

## Regulatory Announcement

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**Company** [Teleunit S.p.A](#)  
**TIDM** TLU  
**Headline** Final Results  
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### Teleunit SpA PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Teleunit S.p.A., ("Teleunit" or "the Company"; stock code: TLU), the Italian telecom services provider, announces its preliminary financial results for the year ended 31 December 2007.

#### Highlights:

- Group Revenue of €87.3 million (2006: €100.3 million) as Premium Access traffic diminished anticipating new regulatory restrictions
- Gross profit up 31% to €26.6 million (2006: €20.3 million)
- Gross margin increased to 30% in 2007 from 20% in the previous year as business mix shifted to more profitable segments
- Net loss after tax, and after exceptional items of €9.1 million, equalled €10.1 million (2006: €2.5 million net loss)
- 2.5 million unique users interacted with Neomobile in Italy, Turkey and Spain in 2007 (2006: 1.0 million unique users)
- VoIP customer base increased by 49% to over 5,600 (2006: 3,750)
- Post year-end: €7.1 million of outstanding receivables recovered from Telecom Italia; Purchase and Sale Agreement signed with a major Venture Capital Company for the sale of a 20% minority stake in Neomobile, giving it an Enterprise Value of €62 million and, subject to the raising of debt and Antitrust Approval, contributing €23 million in cash to the Group's liquidity.

#### Commenting on the financial results, Gianfranco Cimica, Chairman & Chief Executive Officer of Teleunit S.p.A, said:

*"In the second semester of 2007 the Group has booked a number of exceptional write-downs and one-off costs related to regulatory changes governing access to premium services and to the settlement of long-overdue receivables with Telecom Italia, which are ultimately responsible for the loss we now report. On the other hand, the recent turbulence in the financial markets has led the Group to focus its financial strategy on the building up of cash reserves. As such, in H22007, the Group focussed primarily on laying the groundwork for the following post period-end developments: the €9.8 million settlement with Telecom Italia (of which €7.1 has been received), and the potential sale of a minority stake in Neomobile for a total cash consideration for TLU of €23 million. Accordingly I am pleased to report that Teleunit's net cash position, which will prove vital to the future growth of the Group's most exciting and fast-growing initiatives, is expected to reach record levels in 2008."*

#### About Teleunit SpA

Based in Perugia in Central Italy, Teleunit is a telecom services provider to both business and residential customers throughout Italy. The Group operates in three distinct sectors: voice and data services (providing fixed line voice and data, wholesale, and wireless services to customers

across Italy) and premium access services. Through its subsidiary, Neomobile SpA, Teleunit is also an active player in the Mobile Content D2C arena. The Group is selectively expanding its operations in Italy and internationally. Teleunit listed on AIM in May 2004, the first Italian company to complete a primary listing in London. For more information, please visit the website: <http://ir.teleunit.it>.

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### **Chairman's Statement and CEO's review**

On behalf of the Board of Directors, I present the Annual Report and Financial Statements of the Company for the financial year ended 31 December 2007.

#### **Operating Performance**

Strong performance by Neomobile and the continued growth of our VoIP customer base, was in FY2007 offset by a significant revenue shortfall in the Premium Access segment and by two exceptional items booked in the period: the first relates to an impairment of the Group's associates Pro-Advertising and Starline, and the second to an exceptional cost related to the settlement negotiated with Telecom Italia over long-overdue receivables, previously disclosed to Shareholders via the March 7<sup>th</sup> and April 1<sup>st</sup> RNS releases.

In April of 2008, a new regulation governing access to value added services over premium access numbers was disclosed, by which all fixed line telephony operators must by default block access to premium numbers for all new and existing customers, with lines enabled only upon client request. This regulation was to be enacted on June 30<sup>th</sup> 2008, although it was recently rescinded at an Appeals Court to be considered again in November.

In anticipation of a more restrictive regulatory regime, service centres started cutting back on advertising their services in the second half of 2007. This resulted in a significant decline in traffic generated through Teleunit's premium numbers, leading to a FY2007 revenue shortfall in the segment of €25.3 million as compared to the prior year.

Rumours regarding this regulation have been circulating for some time, but were often offset with rulings favourable to the development of the sector. Until the regulation was first made public, Teleunit was unable to evaluate the mid to longer term impact on the business, although the trend in 2008 now confirms that a marked decline in premium traffic can be expected going forward.

Given this impending regulation, the business plans of the Group's associates Pro-advertising and Starline, both operating in the Premium Access sector, became subject to review. Although the regulation has yet to be enacted, the impact on the market has been felt, resulting in a necessary revaluation of future growth prospects of the Group's associates, and cause for impairment. Accordingly, the Group has booked a €4.2 million write-down of its associates in the period under review.

Turning to Neomobile, in just three years, the business has grown from a local start-up to a multinational Company with an Enterprise Value independently assessed at €62 million euros. A view by the Board that the Group could at this stage benefit from a partial unlocking of the intrinsic value in its subsidiary led to a focus in the second half of 2007 on laying the foundations for the sale of a minority stake of Neomobile to a third party. I am therefore pleased to announce that Teleunit has signed a Purchase and Sale Agreement (the "Transaction") with a major Italian Banks' Venture Capital subsidiary ("the VCC") for the sale of a 20% minority stake in Neomobile (for more information please see note 5). The Transaction is expected to complete by July 28<sup>th</sup> 2008.

The closing of the Transaction is subject to the raising of debt finance of €13 million (€1.0 million of which will be used to fund consultancy and other expenses related to the Transaction), and receipt by the parties of the required authorisations from Italy's Antitrust Authority. We are currently in the advanced stages of sourcing the required financing and although the Board expects a positive outcome, no guarantees on the successful conclusion of the Transaction can be provided at this time.

The prospects for Neomobile are excellent and we are delighted that a major VCC has confirmed our view by making such an important financial commitment to the business. The value of TLU's residual equity stake in Neomobile, should the Transaction be closed successfully, will be in excess of €34 million (c. £26.8 million) which is substantially above the Company's current AIM market capitalisation; this, plus the €23 million in new cash, net of expenses, expected for TLU's balance sheet, we hope will create the conditions for a significant re-rating of the Company's shares. Moreover, the Transaction vindicates Management's efforts in creating new value for shareholders through restructuring the Company and positioning it for growth through selective support for exciting new initiatives, such as Neomobile.

### Financial Performance

The Group generated €87.3 million in revenues in FY2007, €13.0 million below the prior years' levels. The shortfall is due to a €25.3 million reduction in the Premium Access divisions' contribution to the top-line, although strong performance in Neomobile and the Voice and Data Services division, which grew revenues by €10.5 million (+77%) and €1.9 million (+18%) respectively, helped in part to mitigate the decline. An improvement in the Group's gross margin, which increased from 20% in the year 2006 to 30% in 2007, led to a gross profit up 31% to €26.6 million (2006: €20.3 million). This increase is due primarily to the growing role of Neomobile in the Group's revenue mix. In 2007 Neomobile contributed 27% to the Group's top-line (2006: 13% of total Group revenues), and grew margins by 5% to 82 percent.

The increase in overheads from €21.3 million in 2006 to €30.9 million in 2007 is attributable mainly to Neomobile's continued growth; the €5.1 million y-o-y rise in sales and marketing expense is due to Neomobile's sustained growth in Italy and Turkey, and due to its advertising intensive launch in Spain in the second semester. Administrative expenses which at year-end 2007 came in €0.7 million higher than in the preceding year (2006: €2.6 million) relate principally to an increase in Neomobile personnel, which rose from 17 at year-end 2006 to 40 at year-end 2007, and to legal expenses related to the settlement with Telecom Italia. Other net operating expenses in 2007 came in €3.7 million higher than in 2006 (2006: €7.7 million). These include extraordinary expenses of €4.3 million booked in the period; net of these the Group would be reporting comparatively lower operating expenses as a result of Group-wide cost-cutting measures implemented in 2006 and 2007.

The Group's loss after tax in the period under review, as previously mentioned, has been conditioned by exceptional write-downs and one-off costs amounting to €9.1 million. The Telecom Italia settlement resulted in an incremental loss of €3.6 million net of provisions, of which €350,000 were booked as a direct cost attributable to the PA segment. The residual value of the Group's associates, Pro-Advertising and Starline, now stands at €1.4 million as the result of a €4.2 million impairment booked in the year. The Group also booked a provision of €0.8 million against a contingent tax liability linked with 2004 AIM listing costs. The balance of €0.2 million relates to bad debt provisions associated with wholesale and retail clients. Net of these exceptional items, the FY2007 after-tax loss would have primarily reflected the reduction in revenues experienced in the Premium Access segment. The Group will follow its associates and developments in the PA market attentively to ascertain whether a further impairment will be necessary in the near-future, although the Board retains that it has taken a very prudent approach to establishing fair value in the balance sheet.

The Telecom Italia write-down is compensated for by the cash the Group collected as a result of the agreement. As previously disclosed, the Group successfully negotiated with TI a €9.8 million settlement package, marking the closure of a detrimental chapter in Teleunit's history. An amount of €7.1 million has to date been received, and our lawyers remain confident that the balance of €2.7 million will be cashed following the AGCOM's ruling, expected in the next few months. Moreover, the negotiation of a sale of a minority stake in Neomobile is expected to provide an influx of €23 million. These post period-end developments, intricately tied to the Group's focus in the latter part of 2007, we hope will result in a significantly improved and record net cash position in 2008.

Fiscal prudence and the importance of maintaining solid ties with financing institutions led the Group to settle €3.0 million in current and non-current debt in 2007. In view of this, at year-end 2007 the

Group had €3.4 million in short-term interest bearing loans and borrowings and €15.8 in long-term borrowings compared to a 2006 position of €4.6 million and €17.7 million respectively. Bank overdrafts were reduced in the period by €1.3 million to €1.7 million (2006: 3.0 million) due to more effective management of short-term cash requirements.

Cash and cash equivalents at year-end 2007 stood at €6.2 million (2006: €11.0). The €4.8 million reduction in cash can be attributed in part to the aforementioned payback of loans and borrowings, and in part to the new standardized PA contract signed with Telecom Italia: the new payment terms provide for 65% of invoice amounts to be cashed within 90 days from invoicing date, the balance being cashed 120 days thereafter. This differs from the 100% settlement at 30 days from invoice date that the division benefited from previously. The Group has continued to pay service centres on a bi-monthly basis in order to maintain its competitive advantage, although the terms laid out in the new standardized PA contract with TI have now become more cash-intensive for the Group.

In 2007 the Group generated a cash surplus from operations of €2.4 million (2006: €4.6 million). The €3.1 million cash outflow from investments is due to €2.6 million spent in part on the VoIP Customer Premises Equipment ("CPE") required to support the growing customer base, €2.3 million relating to the purchase of administrative software and content generation software for Neomobile, and due to a €1.7 inflow from the disposal of assets previously classified as held for sale. The €2.7 million cash-outflow from financing is due to the repayment of short and long-term loans and borrowings previously mentioned.

Total Shareholder's Equity which at year-end stood at €12.5 million (2006: €22.6 million) reflecting the loss incurred in the period under review.

#### **Employees**

The number of employees now stands at 117 compared to 91 at year-end 2006 and can be attributed to the increase in Neomobile's headcount, from 17 to 40 at year-end 2007. On behalf of the Management and the Board, I would like to take this opportunity once again to thank all of our employees for their hard work and dedication over the course of this year.

#### **Outlook**

Given the new aforementioned regulation governing access to Premium Services, the Revenue and EBITDA outlook for 2008 is opaque. The gross profit that could be lost as a result of any downturn in the PA segment will be substituted in large part by the increasing contribution of Neomobile to the Group's profitability. Although margins should improve substantially, a full gross profit recovery in absolute terms to levels previously anticipated by Management will prove difficult to achieve in the course of 2008.

The Board continues to believe strongly in the mid-term growth of the business. We continue to evaluate the Group's growth prospects on a regular basis and will take appropriate steps should the growth and profitability of any of our business segments fail to meet our targets.

**Gianfranco Cimica**  
**Chairman & Chief Executive Officer**

**20 June 2008**

### **Chief Operating Officer's Review**

#### *Operational Review*

##### **Premium Access Services:**

Divisional highlights:

- Revenues down 33% to €50.9 million (2006: €76.2 million)
- Gross profit of €7.1 million; 14% margin (2006: €9.8 million; 13% margin)
- Division impacted by new regulation governing access to premium services

Revenues in 2007 fell €25.3 million short of revenues in the corresponding period, although a slightly higher margin helped in part taper the reduction in gross profit. This latest regulation is further testament to the unpredictable nature of the premium access sector. Announced at April and originally to be enacted at the end of June, the new regulation was at mid-June deferred, to be again put to the Courts in late November.

Although certain service centres have shifted their attention to rolling out mobile voice services, we do not expect these to compensate for the further reduction forecasted in fixed-line data services. The Group intends to remain in the market and follow developments closely, although a run-down in the business is, at this stage, being actively evaluated by the Board.

#### **Voice and Data Services**

Divisional Highlights:

- Revenues up 18% to €12.5 million (2006: €10.6 million)
- Gross profit, inclusive of amortisation, depreciation and personnel expenses, of €0.3 million on margins of 2% (2006: €0.6 million; 6%)
- 49% increase in the VoIP customer base to over 5,600 (2006: 3750)
- Alternative sales channels put in place: productive post period-end

In the year 2007, the division grew revenues by 18% with respects to the prior year due to a rise in demand for wholesale termination services and as a result of new VoIP contracts acquired. Direct costs, inclusive of amortisation, depreciation and personnel expenses, resulted in a segment gross profit of €327,000 in 2007 compared to €619,000 in 2006. In 2007, WLL assets reached their peak rate of amortisation, leading to this reduction in gross profit - it is expected that up until mid-2009, by which time the asset will have been fully amortised, these costs will continue to impact the division's profitability albeit at a lesser rate than experienced in 2007. The division's aim to reduce CPS customer churn to 2% was realized in 2007, although further substitution of legacy services with VoIP services can be expected as broadband penetration in Italy continues to rise.

WLL customer numbers have remained stable throughout the period, and although the underlying infrastructure provides value to the Group's balance sheet, the division needs to sustain amortisation costs disproportionate to the top-line contribution provided by the technology. Furthermore, ADSL technologies that have now evolved and are able to provide up to 20 megabytes of guaranteed bandwidth, as well as new wireless standards expected to replace the technology, leave little space for the continued growth of our WLL customer base.

In 2007 The Voice and Data Services continued its focus on growing VoIP customer numbers, up 49% to 5,600 at period-end. Although growth in customer numbers are in line with Managements' expectations, in the second half of 2007 a decline in productivity from traditional sales channels highlighted a need to pursue alternative means to bolster future sales. In the latter half of 2007, the division took steps to identify and prepare for the post period-end implementation of outbound call-center initiatives, with contracts acquired via the real-time recording of customer consent, and targeted web marketing initiatives. These new sales channels have in their early stages been yielding good results, and we expect these to actively contribute to segment growth going forward.

#### **Mobile Content Services:**

Divisional Highlights:

- Revenues up 76% to €24.0 million (2006: €13.6 million)
- Gross profit up 87% to €19.6 million; 82% margin (2006 €10.4 million; 77% margin)
- 2.5 million unique users interacted with Neomobile in 2007, up 150% on 2006 (2006: 1.0 million).

I am pleased to report that in 2007 Neomobile again exhibited exceptional growth. The 76% rise in

revenues can be attributed to the successful implementation of its strategy of internationalisation and due to strong demand for content in all countries it currently trades in. More than 20% of Neomobile's revenues were in 2007 derived from Turkey and Spain, vindicating the strategy of internationalisation first implemented in 2006, when Neomobile took its first step overseas.

In 2007 Neomobile also completed the internalisation of all technological platforms, thus allowing it to benefit from a full vertical integration in the market's value chain. Neomobile now produces, markets and delivers content to end users in all countries in which it operates, and therein benefits from a faster time-to-market than its competitors. In a marketing-centric business, real-time statistics and reports are essential to tailoring content packages for the target market and are determinant in building competitive advantages. Previously, the technological platform was outsourced, and often user behaviour could not be analysed before month-end. Today Neomobile benefits from a direct interconnection with Mobile Network Operators, allowing for real-time analysis of user behaviour, leading to the creation and marketing of content on the cutting edge of contemporary trends. The insourcing of the technology platform has also permitted Neomobile to eliminate certain recurring costs linked with content delivery, resulting in a gross margin up 5% to 82% in 2007.

Revenues in 2007 were primarily derived from continued demand for traditional services, namely ring-tones and mobile personalization products, although a shift to new forms of community-centred and chat services have entered the beta testing stage. We hope that these will provide an added impetus to growth in 2008 and beyond.

In the year under review, Neomobile also diversified its sales channels to market content via web and WAP. A dedicated web department has been added to the business, to manage all aspects of web marketing across geographical boundaries. Neomobile is pleased to report that these new web initiatives are performing beyond Management's expectations, and we therefore expect them to further contribute to Neomobile's profitability going forward.

### **Summary and Outlook**

Teleunit's proprietary network is sufficiently scaled so as to guarantee that any foreseeable increase in new customers will not require additional infrastructural investments. The current infrastructure can support a much larger client base, and the new sales channels implemented in H12008 are expected to give the Voice and Data Services segment a welcome boost in the near future.

Market experts maintain their belief that demand for Value Added Services will persist. However as a consequence of the new regulation that will be potentially enacted in 2008, we expect a continued reduction in traffic. Accordingly, it is our view that the Premium Access Services segment will become increasingly less relevant to the business going forward.

The potential sale of a 20% minority stake in Neomobile is testament to the attractiveness of the business, and Teleunit's ability to identify growth opportunities to add value to Shareholders' equity. A major VCC's involvement in the Company further validates future growth prospects, and provides Neomobile with additional support and motivation to sustain current levels of growth via its strategy of selective international expansion. Mobile content services is the market that is today exhibiting the strongest growth traits in the telecommunications sector, and we believe that Neomobile will continue to gain market share in the countries it chooses to compete in. I look forward to updating investors on the status of the Transaction in the near future.

In the short-term the growth in other business lines will only partially substitute the reduction in top-line contribution from the Premium Access segment. This has led the Group to focus on identifying and developing new, higher margin, value added web services to complement its existing offerings. Given the increase in margin and the transformation of the business to focus on more profitable segments, we expect the Group's EBITDA to be substantially higher in 2008 and the Company's robust cash position will add comfort to Management's ability to execute the business plan going forward.

**Francesco Cimica**  
**Chief Operating Officer**

**20 June 2008**

**INCOME STATEMENT**  
**For the year ended 31 December 2007**

<i>in thousands of euro</i>	<b>Note</b>	<b>2007</b>	<b>2006</b>
<b>Sales revenue</b>	2	87,310	100,346
Cost of sales		(60,755)	(80,069)
<b>Gross profit</b>		<hr/> 26,555	<hr/> 20,277
Administrative expenses		(3,388)	(2,647)
Sales and marketing expenses		(16,035)	(10,932)
Other net operating expenses		(11,446)	(7,710)
Total operating expenses		<hr/> (30,869)	<hr/> (21,289)
<b>(Loss)/profit from operations</b>		(4,314)	(1,012)
Share of results of associates after tax		-	86
Charge from impairment of associates	5	(4,255)	-
Financial charges		(1,639)	(2,311)
Financial income		138	311
<b>(Loss)/profit before tax</b>		<hr/> (10,070)	<hr/> (2,926)
Taxation	3	(20)	422
<b>Net (loss)/profit for the year</b>		<hr/> (10,090)	<hr/> (2,504)
Basic (loss)/earnings per share (euro)	4	(0.0543)	(0.0134)
Diluted (loss)/earnings per share (euro)	4	(0.0538)	(0.0132)

**BALANCE SHEET****As at year end 31 December 2007**

<i>in thousands of euro</i>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Property, plant and equipment	13,404	14,591
Intangible assets	3,093	2,171
Investments in subsidiaries and associates	1,421	6,029
Other investments	355	375
Deferred tax assets	1,014	820
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>19,287</b>	<b>23,986</b>
Trade receivables	26,439	26,688
Non-trade receivables	2,494	3,707
Cash and cash equivalents	6,215	10,950
Assets classified as held for sale	-	1,305
Other financial assets	-	-
	<hr/>	<hr/>
<b>Total current assets</b>	<b>35,148</b>	<b>42,649</b>
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>54,435</b>	<b>66,636</b>
	<hr/>	<hr/>
<b>Equity</b>		
Issued capital	2,334	2,334
Share premium	12,542	12,542
Reserves	467	467
Own shares	(214)	(214)
Retained earnings	(2,648)	7,473
	<hr/>	<hr/>
<b>Total Group equity</b>	<b>12,481</b>	<b>22,605</b>
Equity attributable to third parties	(3)	(3)
<b>Total equity</b>	<b>12,478</b>	<b>22,602</b>
<b>Liabilities</b>		
Interest-bearing loans and borrowings	15,847	17,660
Employee benefits	258	311
Provisions	1,623	378
Deferred tax liabilities	1,064	1,173
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>18,792</b>	<b>19,522</b>
Bank overdrafts	1,647	2,956
Interest-bearing loans and borrowings	3,365	4,575
Trade and other payables	17,296	16,151
Income tax payable	857	830
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>23,165</b>	<b>24,512</b>
	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>54,435</b>	<b>66,636</b>
	<hr/>	<hr/>

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2007**

<i>in thousands of euro</i>	Share Capital	Legal Reserve	Share Premium	Own shares	Retained Earnings	Total
<b>Balance at 1 January 2006</b>	<b>2,334</b>	<b>375</b>	<b>12,542</b>	<b>(114)</b>	<b>11,932</b>	<b>27,069</b>
2005 profit allocated to reserves	-	92	-	-	(92)	-
Dividend paid	-	-	-	-	(1,859)	(1,859)
Own shares acquired	-	-	-	(100)	-	(100)
Other	-	-	-	-	(4)	(4)
Net loss 2006	-	-	-	-	(2,504)	(2,504)
<b>Balance at 31 December 2006</b>	<b>2,334</b>	<b>467</b>	<b>12,542</b>	<b>(214)</b>	<b>7,473</b>	<b>22,602</b>
<b>Balance at 1 January 2007</b>	<b>2,334</b>	<b>467</b>	<b>12,542</b>	<b>(214)</b>	<b>7,473</b>	<b>22,602</b>
Net loss 2007	-	-	-	-	(10,090)	(10,090)
Other	-	-	-	-	(31)	(31)
<b>Balance at 31 December 2007</b>	<b>2,334</b>	<b>467</b>	<b>12,542</b>	<b>(214)</b>	<b>(2,648)</b>	<b>12,481</b>

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2007  
*in thousands of euro*

**2007**

**2006**

<b>Operating activities</b>		
<b>Net (loss)/profit for the year</b>	<b>(10,090)</b>	<b>(2,504)</b>
<i>Adjustments for:</i>		
Depreciation and amortization	5,015	4,071
Employee benefits	(3)	181
Deferred tax	(304)	(669)
Share of results of associates after tax	(18)	(86)
Gain from disposal of assets classified as held for sale	(334)	
Loss from impairment of associates	4,255	-
Other	1,265	267
	<b>(214)</b>	<b>1,260</b>
(Increase) in trade receivables	249	(3,308)
(Increase) in non-trade receivables	1,213	88
Increase in trade and other payables and income tax	1,415	7,178
Income tax paid	(243)	(589)
Retirement benefits payment	(50)	(77)
Other	-	-
<b>Cash flows from operating activities</b>	<b>2,370</b>	<b>4,552</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,559)	(3,823)
Proceeds from sale of fixed assets	(3)	-
Purchase of intangible assets	(2,287)	(1,458)
Proceeds from assets classified as held for sale	1,740	-
Purchase of investments in associates	-	(183)
Purchase of other investments	-	-
<b>Cash flows from investing activities</b>	<b>(3,109)</b>	<b>(5,464)</b>
<b>Financing activities</b>		
Proceeds from loans and borrowings	(2,686)	(1,233)
Proceeds from the issue of share capital		-
Increase in share premium (net of unsubscribed amount)		-
Payment of transaction costs		-
Purchase of owned shares	-	(100)
Dividends paid	-	(1,859)
<b>Cash flows from financing activities</b>	<b>(2,686)</b>	<b>(3,192)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3,425)</b>	<b>(4,104)</b>
<b>Cash and cash equivalents (net of overdrafts) at 1 January</b>	<b>7,994</b>	<b>12,098</b>
<b>Cash and cash equivalents (net of overdrafts) at 31 December</b>	<b>4,569</b>	<b>7,994</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of compliance & Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the latest version of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union.

Under Italian law (D.l. 24/2/1998 n. 58 art 119) the Company is not required to prepare the statutory financial statements under IFRS, as a consequence of the fact that the Company is admitted to the Alternative Investment Market (AIM) which, for the CONSOB, is an unregulated stock exchange (effective 15/11/2005).

However, based on the D.l. 28/02/05 n.38 art. 2 and art. 3, the Directors have decided to prepare both the statutory consolidated financial statements (ex. D.l. 9/4/91 n. 127 art. 27) and the separate financial statements of Teleunit S.p.A. in accordance with IFRS as from year ending 31 December 2006. These have been prepared under IFRS in accordance with the requirements of the rules (Feb 2007) of the Alternative Investment Market, part 1.19.

Accordingly the comparative information presented in these consolidated statements are obtained from the statements as at year ending 31 December 2006 prepared in accordance with IFRS.

The consolidated financial statements as at 31 December 2007 have been prepared in accordance with the current Italian statutory law (Italian Civil Code, adopting also the rules of the D.l. n.6 17/01/2003 and following modifications and integration).

The Company is not subject to Direction and Coordination of another company in accordance with art. 2497 of the Italian Civil Code.

A copy of the Company's Annual Report & Accounts for the year ended 31 December 2007 will be sent to Shareholders by end June and will also be available on the Company's website: <http://ir.teleunit.it/>.

#### (b) Basis of preparation

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiary (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

As a consequence of the incorporation of Teleunit Turkey, starting from year ending 31 December 2006 the company is required to prepare the consolidated financial statements; accordingly the comparative information presented in these consolidated statements are obtained from the statements as at year ending 31 December 2006 prepared in accordance with IFRS.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts relating to the statements have been reclassified to conform with the current year's presentation, although these have had no impact on the Group's net Loss and net Equity reported at year-end 2006.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the

circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated financial statements are constituted of: the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes the financial statements which provide additional information on the separate statements.

## 2. Segmental Information

Teleunit now has three operating divisions, namely:

- Voice and Data Services ("VDS")
- Premium Access ("PA")
- Mobile Content Services ("MCS")

The following tables provide information regarding the financial performance of these operating divisions:

*in thousands of euro*

	VDS	PA	2007 MCS	Unallocated	TOTAL
Sales	12,456	50,878	23,976	-	87,310
Cost of sales	(12,129)	(43,734)	(4,416)	(475)	(60,755)
<b>Gross profit</b>	<b>327</b>	<b>7,144</b>	<b>19,560</b>	<b>(475)</b>	<b>26,555</b>
Operating expenses	(6,278)	(7,881)	(14,873)	(1,838)	(30,869)
<b>Profit from operations</b>	<b>(5,951)</b>	<b>(737)</b>	<b>4,687</b>	<b>(2,313)</b>	<b>(4,314)</b>
Amortisation and depreciation	3,410	601	80	922	5,013
<b>EBITDA</b>	<b>(2,541)</b>	<b>(136)</b>	<b>4,767</b>	<b>(1,391)</b>	<b>699</b>
Trade receivables	3,031	14,939	8,468	1	26,439
Investments in associates	-	1,421	-	-	1,421
Non-trade receivables	1,248	227	251	768	2,494
Cash and cash equivalents	-	-	-	6,215	6,215
Other assets	9,634	1,168	986	6078	17,866
<b>Total assets</b>					<b>54,435</b>
Trade payables	1,511	5,331	7,629	873	15,344
Bank overdraft	-	-	-	1,647	1,647
Loans and borrowings	3,758	-	606	14,848	19,212
Other liabilities	247	1,449	2,441	1,614	5,751
<b>Total liabilities</b>					<b>41,954</b>
<b>Net Equity</b>					<b>12,481</b>
<b>TOTAL</b>					<b>54,435</b>

*in thousands of euro*

	VDS	PA	2006 MCS	Unallocated	TOTAL
Sales	10,589	76,232	13,525	-	100,346
Cost of sales	(9,970)	(66,407)	(3,076)	(616)	(80,069)

<b>Gross profit</b>	<b>619</b>	<b>9,825</b>	<b>10,449</b>	<b>(616)</b>	<b>20,277</b>
Operating expenses	(5,570)	(5,932)	(8,647)	(1,140)	(21,289)
<b>Profit from operations</b>	<b>(4,951)</b>	<b>3,893</b>	<b>1,802</b>	<b>(1,756)</b>	<b>(1,012)</b>
Amortisation and depreciation	2,862	425	6	767	4,060
<b>EBITDA</b>	<b>(2,089)</b>	<b>4,318</b>	<b>1,808</b>	<b>(989)</b>	<b>3,048</b>
Trade receivables	2,826	19,397	4,360	105	26,688
Investments in associates	-	6,004	-	25	6,029
Non-trade receivables	1,347	192	424	1,744	3,707
Cash and cash equivalents	-	-	222	10,728	10,950
Other assets	9,854	1,987	178	7,243	19,262
<b>Total assets</b>					<b>66,636</b>
Trade payables	1,439	8,392	4,126	641	14,598
Bank overdraft	-	-	-	2,955	2,955
Loans and borrowings	5,151	4,061	505	12,518	22,235
Unallocated liabilities	175	645	326	3,100	4,246
<b>Total liabilities</b>					<b>44,034</b>
<b>Net Equity</b>					<b>22,602</b>
<b>TOTAL</b>					<b>66,636</b>

### 3. Taxation

Two taxes are applicable to the Company:

- Corporate income tax (IRES) at the rate of 33%
- Regional tax (IRAP) at the rate of 4.25%

The difference in tax rates arises from the different basis for the two taxes.

<i>in thousands of euro</i>	<b>2007</b>	<b>2006</b>
Current tax expense:		
- IRES	(1,574)	99
- IRAP	(318)	(242)
Total current tax expense	(1,892)	(143)
Deferred tax expense:		
- IRES	1,886	473
- IRAP	32	7
- Other	(46)	85
Total deferred tax expense	1,872	565
<b>Total</b>	<b>(20)</b>	<b>422</b>

Income tax expense/(income) may also be analysed as follows:

<i>in thousands of euro</i>	<b>2007</b>	<b>2006</b>
- IRES	312	552
- IRAP	(286)	(215)
- Other	(46)	85
<b>Net expense</b>	<b>(20)</b>	<b>422</b>

### Reconciliation of the effective tax rate (IRES and IRAP)

<i>in thousands of euro</i>	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
		%		%

Profit (loss) before tax	(10,070)		(2,926)	
Income tax at standard rate	3,323	33.00	966	33.00
Permanent differences	(3,011)		(275)	
IRAP	(286)		(214)	
Effect of tax rate in foreign jurisdictions	(46)		(55)	
	<hr/>		<hr/>	
<b>Total</b>	<b>(20)</b>		<b>422</b>	
	<hr/>		<hr/>	

#### 4. Earnings per share

##### 4.1 Basic earnings/(loss) per share

The calculation of basic earnings per share for the year ended 31 December 2007 and 2006 have been determined as net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares for each year considering the effect of change in nominal value of shares.

##### Net profit attributable to ordinary shareholders

<i>in thousands of euro</i>	<b>2007</b>	<b>2006</b>
Net profit/(loss) attributable to ordinary shareholders	(10,090)	(2,504)

##### Weighted average number of ordinary shares

<i>in thousand of shares</i>	<b>2007</b>	<b>2006</b>
Issued ordinary shares at the beginning (0.0125 € per share)	185,944	185,944

<b>Weighted average number of ordinary shares</b>	<b>185,944</b>	<b>185,944</b>
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<i>in euro</i>	<b>2007</b>	<b>2006</b>
<b>Basic earnings/(loss) per share at 31 December</b>	<b>(0.0543)</b>	<b>(0.0134)</b>

- Diluted earnings/(loss) per share

Diluted earnings per share are calculated by dividing the profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of all potentially dilutive shares (e.g. employees stock options).

##### Net profit attributable to ordinary shareholders

<i>in thousands of euro</i>	<b>2007</b>	<b>2006</b>
Net profit/(loss) attributable to ordinary shareholders	(10,090)	(2,504)

##### Weighted average number of ordinary shares (diluted)

<i>in thousands of shares</i>	<b>2007</b>	<b>2006</b>
Issued ordinary shares at 31 December	185,944	185,944
Effect of share option agreements	1,681	3,141

<b>Weighted average number of ordinary shares (diluted) at 31 December</b>	<b>187,625</b>	<b>189,121</b>
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<i>in euro</i>	<b>2007</b>	<b>2006</b>
<b>Diluted earnings/(loss) per share at 31 December</b>	<b>(0.0538)</b>	<b>(0.0132)</b>

## 5. Subsequent events

On the 29th of May 2008, Teleunit signed a Purchase and Sale Agreement with a Major Italian banks' Venture Capital subsidiary (the "VCC"), for the partial disposal, via a leveraged buy-out, of 20% of the share capital of the Group's subsidiary Neomobile S.p.A. for a total cash consideration of €23 million. Neomobile was established on 31st January 2007 following the spin-off of the Group's Mobile Content Services ("MCS") segment.

The Transaction comprises the following operations:

- The creation of a New Company (the "Newco") of which Teleunit will hold a 68% stake;
- The entry of the VCC into the Newco with €10 million for a 20% stake. The entry of Neomobile's Managers, who have presided successfully over the dynamic and profitable growth in the business, into the Newco with €1.0 million for a 12% stake via a non-proportional increase in share-capital;
- The subscription by Newco of a €13.0 million loan, €1.0 million of which will be used to pay expenses related to the Transaction;

The successful closing of the Transaction is subject to the following conditions:

- The raising of €13.0 million of debt necessary to fund the operation;
- Authorization of the Transaction by Italy's Antitrust Authority.

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