

**QUARTERLY REPORT FOR THE THREE MONTHS
ENDED 30 JUNE 2007**



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
for the three months ended 30 June 2007

(€000)	Note	2007		2006	
		Q2	H1	Q2	H1
Revenues	1	18,933	33,299	20,836	27,163
Other income		10	10	8	13
Total		18,943	33,309	20,844	27,176
Movement in work in progress, semi-finished and finished goods		(1)	(1)	-	2
Raw materials	2	(418)	(639)	(377)	(595)
External services	3	(10,574)	(22,052)	(15,890)	(21,146)
Rentals and leases	4	(378)	(788)	(372)	(718)
Staff costs	5	(3,867)	(7,363)	(3,075)	(6,064)
Amortisation and depreciation	6	(249)	(419)	(229)	(421)
Internal capitalised costs	7	87	87	-	-
Impairment charges/reversal of impairment charges on non-current assets		-	-	-	(1)
Other costs	8	(782)	(1,050)	(348)	(601)
Finance income	9	283	547	212	425
Finance costs	9	(198)	(326)	(742)	(1,015)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		2,846	1,305	23	(2,958)
Taxation	10	(757)	(1,442)	(637)	(1,041)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		2,089	(137)	(614)	(3,999)
Net profit/(loss) from discontinued operations		-	-	-	-
NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS		2,089	(137)	(614)	(3,999)
Net profit/(loss) attributable to minority interests		-	-	-	-
NET PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY		2,089	(137)	(614)	(3,999)
Earnings per share	11	0.53	(0.03)	(0.16)	(1.02)
Diluted earnings per share	11	0.53	(0.03)	(0.16)	(1.02)

ANALYSIS OF CONSOLIDATED NET FUNDS AT 30 JUNE 2007

(€000)

	30 June 2007	31 March 2007	31 December 2006
A. Cash and cash equivalents	10,435	6,162	10,620
B. Assets held for trading	8,744	8,483	8,236
C. Liquidity (A + B)	19,179	14,645	18,856
D. Other current financial assets	6,878	10,347	6,814
E. Current bank borrowings	(76)	(78)	(31)
F. Current portion of non-current debt	(29)	(29)	(29)
G. Current financial liabilities (E + F)	(105)	(107)	(60)
H. Net current funds (C+D+G)	25,952	24,885	25,610
I. Non-current financial liabilities	(163)	(163)	(163)
L. Non-current debt (I)	(163)	(163)	(163)
M. Net funds (H + L)	25,789	24,722	25,447

**NOTES TO THE
CONSOLIDATED
FINANCIAL STATEMENTS**

BASIS OF PRESENTATION

The Acotel Group's quarterly financial statements for the three months ended 30 June 2007 has been prepared under international financial reporting standards (IFRS), as issued by the International Accounting Standards Board (IASB) and in compliance with the related interpretations (IFRIC). The financial statements also take account of the guidelines established in Annex 3D to the Regulations for Issuers introduced by CONSOB Resolution no. 11971 of 14 May 1999 and subsequent amendments and additions.

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, integrated where necessary by the application of standards to take account of aspects not present at that date.

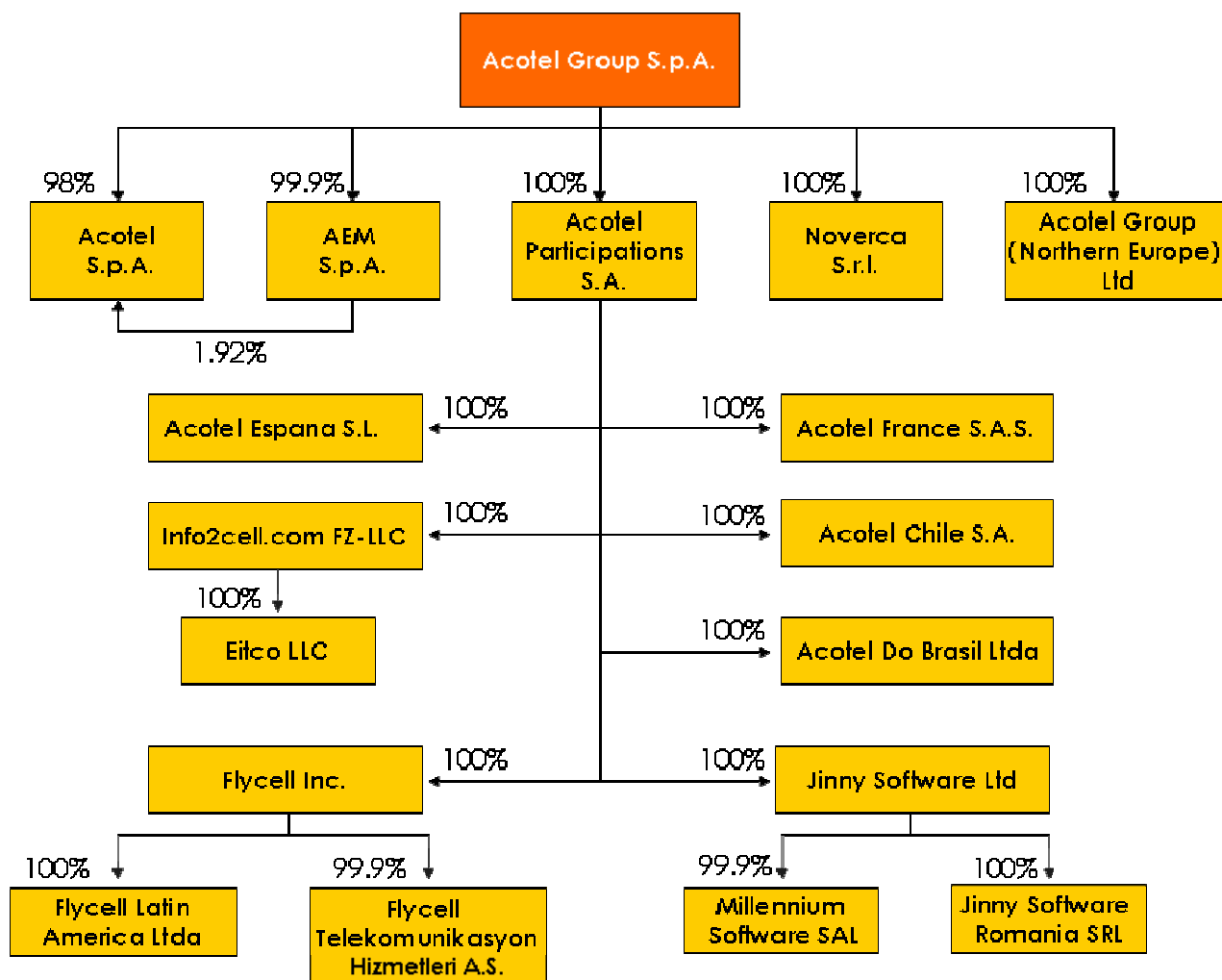
The consolidated financial statements for the three months ended 30 June 2007 have been prepared on the basis of the underlying accounting records at that date, as adjusted in accordance with the matching principle.

Preparation of these financial statements required management to make estimates and assumptions which, based primarily on internal records, essentially have an effect on revenues and costs that have yet to be confirmed by customers and suppliers. Above all, turnover generated by the subsidiary, *Flycell Inc.*, in June and certain related cost items include preliminary figures and estimates that have yet to be confirmed by the mobile transaction network provider, *mBlox Inc.*

Estimates and assumptions are primarily used in order to account for any refunds that may be payable to B2C customers.

In addition, certain evaluation processes, above all the most complex ones relating to the estimate of potential impairments of fixed assets, are generally only fully carried out during preparation of the annual financial statements, unless events or changes in circumstances indicate that there may be an impairment requiring an immediate evaluation of any loss.

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



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	
				Currency	Amount
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	17,310
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	LPD	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	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% (8)	Istanbul	TRY	50,000
Flycell Latin America Conteúdo Para Telefonía 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	RON	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 quarter due to the incorporation by *Jinny Software Ltd.* 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 Telekomünikasyon Hizmetleri A.Ş.* was sold to *Flycell Inc.* in May 2007.

Net funds at 30 June 2007 have been compared with the corresponding amounts at 31 March 2007 and at 31 December 2006.

CONSOLIDATION PRINCIPLES

The consolidated quarterly 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 year is included in the consolidated income statement from the effective acquisition date until the effective disposal date.

Profits and losses and revenues and expenses arising from intercompany transactions are eliminated.

The income statements of overseas subsidiaries based in countries outside the euro area are translated into euros using average exchange rates for the period, as published by the Italian Exchange Office.

OTHER INFORMATION

This quarterly report is unaudited.

The comparative data regarding the second quarter and the first six months of 2006 shown in this report correspond to those published on 10 August 2006 and 29 September 2006, respectively, following approval by the Board of Directors of Acotel Group S.p.A. of the “Quarterly Report for the three months ended 30 June 2006” and the “Interim Report for the six months ended 30 June 2006”.

NOTES TO THE INCOME STATEMENT

Note 1 - Revenue

Revenue by business segment is as follows:

(€000)	2007		2006	
	Q2	H1	Q2	H1
SERVICES	15,655	28,781	19,205	24,761
DESIGN OF ICT EQUIPMENT	3,001	3,925	1,327	1,855
SECURITY SYSTEMS DESIGN	277	593	304	547
	18,933	33,299	20,836	27,163

SERVICES

The “Services” segment includes services supplied directly to end customers (B2C) and the activities carried out for telephone and commercial companies, 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)	Q2			H1		
	2007	2006	Increase/ (Decrease)	2007	2006	Increase/ (Decrease)
B2C services	9,469	13,012	(3,543)	17,609	13,831	3,778
Network Operator services	5,493	4,734	759	9,968	8,825	1,143
Media services	427	645	(218)	773	1,093	(320)
Corporate services	266	814	(548)	431	1,012	(581)
Total	15,655	19,205	(3,550)	28,781	24,761	4,020

In the second quarter of 2007 B2C services continue to be the main type of service provided by the Group. In the first half of 2007 revenues from B2C activities rose by 27% compared with the same period of the previous year. The decrease in the second quarter of 2007 with respect to the same period in the previous year is due to the use of a different criterion for measuring the commercial activities carried out in the USA by *Flycell Inc.* in the first quarter of 2006. Revenues during the second quarter were generated by the US subsidiary, *Flycell Inc.*, (9,394 thousand euros), and the remaining turnover by the subsidiaries *Flycell Telekomünikasyon Hizmetleri A.Ş.*, *Info2cell.com FZ-LLC* and *Flycell Latin America*.

Revenues from value added services (VAS) provided to network operators, amounting to 5,493 thousand euros, are up 759 thousand euros (16%) on the second quarter of 2007. They primarily include revenues from services rendered by the subsidiary, *Acotel SpA*, to *Telecom Italia*, amounting to 3,384 thousand euros for the period, revenues from services rendered by the Brazilian subsidiary, *Acotel do Brasil*, to the Brazilian operators, *TIM Celular* and *TIM Nordeste Telecomunicações*, amounting to 1,113 thousand euros, and revenues generated by activities carried out by *Info2cell* with the main mobile telephony operators in the Middle East, totalling 991 thousand euros. The increase compared with the same period of the previous year is principally due to the performances of the Italian and Middle Eastern subsidiaries.

Revenues from services provided to media companies, amounting to 427 thousand euros, were generated in the Middle East by the subsidiary, *Info2cell* (255 thousand euros), in Brazil by *Acotel do Brasil* (79 thousand euros) and in Italy by *Acotel S.p.A.* (70 thousand euros). Further revenues of this type were generated in Turkey by the subsidiary *Flycell Telekomünikasyon Hizmetleri A.Ş.*

Revenues from corporate services amount to 266 thousand euros and primarily regard turnover generated by services provided by *Acotel SpA* to Italian banks (238 thousand euros). The remaining turnover derives from services provided to *ACEA S.p.A.* and *Flycell Telekomünikasyon Hizmetleri A.Ş.* by *AEM S.p.A.*

DESIGN OF ICT EQUIPMENT

Revenues from ICT equipment design in the first quarter of 2007 amount to 3,001 thousand euros, marking a sharp increase of 1,327 thousand euros on the same period of 2006. Revenues in this line of business are generated by *Jinny Software*, above all on supply and maintenance contracts in place with mobile operators in North America, the Middle East, Africa, Latin America, Asia and Europe.

The 126% increase with respect to the same period of the previous year reflects the commercial rollout of the new platforms developed in 2006, and strengthening of the internal sales force, through the recruitment of sales staff, and the external sales force, due to the effects of agreements signed with channel partners, who include products developed by *Jinny Software* in their offerings.

SECURITY SYSTEMS DESIGN

Revenues from the design of electronic security systems amount to 277 thousand euros, down slightly (9%) compared with the second quarter of 2006. They 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 for certain companies in the *ACEA Group*.

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

(€000)	2007				2006			
	Q2	%	H1	%	Q2	%	H1	%
NORTH AMERICA	9,446	49.8%	17,723	53.2%	12,988	62.3%	13,695	50.4%
ITALY	3,994	21.1%	7,609	22.9%	3,236	15.5%	6,523	24.0%
AFRICA	1,828	9.7%	1,890	5.7%	240	1.2%	341	1.2%
MIDDLE EAST	1,683	8.9%	2,538	7.6%	2,191	10.5%	3,326	12.2%
LATIN AMERICA	1,317	7.0%	2,666	8.0%	1,767	8.5%	2,691	9.9%
ASIA	505	2.7%	616	1.8%	-	0.0%	-	0.0%
OTHER EUROPEAN COUNTRIES	160	0.8%	257	0.8%	414	2.0%	587	2.2%
	18,933	100%	33,299	100%	20,836	100%	27,163	100%

The geographical revenue breakdown for the second quarter of 2007 reflects the Group's continuous efforts to expand its businesses in new geographical areas. Indeed, in addition to the activities carried out in the United States, Europe, the Middle East and Latin America via the subsidiary, *Jinny Software*, the Group has begun to generate substantial revenues in Africa and Asia from the sale of its own platforms.

Note 2 – Raw materials

The cost of raw materials during the period, amounting to 418 thousand euros, refers principally to the purchase of materials for the construction of telecommunications systems and security systems by *Jinny Software* (333 thousand euros) and AEM S.p.A. (75 thousand euros), respectively.

Note 3 - External services

The cost of external services amounts to 10,574 thousand euros for the second quarter of 2007, compared with 15,890 thousand euros in the same period of 2006. The most significant components in this item include promotional costs (3,599 thousand euros) incurred by the US subsidiary, *Flycell Inc.*, in order to raise market awareness of its services and increase its customer base, and the costs (3,376 thousand euros) charged by US telephone operators and the mobile transaction network provider, *mBlox*, for transport and collection services.

Other significant cost items consist of expenses incurred for the acquisition of editorial content from external content providers (1,263 thousand euros); commercial, administrative, legal and technical consultancy fees incurred to support the Group's activities, technical and technological upgrading of management systems and the development of services and equipment for the outsourcing of certain administrative and legal activities (410 thousand euros); travel expenses (356 thousand euros); and the purchase of SMS packages from mobile operators (354 thousand euros).

Service costs also include telephone costs (194 thousand euros), the cost of remuneration paid to directors and statutory auditors (151 thousand euros) and auditing costs (117 thousand euros).

The balance refers to other general expenses (utilities, management and maintenance of the properties occupied by Group companies, insurance, etc.) connected to ordinary operations.

Note 4 – Rentals and leases

Rentals and leases amount to 378 thousand euros and mainly include rentals on offices occupied by Group companies.

Note 5 - Staff costs

Staff costs include:

(€000)	2007		2006	
	Q2	H1	Q2	H1
Salaries and wages	3,004	5,718	2,292	4,497
Social security contributions	490	947	438	875
Staff termination benefits	68	130	57	124
Finance costs	(16)	(22)	(9)	(19)
Other costs	321	590	297	587
Total	3,867	7,363	3,075	6,064

The number of staff by category at 30 June 2007 and a comparison of the average number for the second quarters and the first six months of 2007 and 2006 are reported in the following schedule:

	30 June 2006	Average Q2 2007	Average Q2 2006	Average H1 2007	Average H1 2006
Managers	18	18	19	19	18
Supervisors	31	31	30	32	30
White- and blue-collar staff	274	267	226	264	221
Total	323	316	275	315	269

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

	30 June 2007	30 June 2006
Italy	90	97
Ireland	26	21
Lebanon	57	49
Brazil	21	17
United Arab Emirates	17	16
Jordan	62	52
USA	45	30
Turkey	2	-
Malaysia	3	-
Total	323	282

As noted above, the increase in staff costs is essentially due to the greater number of people employed by the Group, which in turn reflects the Group's expansion, above all overseas.

Note 6 - Amortisation and depreciation

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

	2007		2006	
	Q2	H1	Q2	H1
(€000)				
Amortisation of non-current intangible assets	46	103	69	135
Depreciation of property, plant and equipment	203	316	160	286
Total	249	419	229	421

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 mainly refers to depreciation of the telecommunications equipment and infrastructures 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 quarter of 2007 on the development of new products that have not yet been marketed.

Note 8 - Other costs

Other costs amount to 782 thousand euros for the second quarter of 2007 and include 330 thousand euros for charges relating to settlement of a legal dispute, 174 thousand euros for indirect taxes due from *Acotel do Brasil* in compliance with local legislation and 70 thousand euros for SIAE rights due from *Acotel S.p.A.*

The balance includes other general expenses and charges incurred by Group companies in connection with their ordinary activities.

Note 9 - Finance income and costs

Net finance income of 85 thousand euros for the second quarter of 2007 breaks down as follows:

(€000)	2006		2005	
	Q2	H1	Q2	H1
Interest income from investments	231	438	192	391
Interest income on bank deposits	39	78	16	27
Foreign exchange gains	10	23	-	-
Other interest income	3	8	4	7
Total finance income	283	547	212	425
Interest expense and bank charges	(67)	(92)	(32)	(76)
Foreign exchange losses	(89)	(180)	(694)	(913)
Other interest expense	(10)	(22)	(10)	(20)
Impairment of current financial assets	(32)	(32)	(6)	(6)
Total finance costs	(198)	(326)	(742)	(1,015)
Net finance income/(costs)	85	221	(530)	(590)

Interest income from investments includes gains on investment of the Group's liquidity in short-term instruments.

The balance of foreign exchange gains and losses reflects the negative impact of closing exchange rates on the value of intercompany loans originally disbursed in dollars.

Note 10 - Taxation

Taxation for the period, amounting to 757 thousand euros, reflects estimated income taxes and deferred tax assets and liabilities recognised by Group companies.

Note 11 - Earnings per share

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

(€000)	2007		2006	
	Q2	H1	Q2	H1
Net profit/(loss) (€000)	2,089	(137)	(614)	(3,999)
Number of shares (000)				
Shares in circulation at the start of the period *	3,916	3,916	3,916	3,961
Weighted average of treasury shares acquired/sold in the period	-	-	-	53
Weighted average of ordinary shares in circulation	3,916	3,916	3,916	3,908
Basic and diluted earnings per share **	0.53	(0.03)	(0.16)	(1.02)

* : net of treasury shares held at the same date.

** : basic earnings per share for the second quarters and the first six months of 2007 and 2006 coincides with diluted earnings per share as the conditions provided for by IAS 33 do not exist.

NET FUNDS

Net funds at 30 June 2007 are up on 31 March 2007 (1.1 million euros) and on the end of the previous year (0.4 million euros), demonstrating the Group's capacity to support its expansion through self-financing of operations, which primarily entails incurring substantial promotional costs and increased staff costs.

DIRECTORS' FINANCIAL AND OPERATING REVIEW

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€000)	Q2				H1			
	2007	2006	Increase/(Decrease)		2007	2006	Increase/(Decrease)	
Revenues	18,933	20,836	(1,903)	-9%	33,299	27,163	6,136	23%
Other income	10	8	2	25%	10	13	(3)	-23%
Totale	18,943	20,844	(1,901)	-9%	33,309	27,176	6,133	23%
Gross operating profit/(loss)	3,010	782	2,228	285%	1,503	(1,946)	3,449	177%
Operating profit/(loss)	2,761	553	2,208	399%	1,084	(2,368)	3,452	146%
Net finance income/(costs)	85	(530)	615	116%	221	(590)	811	137%
PROFIT/(LOSS) BEFORE TAX	2,846	23	2,823	12274%	1,305	(2,958)	4,263	144%
Taxation	(757)	(637)	(120)	19%	(1,442)	(1,041)	(401)	39%
NET PROFIT/(LOSS) ATTRIBUTABLE TO PARENT COMPANY	2,089	(614)	2,703	440%	(137)	(3,999)	3,862	97%
Earnings per share	0.53	(0.16)	0.69	440%	(0.03)	(1.02)	0.99	97%
Diluted earnings per share	0.53	(0.16)	0.69	440%	(0.03)	(1.02)	0.99	97%

If compared with the results for the same period of the previous year, the Acotel Group's performance for the second quarter of 2007 shows a slight decrease in revenue and substantial growth in all profit margins.

The decrease in the second quarter of 2007 with respect to the same period in the previous year is due to the use of a different criterion for measuring the commercial activities carried out in the USA by *Flycell Inc.* in the first quarter of 2006.

However, the second-quarter turnovers reported by the subsidiaries, *Jinny Software* and *Acotel S.p.A.*, marked an improvement on the same period of the previous year.

The gross operating profit (EBITDA) for the second quarter of 3,010 thousand euros, is up substantially (285%) on the profit of 782 thousand euros recorded in the same period of 2006. The improvement was primarily due to better performances from 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 249 thousand euros, the Group's operating profit (EBIT) totals 2,761 thousand euros, compared with a profit of 553 thousand euros for the same period of 2006.

After net finance income of 85 thousand euros and taxation for the period, estimated at around 757 thousand euros, the net profit for the period is 2,089 thousand euros, representing a significant improvement on the loss recorded in the same period of 2006, amounting to 614 thousand euros.

OUTLOOK

In addition to its consolidated lines of business, during the second half of 2007 the Group will be engaged in drawing up the final agreements provided for in the memorandum of understanding signed with Intesa SanPaolo on 20 July 2007. Under these agreements the bank will become a core shareholder in Acotel Group S.p.A., with an interest of 4.75%, and also take a 10% interest in Noverca S.r.l. and a 34% interest in the newly established Noverca Italia S.r.l.

Whilst undoubtedly significant from a corporate and financial standpoint, the deal that is being completed with Intesa SanPaolo is even more important in terms of business growth as, through preferential access to the bank's customers, it will give a strong boost to the Group's Noverca initiative launched via the portal www.noverca.com in June.

Noverca 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.