



PRESS RELEASE

ACOTEL GROUP: Board approves Annual Report for 2006

- **Consolidated revenue approximately €63.2 million (up 126% on 2005)**
- **Consolidated EBITDA approximately €4.8 million (up 615%)**
- **Consolidated EBIT approximately €3.9 million (up 1612%)**
- **Consolidated profit before tax €3.5 million (up 304%)**
- **Consolidated net profit €1.2 million (up 319%)**

Big hike in turnover driven by US B2C business.

Parent Company also reports positive results.

Today's meeting of the Board of Directors of Acotel Group SpA – the parent of the Wireless Application Service Provider (WASP) that provides tailor-made ICT services in Italy and overseas – has approved the Group's Annual Report for 2006, which will be submitted to the Annual General Meeting of shareholders (AGM) to be held on 30 April, in first call, and on 11 May, in second call.

As anticipated at the time of publication of the report for Q4 2006, the Group reports strong improvements in all key financial indicators.

Consolidated financial statements 2006

The Acotel Group reports consolidated revenue of €63.2 million for 2006, marking a significant increase (126%) on the €27.9 million of the previous year. The increase is essentially due to the performance of the US subsidiary, Flycell Inc., which supplies mobile multimedia services directly to end customers and generated revenues of approximately €33.7 million in 2006, compared with almost zero in 2005. Other contributions to revenue growth came from the subsidiaries, Acotel do Brasil (up 46%), Acotel S.p.A. (up 6%), Info2cell (up 19%), AEM (up 47%) and Jinny Software (up 10%).

An analysis by business segment confirms that services continued to represent the main source of the Group's revenues (87.5% of the total), whilst 9.8% was generated by the design of ICT equipment and the remaining 2.7% by the design of security systems.

The geographical breakdown of consolidated revenue shows that 54.7% of revenue was generated in North America (compared with 2.6% in 2005), despite an increase in absolute terms, whilst only 21.9% was generated in Italy (48% in 2005). This confirms the Group's policy of progressively diversifying revenue sources in recent years.

Consolidated gross operating profit (EBITDA) of €4.8 million represents a significant increase of 615% on the €665 thousand of 2005. This reflects both the improved earnings performances of the above subsidiaries, and internal rationalisation, which has led us to call a halt to certain overseas activities whose ability to generate earnings was viewed as too remote.

Amortisation and depreciation in the consolidated financial statements amount to €813 thousand (€923 thousand in 2005), with amortisation of intangible assets referring to the



software and licences purchased from third parties, and depreciation of property, plant and equipment regarding telecommunications equipment and infrastructures used by Group companies.

Consolidated operating profit (EBIT) rose even more strongly to €3.9 million, compared with the loss of €258 thousand reported for 2005.

The Group's net finance costs of €359 thousand (compared with net finance income of €1.1 million in 2005) reflect the negative impact of closing exchange rates on the value of intercompany loans originally disbursed in dollars.

Consolidated profit before tax also shows a significant improvement (up 304%), having reached €3.5 million compared with the €878 thousand of 2005.

After taxation of approximately €2.3 million, consolidated net profit amounts to €1.2 million, compared with a loss of around €561 thousand reported at the end of 2005.

Net funds at 31 December 2006 amount to approximately €25.4 million, compared with €30.9 million at the end of the previous year. The difference reflects the significant expenditure incurred by the Group, above all in early 2006, in order to the launch its B2C services in the USA.

Parent Company's financial statements 2006

During 2006 Acotel Group S.p.A. continued to focus on driving expansion and earnings growth for the Group as a whole. This aim, given that the Company has almost total control of all its subsidiaries, coincides with an improvement in the Company's individual performance.

Acotel Group S.p.A. reports revenue of approximately €6.1 million for 2006 (€6.6 million in 2005).

Gross operating profit (EBITDA) is up 46% to approximately €1.4 million, compared with around €960 thousand in the previous year. Completion of a new technology platform for the provision of IP (Internet Protocol) services enabled the Company to capitalise the internal costs of staff employed in the development of the software, for which the Company owns all the sources.

After amortisation, depreciation and impairment charges on non-current assets, operating profit (EBIT) is up 618% to approximately €924 thousand, compared with around €129 thousand in 2005.

After net finance income of approximately €605 thousand, Acotel Group S.p.A.'s profit before tax amounts to around €1.5 million, marking an increase of 34% on the €1.1 million of 2005.

Finally, net profit totals €644 thousand, representing an improvement of around 22% on the €528 thousand of 2005.

At the upcoming AGM, the Board of Directors will propose to take net profit to distributable reserves as retained profit.



Subsequent events

In February the subsidiary, Info2cell (I2C), received authorisation from the Saudi Investment Authority to establish a joint venture with a local partner. This joint venture will very shortly begin supplying services in the Saudi Arabian market, the largest in the Middle East. It will initially use the I2C technology platform in Dubai, before equipping itself with its own infrastructure.

The Brazilian subsidiary, Acotel do Brasil, has launched a download service for personalised wallpapers. The service allows individual users to create their own "unique" graphics, which are thus assured of being different from those of other users.

In March Jinny signed a Letter of Intent regarding a supply contract with a major customer in Africa, which will be highly valuable in both strategic and economic terms.

Outlook

The Group will continue to pursue growth and earnings enhancement in all its areas of business, based along the lines set out below.

On the back of the results achieved in the consumer segment in 2006, above all in the USA, and thanks to a strengthening of the B2B segment in other markets, the Group plans to continue operating according to existing business models in the services segment, making improvements where possible. In this regard, further efforts are being made to boost customer loyalty in this segment. An example of this is the launch of a new portal at www.flycell.com. From a geographical viewpoint, the Group expects to reinforce its Middle Eastern presence as a result of the above joint venture in Saudi Arabia.

Our investment in IP ("Internet Protocol") technology should begin to bear fruit during 2007, with the rollout of services available on both PCs and the latest generation of mobile phones (smart phones and palmtops). These will be marketed under the Noverca brand.

The Messaging Platform business will leverage Jinny Software's investment in both the development of new equipment and the creation of a commercial organisation capable of operating on a global scale. Growth forecasts are supported by the large number of orders received by the end of 2006 and sales during early 2007.

Finally, in the security systems segment the Group intends to exploit its prestigious customer portfolio and technological developments in video surveillance and access control in order to boost turnover.

Note: the consolidated and separate income statements, balance sheets and cash flow statements are attached.

Rome, Italy



30 March 2007



ACOTEL GROUP
Reclassified consolidated income statement
(€000)

	2006	2005	Increase/(Decrease)	% inc./((dec.)
Revenues	63,223	27,926	35,297	126%
Other income	75	94	(19)	(20%)
Total revenue	63,298	28,020	35,278	126%
Gross operating profit/(loss)	4,752	665	4,087	615%
	<i>7.51%</i>	<i>2.37%</i>		
Operating profit/(loss)	3,902	(258)	4,160	1612%
	<i>6.16%</i>	<i>-0.92%</i>		
Net finance income/(costs)	(359)	1,136	(1,495)	(132%)
PROFIT/(LOSS) BEFORE TAX	3,543	878	2,665	304%
	<i>5.60%</i>	<i>3.13%</i>		
NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS	1,231	(561)	1,792	319%
	<i>1.94%</i>	<i>-2.00%</i>		
NET PROFIT/(LOSS) ATTRIBUTABLE TO PARENT COMPANY	1,231	(561)	1,792	319%
	<i>1.94%</i>	<i>-2.00%</i>		
Earnings per share	0.31	(0.14)		
Diluted earnings per share	0.31	(0.14)		



ACOTEL GROUP
Reclassified consolidated balance sheet
(€000)

	31 Dec 2006	31 Dec 2005
Non-current assets:		
Property, plant and equipment	1,579	1,175
Intangible assets	13,623	12,584
Financial assets	2	2
Other assets	530	366
TOTAL NON-CURRENT ASSETS	15,734	14,127
Net current assets:		
Inventories	478	299
Trade receivables	18,301	12,352
Other current assets	2,963	1,759
Trade payables	(7,660)	(6,237)
Other current liabilities	(4,334)	(3,382)
TOTAL NET CURRENT ASSETS	9,748	4,791
STAFF TERMINATION BENEFITS AND OTHER EMPLOYEE BENEFITS	(1,031)	(948)
NON-CURRENT PROVISIONS	(27)	(70)
NET INVESTED CAPITAL	24,424	17,900
Shareholders' equity:		
Share capital	1,084	1,084
Reserves and retained profit/(accumulated losses)	47,526	48,277
Net profit/(loss) for the period	1,231	(561)
Minority interests	30	30
TOTAL SHAREHOLDERS' EQUITY	49,871	48,830
MEDIUM/LONG-TERM BORROWINGS	163	193
Net cash and cash equivalents:		
Current financial assets	(15,050)	(19,761)
Cash and cash equivalents	(10,620)	(11,395)
Current financial liabilities	60	33
	(25,610)	(31,123)
NET FUNDS	(25,447)	(30,930)
TOTAL SHAREHOLDERS' EQUITY AND NET FUNDS	24,424	17,900



ACOTEL GROUP
Consolidated cash flow statement
(€000)

	FY 2006	FY 2005
A. NET CASH AT BEGINNING OF THE PERIOD	31,123	31,720
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	(2,873)	773
Cash flows from operating activities before changes in working capital	2,092	644
Net profit/(loss) for the period	1,231	(561)
Amortisation and depreciation	813	923
Impairment charges on assets	8	31
Net change in staff termination benefits	83	181
Net change in provisions	(43)	70
(Increase) / decrease in receivables	(7,161)	(3,154)
(Increase) / decrease in inventories	(179)	(211)
Increase/(decrease) in payables	2,375	3,494
C. CASH FLOW FROM (FOR) INVESTING ACTIVITIES	(2,420)	(961)
(Purchases)/disposals of non-current assets:		
- Intangible assets	(1,309)	(448)
- Property, plant and equipment	(947)	(690)
- Financial	(164)	177
D. CASH FLOW FROM (FOR) FINANCING ACTIVITIES	(220)	(409)
Increase/ (decrease) in medium/long-term borrowings	(30)	(63)
Changes in treasury shares	-	(667)
Other changes in shareholders' equity	(190)	321
E. CASH FLOW FOR THE PERIOD (B+C+D)	(5,513)	(597)
F. NET CASH AT END OF THE PERIOD (A+E)	25,610	31,123



ACOTEL GROUP S.p.A.
Reclassified income statement
(€000)

	2006	2005	Increase/(Decrease)	% inc./((dec.)
Revenues	6,109	6,635	(526)	(8%)
Other income	445	445	-	-
Total revenue	6,554	7,080	(526)	(7%)
Gross operating profit/(loss)	1,402	960	442	46%
	<i>21.38%</i>	<i>13.56%</i>		
Operating profit/(loss)	924	129	795	618%
	<i>14.09%</i>	<i>1.82%</i>		
Net finance income/(costs)	605	1,012	(407)	(40%)
PROFIT/(LOSS) BEFORE TAX	1,529	1,141	388	34%
	<i>23.32%</i>	<i>16.11%</i>		
NET PROFIT/(LOSS) FOR THE YEAR	644	528	116	22%
	<i>9.83%</i>	<i>7.46%</i>		
Earnings per share	0.16	0.14		
Diluted earnings per share	0.16	0.14		



ACOTEL GROUP S.p.A.
Reclassified balance sheet
(€000)

	31 Dec 2006	31 Dec 2005
Non-current assets:		
Property, plant and equipment	573	270
Intangible assets	1,452	283
Financial assets	41,190	32,386
Other assets	203	105
TOTAL NON-CURRENT ASSETS	43,418	33,044
Net current assets:		
Trade receivables	3,001	6,562
Other current assets	9,392	9,104
Trade payables	(740)	(809)
Other current liabilities	(11,788)	(11,180)
TOTAL NET CURRENT ASSETS	(135)	3,677
STAFF TERMINATION BENEFITS AND OTHER EMPLOYEE BENEFITS	(493)	(408)
NON-CURRENT PROVISIONS	(633)	(379)
NET INVESTED CAPITAL	42,157	35,934
Shareholders' equity:		
Share capital	1,084	1,084
Reserves and retained profit/(accumulated losses)	52,500	52,342
Net profit/(loss) for the period	644	528
TOTAL SHAREHOLDERS' EQUITY	54,228	53,954
MEDIUM/LONG-TERM BORROWINGS	-	-
Net cash and cash equivalents:		
Current financial assets	(8,024)	(12,674)
Cash and cash equivalents	(4,047)	(5,346)
	(12,071)	(18,020)
NET FUNDS	(12,071)	(18,020)
TOTAL SHAREHOLDERS' EQUITY AND NET FUNDS	42,157	35,934



ACOTEL GROUP S.p.A.

Cash flow statement

(€000)

	FY 2006	FY 2005
A. NET CASH AT BEGINNING OF THE PERIOD	18,020	20,967
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	5,026	(1,599)
Cash flows from operating activities before changes in working capital	1,213	1,354
Net profit/(loss) for the period	644	528
Amortisation and depreciation	230	363
Net change in staff termination benefits	85	84
Net change in provisions	254	379
(Increase) / decrease in receivables	3,272	(4,501)
Increase/(decrease) in payables	541	1,548
C. CASH FLOW FROM (FOR) INVESTING ACTIVITIES	(10,605)	(767)
(Purchases)/disposals of non-current assets:		
- Intangible assets	(1,273)	(251)
- Property, plant and equipment	(430)	(58)
- Financial	(8,902)	(458)
D. CASH FLOW FROM (FOR) FINANCING ACTIVITIES	(370)	(581)
Changes in treasury shares	-	(667)
Other changes in shareholders' equity	(370)	86
E. CASH FLOW FOR THE PERIOD (B+C+D)	(5,949)	(2,947)
F. NET CASH AT END OF THE PERIOD (A+E)	12,071	18,020