QUARTERLY REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2007

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
For the three and nine months ended 30 September 2007

(€000)	Note	2007 Q3	2007 9M	2006 Q3	2006 9M
Revenues	1	15,733	48,979	19,138	46,045
Other income		-	10	-	13
Total revenue		**15,733**	**48,989**	**19,138**	**46,058**
Movements in work in progress, semi-finished and finished goods		65	64	(5)	(3)
Raw materials	2	(269)	(908)	(388)	(983)
External services	3	(11,338)	(33,413)	(13,915)	(35,061)
Leases and rentals	4	(359)	(1,147)	(353)	(1,071)
Staff costs	5	(3,596)	(11,019)	(2,990)	(9,054)
Amortisation and depreciation	6	(299)	(718)	(206)	(627)
Internal capitalised costs		-	87	-	-
Impairment charges/reversal of impairment charges on non-current assets		-	-	(35)	(36)
Other costs	7	(306)	(1,317)	(315)	(916)
Finance income	8	217	764	307	661
Finance costs	8	(142)	(436)	(43)	(981)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(294)**	**946**	**1,195**	**(2,013)**
Taxation	9	(698)	(2,131)	(632)	(1,673)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(992)**	**(1,185)**	**563**	**(3,686)**
Net profit/(loss) from discontinued operations		-	-	-	-
NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**(992)**	**(1,185)**	**563**	**(3,686)**
Net profit/(loss) attributable to minority interests		-	-	-	-
NET PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY		**(992)**	**(1,185)**	**563**	**(3,686)**
Earnings per share	10	(0.25)	(0.30)	0.14	(0.94)
Diluted earnings per share	10	(0.25)	(0.30)	0.14	(0.94)

ANALYSIS OF CONSOLIDATED NET FUNDS AT 30 SEPTEMBER 2007

(€000)

	30-Sep-07	30-Jun-07	31-Dec-06
A. Cash and cash equivalents	10,343	10,435	10,620
B. Assets held for trading	8,880	8,744	8,236
C. Liquidity (A + B)	**19,223**	**19,179**	**18,856**
D. Other current financial assets	**6,598**	**6,878**	**6,814**
E. Current bank borrowings	(68)	(76)	(31)
F. Current portion of non-current debt	(29)	(29)	(29)
G. Current financial liabilities (E + F)	**(97)**	**(105)**	**(60)**
H. Net current funds (C+D+G)	**25,724**	**25,952**	**25,610**
I. Non-current financial liabilities	(163)	(163)	(163)
L. Non-current debt (I)	**(163)**	**(163)**	**(163)**
M. Net funds (H + L)	**25,561**	**25,789**	**25,447**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The Acotel Group's quarterly financial statements for the three months ended 30 September 2007 have been prepared under international financial reporting standards (IFRS), as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.
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.

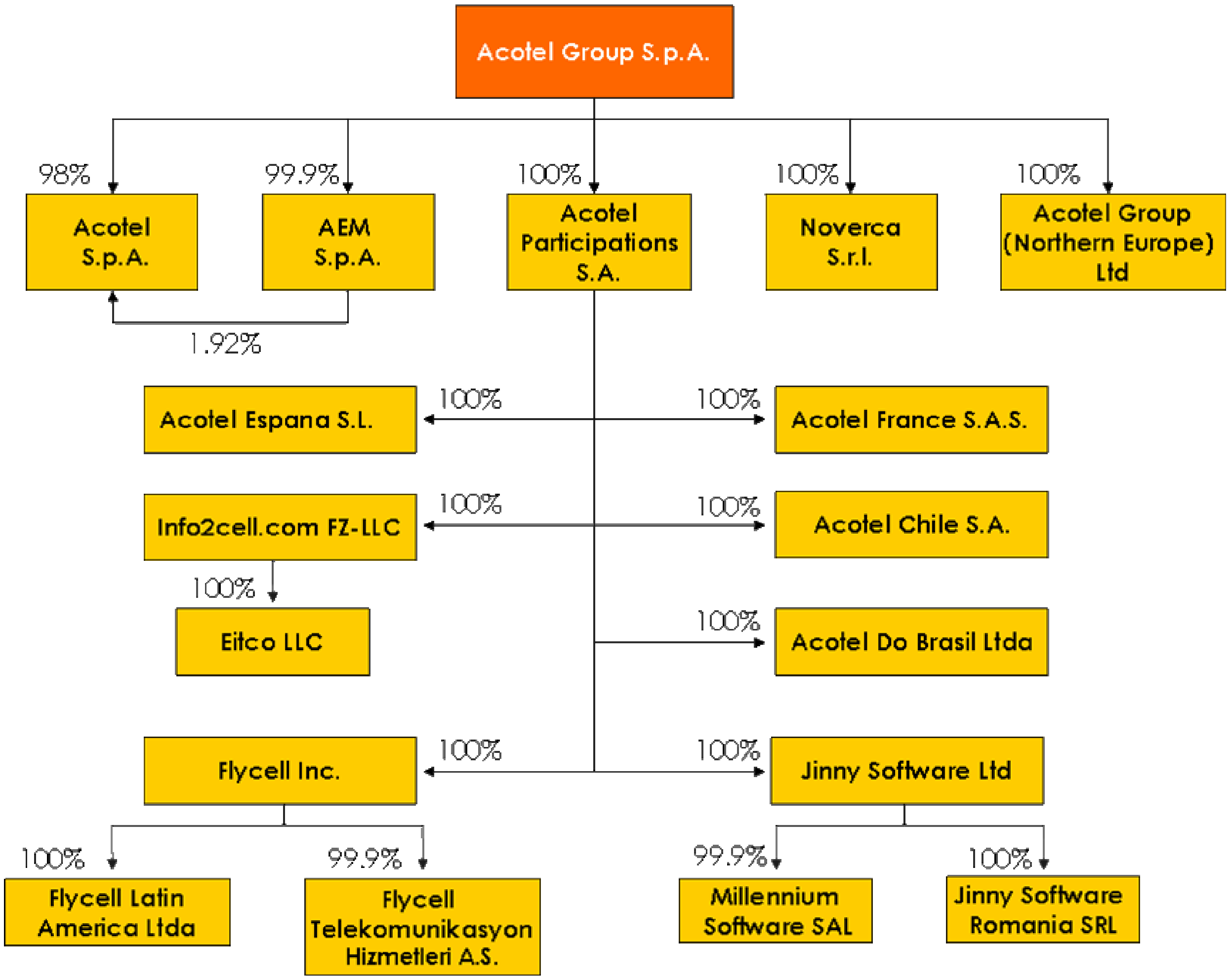
The consolidated financial statements for the three months ended 30 September 2007 have been prepared on the basis of the underlying accounting records at that date, as adjusted in accordance with the matching principle.

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.*, 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 September 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	
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	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	10,000
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 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	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.

Net funds at 30 September 2007 have been compared with the corresponding amounts at 30 June 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.

NOTES TO THE INCOME STATEMENT

Note 1 - Revenue

Revenue by business segment is as follows:

(€000)	2007 Q3	2007 9M	2006 Q3	2006 9M
SERVICES	14,483	43,230	17,384	42,145
DESIGN OF ICT EQUIPMENT	831	4,737	1,478	3,077
SECURITY SYSTEMS DESIGN	419	1,012	276	823
	15,733	**48,979**	**19,138**	**46,045**

SERVICES

The Services business 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)	Q3 2007	Q3 2006	Q3 Increase/ (Decrease)	9M 2007	9M 2006	9M Increase/ (Decrease)
B2C services	8,262	12,212	(3,950)	25,836	26,043	(207)
Network Operator services	5,533	4,248	1,285	15,502	13,073	2,429
Corporate services	459	425	34	890	1,437	(547)
Media services	229	499	(270)	1,002	1,592	(590)
Total	**14,483**	**17,384**	**(2,901)**	**43,230**	**42,145**	**1,085**

As in the previous quarter, in the third quarter of 2007 B2C services continue to be the main type of service provided by the Group. These revenues include 8,166 thousand euros generated by the US subsidiary, *Flycell Inc.*, with the remainder generated by the subsidiaries, *Flycell Telekomünicasyon Hizmetleri A.Ş*, *Flycell Latin America* and *Noverca S.r.l.*
In the first nine months of the year B2C revenues were substantially in line with those of the same period in the previous year, whilst the decrease in performance registered in the third quarter is essentially due to temporary market contingencies experienced by the US subsidiary Flycell Inc. during the period. This reduction led us to cut back promotional activities, which is also reflected in a sharp drop in service costs.

Revenues from value added services (VAS) provided to network operators, amounting to 5,533 thousand euros, are up 30% on the third quarter of 2006. They primarily include revenues from services rendered by the subsidiary, *Acotel S.p.A.*, to *Telecom Italia*, which amount to 3,205 thousand euros in the third quarter, revenues from services rendered by the Brazilian subsidiary, *Acotel do Brasil*, to the Brazilian operators, *TIM Celular* and *TIM Nordeste Telecomunicaçoes*, amounting to 1,595 thousand euros, and revenues generated by activities carried out by *Info2cell* with the main mobile telephony operators in the Middle East, totalling 729 thousand euros. The increase compared with the same period of the previous year is essentially due to the higher turnovers reported by the Italian, Brazilian and Middle Eastern subsidiaries.

Revenues from corporate services amount to 459 thousand euros, up 8% on the same period in the previous year, of which 325 thousand euros were generated by the Italian operations of *Acotel S.p.A.*, which primarily serves banks. The remainder derives from the subsidiaries, *Info2cell, AEM S.p.A*., *Noverca S.r.l.* and *Flycell Telekomünicasyon Hizmetleri A.Ş.*

Revenues from services provided to media companies, amounting to 229 thousand euros, are down compared with the third quarter of 2006. Such revenues were primarily generated in the Middle East by the subsidiary *Info2cell* and, in Italy, by *Acotel S.p.A*.

DESIGN OF ICT EQUIPMENT

Revenues from this line of business, amounting to 831 thousand euros in the third quarter of 2007, are generated by *Jinny Software* from supply and maintenance contracts in place with mobile operators in the Middle East, Africa, Latin America, Asia and Europe. In the first nine months of 2007 revenues from ICT equipment design were up 54% on the same period of 2006. The reduction during the third quarter is considered to be insignificant as the orders carried out by *Jinny Software* cannot be accurately assessed with reference to such a short period.

SECURITY SYSTEMS DESIGN

Revenues from the design of electronic security systems amount to 419 thousand euros and are entirely generated by the subsidiary, *AEM S.p.A.* Such revenues, which are up 52% on the figure for the third quarter of 2006, 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)	2007 Q3	%	2007 9M	%	2006 Q3	%	2006 9M	%
NORTH AMERICA	8,166	51.9%	25,854	52.8%	12,090	63.2%	25,785	56.0%
ITALY	4,055	25.8%	11,664	23.8%	3,299	17.2%	9,822	21.3%
LATIN AMERICA	1,781	11.3%	4,447	9.1%	1,351	7.1%	4,042	8.8%
MIDDLE EAST	1,202	7.6%	3,740	7.6%	1,838	9.6%	4,599	10.0%
AFRICA	256	1.6%	2,128	4.3%	442	2.3%	783	1.7%
OTHER EUROPEAN COUNTRIES	171	1.1%	428	0.9%	74	0.4%	405	0.9%
ASIA	102	0.7%	718	1.5%	44	0.2%	609	1.3%
	15,733	**100%**	**48,979**	**100%**	**19,138**	**100%**	**46,045**	**100%**

The geographical revenue breakdown for the third quarter of 2007 reflects the Acotel Group’s significant presence in Italy and overseas.

Note 2 – Raw materials

The cost of raw materials during the period, amounting to 269 thousand euros, refers principally to the purchase of materials for the construction of telecommunications systems and security systems by *AEM S.p.A.* (164 thousand euros) and *Jinny Software* (85 thousand euros).

Note 3 - External services

The cost of external services amounts to 11,338 thousand euros for the third quarter of 2007, compared with 13,915 thousand euros in the same period of 2006. The most significant components of this item include promotional costs (4,754 thousand euros) incurred by the subsidiary, *Flycell Inc.*, to raise awareness of the company’s services in the market and increase its customer base, and costs (3,234 thousand euros) charged by US mobile operators and the transaction network provider, *mBlox*.
In addition to the above costs, the most significant items regard the cost of acquiring content from external content providers (1,417 thousand euros), marketing, administrative, legal and technical consulting fees incurred by Group companies (362 thousand euros), the cost of purchasing SMS packages from mobile operators (294 thousand euros) and travel expenses (269 thousand euros).
Service costs also include remuneration paid to directors and statutory auditors (156 thousand euros) and telephone costs (117 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 359 thousand euros, mainly includes rentals on offices occupied by Group companies.

Note 5 - Staff costs

Staff costs include:

(€000)	2007 Q3	2007 9M	2006 Q3	2006 9M
Salaries and wages	2,839	8,621	2,255	6,752
Social security contributions	447	1,394	401	1,276
Staff termination benefits	69	195	61	185
Finance costs	(12)	(34)	(3)	(22)
Other costs	253	843	276	863
Total	**3,596**	**11,019**	**2,990**	**9,054**

The number of staff by category at 30 September 2007, compared with the average number for the third quarters and the first nine months of 2007 and 2006, is reported in the following schedule:

	30 Sep 2006	Average Q3 2007	Average Q3 2006	Average 9M 2007	Average 9M 2006
Managers	17	18	19	17	18
Supervisors	29	30	30	31	29
White- and blue-collar staff	302	288	234	274	224
Total	**348**	**336**	**283**	**322**	**271**

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

	30 Sep 2007	30 Sep 2006
Italy	91	95
Jordan	70	50
Lebanon	66	49
USA	49	35
Ireland	27	24
Brazil	20	16
United Arab Emirates	19	15
Malaysia	4	-
Turkey	2	-
Total	**348**	**284**

The increase in staff costs compared with the third quarter of 2006 is primarily connected with the expansion of the Group's overseas subsidiaries.

Note 6 - Amortisation and depreciation

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

	2007		**2006**	
(€000)	**Q3**	**9M**	**Q3**	**9M**
Amortisation of non-current intangible assets	51	154	68	203
Depreciation of property, plant and equipment	248	564	138	424
Total	**299**	**718**	**206**	**627**

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 - Other costs

Other costs amount to 306 thousand euros for the third quarter of 2007, including 230 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.

Note 8 - Finance income and costs

Net finance income of 75 thousand euros breaks down as follows:

(€000)	2007 Q3	2007 9M	2006 Q3	2006 9M
Interest income from investments	170	608	202	593
Interest income on bank deposits	39	117	24	51
Foreign exchange gains	5	28	79	8
Other interest income	3	11	2	9
Total finance income	**217**	**764**	**307**	**661**
Interest expense and bank charges	(36)	(128)	(32)	(108)
Foreign exchange losses	(90)	(270)	-	(842)
Other interest expense	(16)	(38)	(11)	(31)
Total finance costs	**(142)**	**(436)**	**(43)**	**(981)**
Net finance income/(costs)	**75**	**328**	**264**	**(320)**

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

Note 9 - Taxation

Taxation for the period, amounting to 698 thousand euros, reflects estimated income taxes and deferred tax assets and liabilities recognised by Group companies.

Note 10 - Earnings per share

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

(€000)	2007 Q3	2007 9M	2006 Q3	2006 9M
Net profit/(loss) (€000)	**(992)**	**(1,185)**	**563**	**(3,686)**
Number of shares (000)				
Shares in circulation at the start of the period *	3,916	3,916	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**	**3,916**	**3,961**
**Basic and diluted earnings per share ** **	**(0.25)**	**(0.30)**	**0.14**	**(0.94)**

* : net of treasury shares held at the same date.
**: basic earnings for the third quarters and first nine months of 2007 and 2006 coincide with diluted earnings per share as the conditions provided for by IAS 33 do not exist.

NET FUNDS

Net funds at 30 September 2007, amounting to 25,561 thousand euros, are substantially in line with 30 June 2007 (down 0.2 million euros) and 31 December 2006 (up 0.1 million euros). This reflects the Group's capacity to self-finance its expansion, which primarily entails the incurring of substantial promotional expenses and increased staff costs.

DIRECTORS' FINANCIAL AND OPERATING REVIEW

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€000)	Q3				9M			
	2007	2006	Increase/(Decrease)		2007	2006	Increase/(Decrease)	
Revenues	15,733	19,138	(3,405)	(18%)	48,979	46,045	2,934	6%
Other income	-	-	-	-	10	13	(3)	(23%)
Total revenue	**15,733**	**19,138**	**(3,405)**	**(18%)**	**48,989**	**46,058**	**2,931**	**6%**
Gross operating profit/(loss)	**(70)**	**1,172**	**(1,242)**	**(106%)**	**1,336**	**(1,030)**	**3,804**	**369%**
Operating profit/(loss)	**(369)**	**931**	**(1,300)**	**(140%)**	**618**	**(1,693)**	**3,859**	**228%**
Net finance income/(costs)	75	264	(189)	(72%)	328	(320)	648	203%
PROFIT/(LOSS) BEFORE TAX	**(294)**	**1,195**	**(1,489)**	**(125%)**	**946**	**(2,013)**	**4,507**	**224%**
NET PROFIT/(LOSS) ATTRIBUTABLE TO PARENT COMPANY	**(992)**	**563**	**(1,555)**	**(276%)**	**(1,185)**	**(3,686)**	**4,049**	**110%**
Earnings per share	(0.25)	0.14			(0.30)	(0.94)		
Diluted earnings per share	(0.25)	0.14			(0.30)	(0.94)		

Compared with the same period of the previous year, the Acotel Group's performance in the third quarter of 2007 registers a decrease in revenue and a deterioration across all profit margins. However, these performances are encouraging if taken into account within the first nine months of the year which, compared with the same period of 2006, reports a slight increase in revenue (6%) and substantial growth in profit margins.

The decrease in revenues during the quarter derives primarily from the commercial activities carried out by the subsidiary, *Flycell Inc*.
However, the third-quarter revenues reported by the subsidiaries, *Acotel S.p.A.* and *Acotel do Brasil*, marked an improvement on the same period of the previous year.

The consolidated gross operating loss of 70 thousand euros marks a deterioration compared with the figure for the third quarter of 2006. In addition to a decrease in revenue registered in the period, this result was also influenced by higher staff costs.

After amortisation and depreciation of 299 thousand euros, the consolidated operating loss amounts to 369 thousand euros.

After net finance income of 75 thousand euros and estimated taxation for the period, amounting to 698 thousand euros, the net loss for the third quarter of 2007 totals 992 thousand euros.

OUTLOOK

The Group's expansion strategy, already described in the Interim Report for the six months ended 30 June 2007, will remain unchanged in the immediate future. Growth targets, together with development of the new commercial offering regarding IP communications services offered under the Noverca brand, will continue to be the main priorities.
Regarding this initiative, in accordance with the provisions of the memorandum of understanding signed on 20 July 2007, which is fully described in the press release of the same date, the activities of the joint Intesa SanPaolo/Acotel working group are continuing. Such activities are designed to enable the Intesa SanPaolo bank to become a shareholder in Acotel Group S.p.A, Noverca S.r.l. and the newly incorporated Noverca Italia S.r.l.