QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 DECEMBER 2006

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
for the three months and year ended 31 December 2006

(€000)	Note	2006 Q4	2006 FY	2005 Q4	2005 FY
Revenues	1	17,171	63,216	9,141	27,926
Other income		62	75	4	94
Total revenue		**17,233**	**63,291**	**9,145**	**28,020**
Movement in work in progress, semi-finished and finished goods		2	(1)	(14)	(10)
Raw materials	2	(853)	(1,836)	(599)	(1,523)
External services	3	(7,335)	(42,396)	(3,367)	(13,140)
Rentals and leases	4	(435)	(1,506)	(360)	(1,422)
Staff costs	5	(3,554)	(12,608)	(2,955)	(10,271)
Amortisation and depreciation	6	(187)	(814)	(227)	(923)
Capitalised internal costs	7	997	997	-	-
Impairment charges/reversal of impairment charges on non-current assets		(1)	(37)	-	-
Other costs	8	(322)	(1,238)	(351)	(989)
Finance income	9	456	1,117	344	1,345
Finance costs	9	(490)	(1,471)	(54)	(209)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**5,511**	**3,498**	**1,562**	**878**
Taxation	10	(569)	(2,242)	(576)	(1,439)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**4,942**	**1,256**	**986**	**(561)**
Net profit/(loss) from discontinued operations		-	-	-	-
NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**4,942**	**1,256**	**986**	**(561)**
Net profit/(loss) attributable to minority interests		-	-	-	-
NET PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY		**4,942**	**1,256**	**986**	**(561)**
Earnings per share	11	1.26	0.32	0.25	(0.14)
Diluted earnings per share	11	1.26	0.32	0.25	(0.14)

ANALYSIS OF CONSOLIDATED NET FUNDS AT 31 DECEMBER 2006

(€000)

	31 Dec 2006	30 Sept 2006	30 June 2006	31 Dec 2005
Current financial assets	15,049	15,748	17,817	19,761
Cash and cash equivalents	10,620	6,228	5,775	11,395
Current financial liabilities	(60)	(234)	(28)	(33)
Net cash and cash equivalents (A)	**25,609**	**21,742**	**23,564**	**31,123**
Medium/long-term borrowings	(163)	(193)	(193)	(193)
Medium/long-term debt (B)	**(163)**	**(193)**	**(193)**	**(193)**
Net funds (A)+(B)	**25,446**	**21,549**	**23,371**	**30,930**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The Acotel Group's quarterly financial statements for the three months and full year ended 31 December 2006 have 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 2005, integrated where necessary by the application of standards to take account of aspects not present at that date.

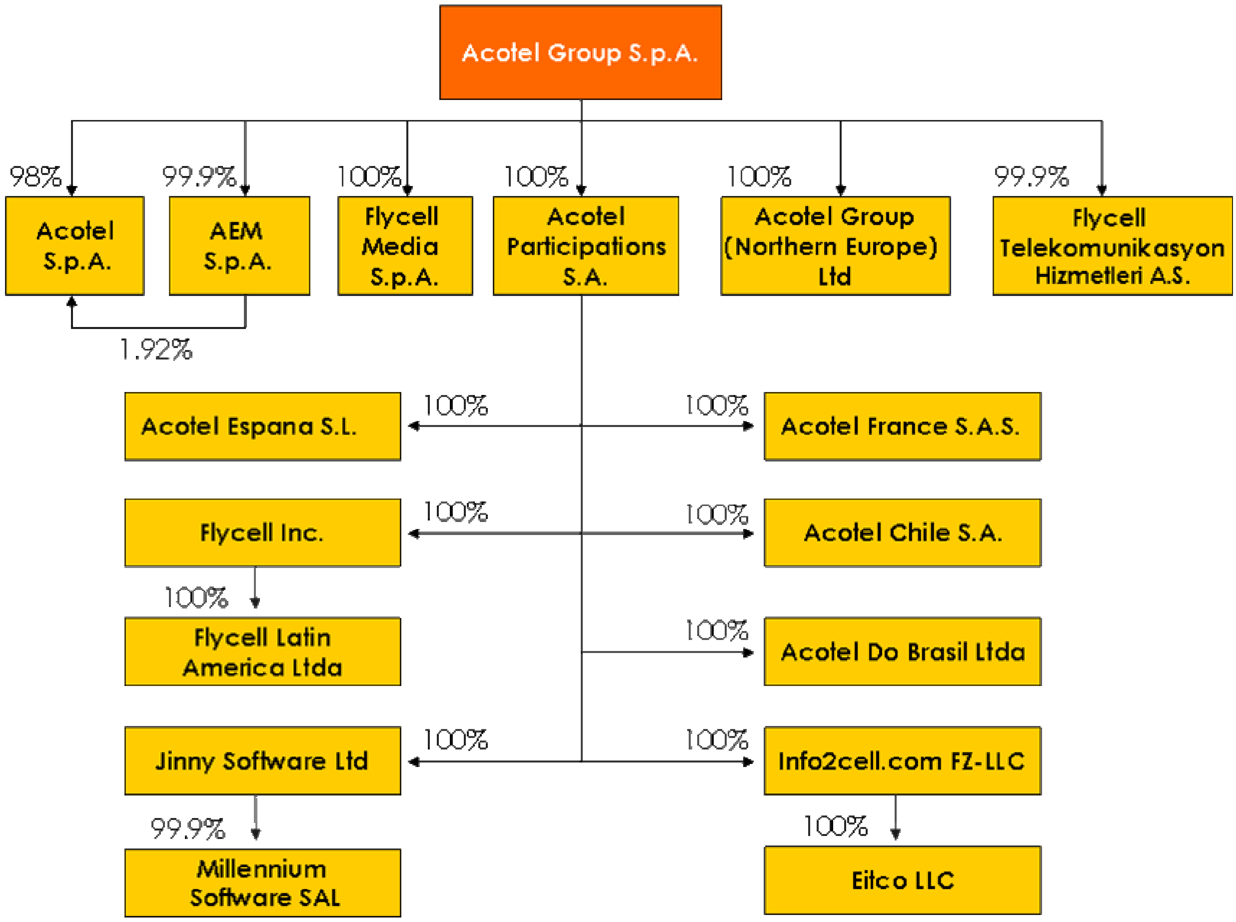
The consolidated financial statements for the three months and full year ended 31 December 2006 have been prepared on the basis of the underlying accounting records at that date, as adjusted in accordance with the matching principle.

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 December 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. Further information on the method of calculation adopted is provided in the interim report for 2006.

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 31 December 2006:



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	17,310
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

Flycell Media S.p.A.	10 July 2002 (2)	100%	Rome	EURO	400,000
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 (8)	100%	Rio de Janeiro	BRL	250,000

(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 LLC-FZ.
(8) Controlled via Flycell Inc.

In December 2006 *Acotel Partecipations S.A.* sold its interest in *Flycell Media S.p.A.* to *Acotel Group S.p.A.*. The subsidiary then changed its name to *Noverca S.p.A.* in January 2007.

Net funds at 31 December 2006 have been compared with the corresponding amounts at 30 September 2006, 30 June 2006 and 31 December 2005.

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 period 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)	2006 Q4	2006 FY	2005 Q4	2005 FY
SERVICES	13,167	55,312	5,991	20,947
DESIGN OF ICT EQUIPMENT	3,125	6,201	2,832	5,640
SECURITY SYSTEMS DESIGN	879	1,703	318	1,339
	17,171	**63,216**	**9,141**	**27,926**

SERVICES

The Group's "Services" business generated revenue of 13,167 thousand euros during the fourth quarter of 2006, representing growth of 120% on the same period of the previous year. This line of 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)	Q4 2006	Q4 2005	Q4 Increase/ (Decrease)	FY 2006	FY 2005	FY Increase/ (Decrease)
B2C services	7,973	346	7,627	33,956	1,025	32,931
Network Operator services	4,597	4,620	(23)	17,730	16,116	1,614
Media services	466	353	113	2,058	1,051	1,007
Corporate services	131	531	(400)	1,568	2,614	(1,046)
Software development	-	141	(141)	-	141	(141)
Total	**13,167**	**5,991**	**7,176**	**55,312**	**20,947**	**34,365**

For the fourth quarter of 2006 B2C services, which account for around 61% of total turnover from the Services business, include 7,934 thousand euros generated by the US subsidiary, *Flycell Inc.*. The remainder was generated by the subsidiaries, *Flycell Telekomünicasyon Hizmetleri A.Ş.* and *Info2cell.com FZ-LLC.*

Revenues from value added services (VAS) provided to network operators, amounting to 4,597 thousand euros, are essentially in line with the figure for the same period of 2005.

They primarily include revenues from services rendered by the subsidiary, *Acotel S.p.A,* to *Telecom Italia,* amounting to 2,944 thousand euros for the period, revenues from services rendered by the Brazilian subsidiary, *Acotel do Brasil*, to the Brazilian operators, *TIM Celular*, *TIM Sul, Maxitel* and *TIM Nordeste Telecomunicaçoes,* amounting to 1,070 thousand euros, and revenues generated by activities carried out by *Info2cell* with the main mobile telephony operators in the Middle East, totalling 568 thousand euros.

Revenues from services provided to media companies, amounting to 466 thousand euros, are up 32% on the fourth quarter of 2005. Such revenues were generated in the Middle East by the subsidiary, *Info2cell* (248 thousand euros), in Italy by *Acotel S.p.A.* (101 thousand euros) via the supply of services connected to certain programmes run by the television broadcasters, *MTV*, *RAI* and *LA7*, in Brazil (73 thousand euros) via the services provided by *Acotel do Brasil* to the radio broadcaster, *Radio Globo*, and in Turkey (44 thousand euros) by the subsidiary, *Flycell Telekomünicasyon Hizmetleri A.Ş.*

Revenues from corporate services amount to 131 thousand euros and primarily regard turnover generated by services provided by *Acotel S.p.A.* to Italian banks. The decrease compared with the fourth quarter of 2005 is entirely due to the absence of revenues from *Info2cell* during the period. This reflects the different time distribution of the commercial commitments agreed with *Pepsi-Cola* in 2006 compared with the previous year.

DESIGN OF ICT EQUIPMENT

Revenues from ICT equipment design in the fourth quarter of 2006 amount to 3,125 thousand euros, marking an increase of 10% on the same period of 2005. Revenues in this line of business are generated by *Jinny Software* and above all on supply and maintenance contracts in place with mobile operators in the Middle East, Latin America, Africa, Asia and Europe.

SECURITY SYSTEMS DESIGN

Revenues from the design of electronic security systems amount to 879 thousand euros, marking a significant increase (176%) on the same period of the previous year. This primarily reflects the contract entered into by the subsidiary, *AEM*, with *ACEA* for the installation of a new security room and a remote control room for the customer's water business.

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

(€000)	2006 Q4	%	2006 FY	%	2005 Q4	%	2005 FY	%
NORTH AMERICA	8,731	50.8%	34,516	54.7%	248	2.7%	715	2.6%
ITALY	4,080	23.8%	13,902	22.0%	4,167	45.6%	13,411	48.0%
MIDDLE EAST	1,331	7.7%	5,930	9.4%	2,092	22.9%	6,547	23.4%
LATIN AMERICA	1,109	6.5%	5,151	8.1%	1,355	14.8%	3,465	12.4%
AFRICA	1,197	7.0%	1,980	3.1%	916	10.0%	1,472	5.3%
OTHER EUROPEAN COUNTRIES	554	3.2%	959	1.5%	386	4.2%	1,863	6.7%
ASIA	169	1.0%	778	1.2%	(23)	-0.2%	453	1.6%
	17,171	**100%**	**63,216**	**100%**	**9,141**	**100%**	**27,926**	**100%**

The breakdown of revenue for the fourth quarter of 2006 by geographical segment highlights how important the United States market has become for the Acotel Group in such a short time. Due to the revenues earned from services rendered during the period by the subsidiary, *Flycell Inc.*, the proportion of the Group's total revenue generated in North America has risen from the 2.7% of the fourth quarter of 2005 to 50.8% in the same period of 2006. As a result, revenues generated in Italy, although substantially unchanged in absolute terms, have fallen from 45.6% of the total in the fourth quarter of 2005 to 23.8% in the same period of 2006.

Note 2 – Raw materials

The cost of raw materials during the period, amounting to 853 thousand euros, refers principally to the purchase of materials for the construction of security and telecommunications systems by the subsidiaries, *AEM* (441 thousand euros) and *Jinny Software* (396 thousand euros).

Note 3 – External services

The cost of external services amounts to 7,335 thousand euros for the fourth quarter of 2006, compared with 3,367 thousand euros in the same period of 2005. The increase is essentially due to the costs incurred by the subsidiary, *Flycell Inc.* (3,412 thousand euros), as a result of amounts charged by mobile operators and the company's transaction network provider.

The next most significant items regard the cost of acquiring content from external content providers, totalling 1,056 thousand euros, remuneration paid to directors and statutory auditors (452 thousand euros), and business, administrative, legal and technical consulting fees incurred by Group companies, amounting to 380 thousand euros. These fees regard business consultancy, technical and technological updates of the systems used in managing and developing services and equipment, and the outsourcing of certain administrative and legal processes. Service costs also include travel expenses of 372 thousand euros,

Other service costs include advertising (279 thousand euros), auditors' fees (254 thousand euros), telephone expenses (245 thousand euros), agency fees (226 thousand euros), and cost of purchasing SMS packages from mobile operators (184 thousand euros).
The balance reflects overheads (utilities, management and maintenance of the Group's operating properties, insurance, travel expenses, etc.) incurred by the Group in its day-to-day operations.

Note 4 – Rentals and leases

The cost of rentals and leases, amounting to 435 thousand euros, mainly includes rentals on offices occupied by Group companies.

Note 5 – Staff costs

Staff costs include:

	2006		2005	
(€000)	Q4	FY	Q4	FY
Salaries and wages	2,930	9,682	2,287	7,748
Social security contributions	455	1,731	462	1,578
Staff termination benefits	72	257	60	244
Finance costs	(21)	(43)	(9)	(34)
Other costs	118	981	155	735
Total	**3,554**	**12,608**	**2,955**	**10,271**

The number of staff by category at 31 December 2006, compared with the average number for the fourth quarters and full year periods of 2006 and 2005, is reported in the following schedule:

	31 Dec 2006	Average Q4 2006	Average Q4 2005	Average FY 2006	Average FY 2005
Managers	19	19	15	18	16
Supervisors	30	30	29	29	28
White- and blue-collar staff	255	245	211	232	194
Total	**304**	**294**	**255**	**279**	**238**

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

	31 Dec 2006	31 Dec 2005
Italy	95	95
Ireland	25	25
Lebanon	57	34
Brazil	18	18
United Arab Emirates	19	17
Jordan	52	52
USA	36	12
Turkey	2	-
France	-	2
Total	**304**	**255**

The increase in staff costs in the fourth quarter of 2006, compared with the same period of 2005, 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:

	2006		2005	
(€000)	Q4	FY	Q4	FY
Amortisation of non-current intangible assets	67	270	99	319
Depreciation of property, plant and equipment	120	544	128	604
Total	**187**	**814**	**227**	**923**

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 – Capitalised internal costs

Capitalised internal costs, amounting to 997 thousand euros, regard staff employed in the development of software to be used in the platform for "*Noverca*", the brand name under which the Acotel Group plans to supply integrated communications solutions (data, audio, video) from 2007. The services will be based on IP protocol and will be available over a range of terminals: IP phones, personal computers, palm-tops, cell phones.

The conditions for capitalisation of these costs were fully satisfied at the end of 2006, when development of the technology platform was completed and the operating processes to be adopted by *Noverca* in supplying its commercial offering to the market were defined.

Note 8 – Other costs

Other costs amount to 322 thousand euros for the fourth quarter of 2006 and include 166 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 9 – Finance income and costs

Net finance costs of 34 thousand euros for the fourth quarter of 2006 break down as follows:

	2006		2005	
(€000)	**Q4**	**FY**	**Q4**	**FY**
Interest income from investments	237	830	248	820
Interest income on bank deposits	50	101	9	84
Foreign exchange gains	168	176	86	436
Other interest income	1	10	1	5
Total finance income	**456**	**1,117**	**344**	**1,345**
Interest expense and bank charges	(54)	(162)	(45)	(162)
Foreign exchange losses	(422)	(1,264)	(1)	(13)
Other interest expense	(14)	(45)	(8)	(34)
Total finance costs	**(490)**	**(1,471)**	**(54)**	**(209)**
Net finance income/(costs)	**(34)**	**(354)**	**290**	**1,136**

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 569 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)	2006 Q4	2006 FY	2005 Q4	2005 FY
Net profit/(loss) (€000)	**4,942**	**1,256**	**986**	**(561)**
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	-	-	-	49
Weighted average of ordinary shares in circulation	**3,916**	**3,916**	**3,916**	**3,912**
Basic and diluted earnings per share **	**1.26**	**0.32**	**0.25**	**(0.14)**

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

NET FUNDS

Net funds at 31 December 2006 amount to 25,446 thousand euros, marking an increase with respect to 30 September 2006 (up 3,897 thousand euros) and 30 June 2006 (up 2,075 thousand euros).

The increase is essentially due to the way in which the Group is managing the rapid growth of *Flycell Inc.*. Partly based on market conditions, the Group is alternating periods of high expenditure on advertising, aimed at expanding the subsidiary's customer base, with periods of reduced expenditure.

DIRECTORS' FINANCIAL AND OPERATING REVIEW

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€000)	Q4				FY			
	2006	2005	Increase/(Decrease)		2006	2005	Increase/(Decrease)	
Revenues	17,171	9,141	8,030	88%	63,216	27,926	35,290	126%
Other income	62	4	58	1498%	75	94	(19)	-20%
Total revenue	**17,233**	**9,145**	**8,088**	**88%**	**63,291**	**28,020**	**35,271**	**126%**
Gross operating profit/(loss)	**5,733**	**1,499**	**4,234**	**282%**	**4,703**	**665**	**4,038**	**607%**
Operating profit/(loss)	**5,545**	**1,272**	**4,273**	**336%**	**3,852**	**(258)**	**4,110**	**1593%**
Net finance income/(costs)	(34)	290	(324)	-112%	(354)	1,136	(1,490)	-131%
PROFIT/(LOSS) BEFORE TAX	**5,511**	**1,562**	**3,949**	**253%**	**3,498**	**878**	**2,620**	**298%**
NET PROFIT/(LOSS) ATTRIBUTABLE TO PARENT COMPANY	**4,942**	**986**	**3,956**	**401%**	**1,256**	**(561)**	**1,817**	**324%**
Earnings per share	1.26	0.25	1.01	401%	0.32	(0.14)	0.46	324%
Diluted earnings per share	1.26	0.25	1.01	401%	0.32	(0.14)	0.46	324%

If compared with the results for the same period of the previous year, the Acotel Group's results for the fourth quarter of 2006 show a significant increase in revenue (up 88%) and substantial improvements in margins.

The growth in revenue primarily reflects the development of *Flycell Inc.*'s business, which has become the principal source of revenue for the entire Group. Important improvements in turnover during the period were also registered by the subsidiaries, *Jinny Software, Info2cell, Acotel S.p.A.* and *AEM S.p.A.* compared with the same period of the previous year.

Gross operating profit (EBITDA) of 5,733 thousand euros for the fourth quarter is significantly up (282%) on the same period of 2005, when the figure was 1,499 thousand euros. This improvement is primarily linked to the performance of the US subsidiary, which reports a gross operating profit for the period, and the ongoing rationalisation process taking place within the Group, which has involved a halt to certain overseas activities whose ability to generate earnings is viewed as too remote.

After amortisation and depreciation of 187 thousand euros, the Group's operating profit (EBIT) totals 5,545 thousand euros, compared with a profit of 1,272 thousand euros for the same period of 2005.

After net finance costs of 34 thousand euros and estimated taxation of 569 thousand euros, net profit for the fourth quarter of 2006 is 4,942 thousand euros, compared with net profit of 986 thousand euros in the fourth quarter of 2005.

OUTLOOK

During 2007 the Group will continue to implement the expansion strategy described in earlier reports, and which in the previous year 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.