8,877,363)*
- other	*14,074*	*429,088*
Increase / (decrease) in payables	(518,929)	1,666,515
- due to subsidiaries	*242,206*	*2,217,276*
- other	*(761,135)*	*(550,761)*
C. CASH FLOW FROM (FOR) INVESTING ACTIVITIES	**(515,031)**	**(422,614)**
(Purchases)/disposals of fixed assets:		
- Intangible assets	1,397,082	(130,228)
- Property, plant and equipment	273,343	(169,589)
- Financial assets	(2,185,456)	(122,797)
- subsidiaries	*(2,293,872)*	*(30,897)*
- other	*108,416*	*(91,900)*
D. CASH FLOW FROM (FOR) FINANCING ACTIVITIES	**2,550**	**4**
Other changes in shareholders' equity	2,550	4
E. CASH FLOW FOR THE PERIOD (B+C+D)	**(3,141,229)**	**(6,856,007)**
F. NET CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+E)	**8,929,274**	**11,163,405**