INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

Registered office in Via della Valle dei Fontanili 29/37 – 00168 Rome, Italy
Share capital: €1,084,200.00 fully paid-in
Rome Companies' Register
Tax Code and VAT number: 06075181005

CONTENTS

CORPORATE OFFICERS

BOARD OF DIRECTORS

Claudio Carnevale
Chairman and CEO

Francesco Ago (1), (2), (3)
Director

Margherita Argenziano
Director

Raffaele Cappiello (1), (2)
Director

Cristian Carnevale
Director

Luca De Rita
Director

Giovanni Galoppi (1), (2)
Director

Giuseppe Guizzi (1), (2)
Director

Luciano Hassan
Director

(1) Member of the Remuneration Committee
(2) Member of the Internal Audit Committee
(3) Lead Independent Director

BOARD OF STATUTORY AUDITORS

Antonio Mastrangelo
Chairman

Umberto Previti Flesca
Auditor

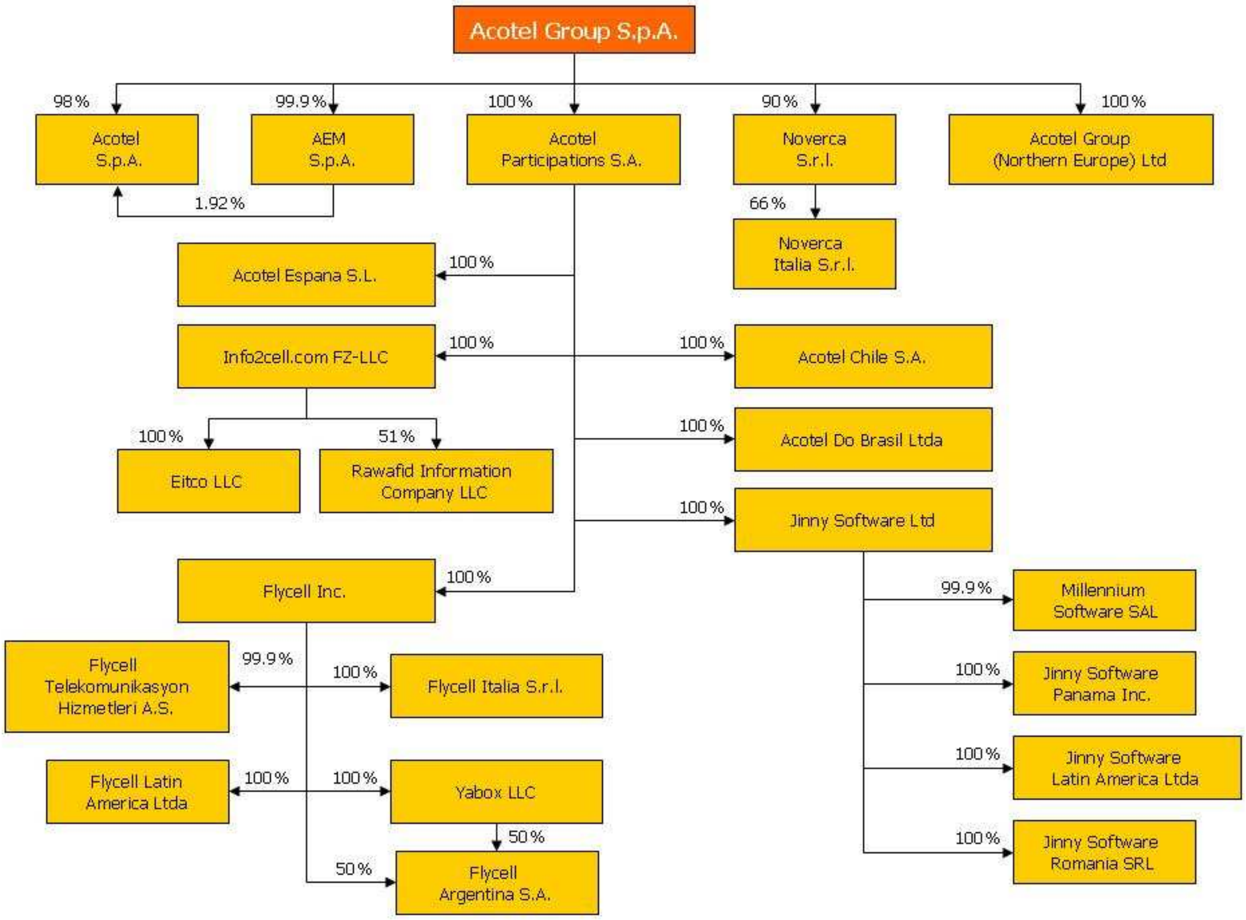
Maurizio Salimei
Auditor

INDEPENDENT AUDITORS

Deloitte & Touche SpA

THE GROUP

The following chart shows the structure of the Acotel Group at 30 June 2010:



The parent company of Acotel Group SpA is Clama Srl, which at 30 June 2010 holds 1,727,915 ordinary shares, representing 41.4% of the share capital.

Clama Srl does not carry out management and coordination activities pursuant to art. 2497 of the Italian Civil Code.

DIRECTORS' OPERATING AND FINANCIAL REVIEW

PRINCIPAL FACTORS THAT HAVE INFLUENCED THE RESULTS FOR THE PERIOD

The Acotel Group continued to expand its business in the first half of 2010, with consolidated revenue rising 33% from the 60 million euros of the first half of 2009 to 80 million euros in the period under review. This trend is not, however, reflected in an improvement in the gross operating profit (EBITDA), which worsened from a loss of 0.2 million euros in the first half of 2009 to 4.6 million euros in the same period of 2010.

The deterioration in EBITDA is largely due to the Mobile Telecommunications business, which is still in its initial start-up phase and thus obliged to incur significant costs that have yet to be covered by adequate revenues. Large scale investment in advertising for the B2C segment of the Services business also contributed to the deterioration in EBITDA.

Revenues generated during the first half by the different areas of business follows:

- revenues from value added mobile services amount to 72.7 million euros, marking an increase of 33% on the 54.8 million euros of the first half of 2009, and accounting for 91% of the Group's total revenue;
- revenues from mobile messaging solutions amount to 8.8 million euros, representing an increase of 98% compared with the first half of 2009. After excluding intercompany contracts, the contribution to consolidated revenue totals 6 million euros, marking an improvement of 41% on the 4.3 million euros of the first half of 2009 and accounting for 7.5% of total revenue;
- revenues generated by the security systems business total 0.8 million euros, marking a reduction of 14.6% on the 0.9 million euros of the same period of the previous year;
- revenues from mobile telecommunications amount to 0.8 million euros (including the Group's share, totalling 0.5 million euros).

In terms of geographical revenue breakdown, North America, thanks to increased turnover in the B2C segment of the Services business, represented the Group's main market, generating revenues of 26.2 million euros, up 49.8% on the first half of 2009 and accounting for 32.7% of total revenue.

Europe, with 21.9 million euros in revenues, contributed 27.4% of total revenue and represents the Group's second most important geographical market, despite the 1.2% reduction compared with the 22.2 million euros of the first half of 2009. This is due to lower turnover recorded by the B2C segment of the Services business in Spain.

Latin America, with revenues of 20.9 million euros in the period under review, is the Group's third largest market. Thanks mainly to the B2C segment of the Services business, this market recorded growth of 47% compared with the 14.2 million euros of the first half of 2009, accounting for 26.2% of total revenue.

In percentage terms, the biggest increase in revenues was registered in the Middle East, reflecting the excellent results achieved by the Services business. In this geographical area, revenues are up 102% from 4.3 million euros in the first half of 2009 to 8.6 million euros in the period under review.

The other markets in which the Group operates report the following revenue performance:

- Africa, 2 million euros (2.5% of the total), marking an increase of 80%;

- Asia, 0.4 million euros (0.5% of the total), marking a reduction of 51%.

A full analysis of the interim results is provided in the Results of Operations section, whilst the main events that took place in the first half of 2010 in the four business segments in which the Group operates are described below.

SERVICES

The Group's offering in this area of business is based on the following four business models:

- **B2C (or Business to Consumer)**: in this segment Acotel sells its services – primarily content, ringtones, images, games and information - directly to the final customer, carrying out all the related activities from communications to customer care;
- **Network Operator**: in this segment the Group provides services on behalf of telephone companies (mainly mobile) in accordance with the Application Service Provisioning (ASP) model;
- **Corporate**: in this segment the Group supplies interactive mobile services to entities that, in the case of banks for example, want to offer mobile information and services to their customers;
- **Media**: this segment regards value added services on behalf of TV, radio or other media, offering, for example, viewers or listeners the chance to vote or buy content relating to a certain television or radio programme.

Revenues from this area of business amount to 72.7 million euros, having risen 33% on the 54.8 million euros of the first half of 2009. B2C services were once again the most important in revenue terms, generating 57.4 million euros and accounting for 78.9% of revenues from this area of business.

The next largest contribution in revenue terms was provided by the Network Operator segment, which recorded growth of 24% on the first half of 2009, rising from 6.3 to 7.8 million euros and accounting for 10.7% of total revenues from this business.

The fastest rate of growth in percentage terms, though also significant in absolute terms, was achieved by the Corporate segment, the third most important. Revenues from this segment are up from 2.6 million euros in the first half of 2009 to 6.9 million euros in the same period of 2010, marking an increase of 168%.

Finally, the Media segment contributed 0.6 million euros, marking growth of 42% compared with the 0.4 million euros of the first half of 2009, and accounting for 0.9% of total service revenues.

(€000)	H1 2010	%	H1 2009	%
B2C services	57,360	78.9%	45,494	83.0%
Network Operator services	7,786	10.7%	6,300	11.5%
Corporate services	6,931	9.5%	2,583	4.7%
Media services	626	0.9%	442	0.8%
Total	**72,703**	**100%**	**54,819**	**100%**

Responsibility for B2C services almost exclusively lies with the US subsidiary, *Flycell Inc*. (based in New York), which reports consolidated revenues of 57.3 million euros, marking an increase of 26.1% on the 45.5 million euros of the same period of 2009.

The company operates directly in the USA, Mexico, Spain and South Africa, and indirectly via its operating companies in Brazil (*Flycell Latin America Ltda*), Italy (*Flycell Italia Srl*), Turkey (*Flycell Telekomunikasion Hizmetleri A.S.*) and Argentina (*Flycell Argentina S.A.*). The latter company is the most recently established and began operating at the end of 2009.

Expansion of the B2C business as a whole was driven by the significant increase in advertising expenditure, which is up from 14.4 million euros in the first half of 2009 to 24.6 million euros in the period under review. This has resulted in a deterioration in EBITDA reported by this area of business and by the Group.

Advertising expenditure remained high throughout the first half in order to boost the customer base, in the belief that acquiring more customers will ensure that the business achieves a positive performance over full year 2010.

Flycell Inc. directly undertook the commercial launch of its services in South Africa during the period, more or less timed to coincide with the World Cup. The company was also engaged in developing the business of the newly established Argentine subsidiary.

The company continues to sell its services in the form of monthly or weekly subscriptions, offering customers a vast range of high-quality content and ensuring the company, as far as possible, stable cash flows.

The subsidiary, *Acotel SpA*, which provides services to network operators, corporate clients and media companies in Italy, reports revenues of 5 million euros, up 10.8% on the 4.5 million euros of the first half of 2009.
The increase was driven by increased sales in the Corporate segment, above all to customers in the banking sector, thanks in part to the company's improved commercial offering. The reduction in revenues generated by the services provided to *Telecom Italia*, already seen in 2009, has continued into 2010. The reasons are described in the previous annual report.

The company's new technology platform named Acotel 2.0 NSP (New Service Platform), was rolled out and is living up to its promise, in terms of lower operating costs (for staff and energy) and greater operating efficiency.

The first half also saw the company conclude agreements for the supply of mobile services to the Public Sector, which has been offered both text-based and USSD (Unstructured Supplementary Service Data) mobile services as part of the "*Vivi facile*" project, designed to improve communication between the general public and government entities. Potential development of this project will be described later in this report.

The subsidiary, *Info2cell*, which is based in *Dubai* and has an operational support centre in *Amman*, operates throughout the Middle East in the three B2B segments (Network Operator, Corporate and Media). It was the Group company that registered the highest percentage revenue growth compared with the first half of 2009. Revenues for the period of 7.4 million euros are up 118% on the 3.4 million euros of the same period of 2009.

One of the most important events was the launch, in April, of a multimedia portal developed for *Samsung* to be used in the distribution of free content, and the company's nomination, announced in May, as the "Number One Content Provider from a Revenue Perspective for 2009" by the operator, Zain Jordan. Both these events are key to helping the company strengthen its market position.

A number of projects were completed in Jordan, one of the company's key markets. These include a prize competition based on the Breaking News service, giving participants the chance to win a Nokia cell phone. The company also exploited the recent World Cup in South Africa to distribute information about the event for almost all the operators in the area in which it operates.

The subsidiary, *Acotel do Brasil*, which operates in the Network Operator segment, generated revenues of 2.9 million euros in the period, marking growth of 105% on the 1.4 million euros of the same period of 2009.

This result confirms the company's ability, previously demonstrated in the second half of 2009, to create and offer *TIM Brasil*, its main customer, new services to offset the natural decline in the market for those launched in previous years. The most successful new service offered by *Acotel do Brasil* is without doubt the *Blah* SMS chat service.

MOBILE MESSAGING SOLUTIONS

The Mobile Messaging Solutions business, in which the subsidiary, *Jinny Software Ltd*, operates, enjoyed a very positive first half in 2010. Having overcome the difficulties encountered in 2009, linked to the downturn in its markets, the company received orders in excess of the figure for 2009 as a whole, whilst doubling its turnover from the 4.4 million euros of the first half of 2009 to 8.8 million euros in the period under review (including contracts from other Group companies, totalling 2.8 million euros).

This result was achieved, on the one hand, by adding new products that met with a positive response from customers and, on the other, the negotiation of a number of commercial partnerships and an overall improvement in the effectiveness of the company's commercial operations, achieved thanks to the introduction of a Sales Force Management System.

SECURITY SYSTEMS

With regard to the Security Systems business, the subsidiary, *AEM SpA*, reports revenues of 0.8 million euros, slightly down on the 0.9 million euros of the same period of 2009.

The market segment in which the company operates has, for some years now, been substantially stable in terms of operating performance and, in order to safeguard the company's future growth prospects, *AEM*'s management has decided to develop new product lines aimed at revitalising the commercial offering and entering other segments of the vast security systems market.

During the first half development initiatives focused on a new alarm control system, named *Eura*, which has innovative features and incorporates new communication protocols.

The company continues to provide services to large and highly prestigious customers, such as the *Bank of Italy*, *ACEA* and *Telecom Italia*.

MOBILE TELECOMMUNICATIONS

Noverca Italia Srl, a mobile virtual network operator (MVNO), in which the *Intesa Sanpaolo SpA* banking group directly and indirectly holds a 40.6% interest, operates in the Italian market.

The company's total revenues amount to 813 thousand euros for the period, whilst the Group's share, based on the proportionate method of consolidation, is 483 thousand euros.

The company began operating at the end of March 2009 and it is therefore not possible to compare the first half of 2010 with the same period of the previous year. To provide an idea of the company's progress, however, it is possible to compare total revenues for the first quarter of 2010, totalling 301 thousand euros, with those for the second quarter of 2010, amounting to 527 thousand euros, which reveals quarter-on-quarter growth of 75%.
As noted at the beginning of this report, the company has yet to reach breakeven and, with revenues still not sufficient to cover either fixed overheads and the variable costs linked to marketing of the brand, this has had a significant impact on the Acotel Group's margins.

The main event in the first half of 2010 was the signature, on 1 March 2010, of a contract between *Noverca Italia Srl* and *Telecom Italia SpA*, enabling the former to become a Full MVNO (Mobile Virtual Network Operator). This will replace the existing ESP (Enhanced Service Provider) agreement signed by the two companies in April 2008.

The new contract marks the first step in the transformation of *Noverca Italia Srl* that will enable it to acquire greater technological and commercial independence from the host mobile operator. As a Full MVNO, the company will independently manage network components, such as the HLR (Home Location Register), and will establish direct interconnections with other operators, using *Telecom Italia SpA*'s infrastructure only to access the frequencies on its mobile network.

The conversion to Full MVNO, which will put Nòverca on a par with the other mobile operators, in that it will have its own mobile operator code and its own SIM (Subscriber Identification Module) cards, requires the company to carry out a series of investments.

In return for these investments, the company will benefit from significant savings on direct costs, whilst at the same time boosting margins and increasing its ability to independently develop its innovative service offering.

The promotional campaign, launched in December 2009, continued into early 2010, offering *Intesa Sanpaolo* customers a SIM card with a free TopUp worth 20 euros. A further campaign, again run in close collaboration with *Intesa Sanpaolo*, was launched in February aimed at attracting MNP (Mobile Number Portability) customers, with approximately 5,000 new customers acquired as a result. A TV, radio and web advertising campaign was run in the second quarter. In addition to attracting new customers, above all via the web channel, the campaign boosted awareness of the *Nòverca* brand among consumers and enabled the company to establish relations with a number of major retailers, which are willing to add new brands to their range only if they are well-known to the public.
Nòverca has developed two mobile banking services for the *Intesa Sanpaolo* Group's current account holders, one based on client software for smartphones using the Android operating system, and another based on the USSD (Unstructured Supplementary Service Data) protocol. The latter service is, in some ways, the most innovative in that it enables any type of cell phone, including old models without a data connection, to support interactive functions generally available on more advanced devices linked to the Internet.

Again using the USSD protocol, *Nòverca* is the only mobile operator to offer customers the opportunity to top up directly from their cell phone, using a credit card.

The company began marketing its commercial offering for business customers in the first half, having completed the necessary technological preparations.

RESULTS OF OPERATIONS

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€000)	H1 2010	H1 2009	Increase/Decrease	% inc./(dec.)
Revenues	79,979	60,031	19,948	33%
Other income	177	141	36	26%
Total revenue	**80,156**	**60,172**	**19,984**	**33%**
Gross operating profit	**(4,538)**	**(169)**	**(4,369)**	**(2,585%)**
	-5.66%	*-0.28%*		
Operating profit/(loss)	**(6,257)**	**(1,144)**	**(5,113)**	**(447%)**
	-7.81%	*-1.90%*		
Net finance income/(costs)	179	499	(320)	(64%)
PROFIT/(LOSS) BEFORE TAX	**(6,078)**	**(645)**	**(5,433)**	**(842%)**
	-7.58%	*-1.07%*		
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	**(6,497)**	**(703)**	**(5,794)**	**(824%)**
	-8.11%	*-1.17%*		
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	**(6,603)**	**(727)**	**(5,876)**	**(808%)**
	-8.24%	*-1.21%*		
Earnings per share	(1.61)	(0.18)		
Diluted earnings per share	(1.61)	(0.18)		

Compared with the results for the same period of the previous year, the Acotel Group’s results for the first half of 2010 show an improvement in revenue and a decline in earnings.

Revenue of 80 million euros for the first half is up 33% on the first half of 2009, due to the positive commercial performances of almost all Group companies.

The Group reports a gross operating loss of 4.5 million euros, marking a deterioration compared with the loss of 0.2 million euros recorded in the same period of 2009. This result is significantly influenced by the geographical expansion of the B2C business in which *Flycell Inc.* Operates, and the launch of the MVNO services provided through the mobile virtual network operator, *Nòverca*, resulting in more than a 57% increase in advertising expenditure compared with the first half of 2009. After amortization and depreciation, the operating loss is 6.3 million euros, compared with a loss of 1.1 million euros in the same period of 2009.
After net finance income of 0.2 million euros, estimated taxation for the period of 0.4 million euros and profit attributable to non-controlling interests of 0.1 million euros, the loss for the first half of 2010 is 6.6 million euros.

FINANCIAL POSITION

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€000)	30 June 2010	31 December 2009	Increase/(Decrease)	% inc./(dec.)
Non-current assets:				
Property, plant and equipment	6,820	5,218	1,602	31%
Intangible assets	13,215	13,404	(189)	(1%)
Other assets	4,892	3,462	1,430	41%
TOTAL NON-CURRENT ASSETS	**24,927**	**22,084**	**2,843**	**13%**
Net current assets:				
Inventories	703	845	(142)	(17%)
Trade receivables	29,857	27,015	2,842	11%
Other current assets	5,134	4,482	652	15%
Trade payables	(22,454)	(17,585)	(4,869)	(28%)
Other current liabilites	(9,814)	(9,574)	(240)	(3%)
TOTAL NET CURRENT ASSETS	**3,426**	**5,183**	**(1,757)**	**(34%)**
STAFF TERMINATION AND AND OTHER EMPLOYEE BENEFITS	**(1,504)**	**(1,389)**	**(115)**	**(8%)**
NON-CURRENT PROVISIONS	**(300)**	**(392)**	**92**	**23%**
NET INVESTED CAPITAL	**26,549**	**25,486**	**1,063**	**(4%)**
Equity:				
Share capital	1,084	1,084	-	-
Reserves and retained earnings/(accumulated losses)	69,230	66,079	3,151	5%
Profit/(loss) for the period	(6,603)	1,311	(7,914)	(604%)
Non-controlling interests	414	308	106	34%
TOTAL EQUITY	**64,125**	**68,782**	**(4,657)**	**(7%)**
MEDIUM-/LONG TERM DEBT	**69**	**69**	**-**	**-**
Net cash and cash equivalents:				
Current financial assets	(27,658)	(27,843)	185	1%
Cash and cash equivalents	(14,104)	(19,045)	4,941	26%
Current financial liabilities	4,117	3,523	594	17%
	(37,645)	**(43,365)**	**5,720**	**13%**
NET FUNDS	**(37,576)**	**(43,296)**	**5,720**	**13%**
TOTAL EQUITY AND NET FUNDS	**26,549**	**25,486**	**1,063**	**(4%)**

The Acotel Group's net invested capital at 30 June 2010 amounts to 26.5 million euros, made up of non-current assets of 24.9 million euros, current assets of 3.4 million euros, staff termination benefits of 1.5 million euros and other non-current provisions of 0.3 million euros.

Net invested capital is financed by equity of 64.1 million euros and net funds of 37.6 million euros.

A detailed analysis of changes in the principal components of the financial position shows that:

- non-current assets have increased compared to the end of the previous year, primarily reflecting the investments carried out by *Noverca Srl*, with the aim of expanding the functions of the technology platform in readiness for its conversion to a Full MVNO, and an increase in deferred tax assets;
- changes in net working capital reflect the increase in the Acotel Group's business volumes;
- net funds at amount to 37.6 million euros at 30 June 2010, marking a reduction of 5.7 million euros compared with 31 December 2009.

HUMAN RESOURCES

At 30 June 2010 the Group employs 465 people, compared with 453 at the end of 2009. The Group recruited 70 new staff during the first half, whilst 58 people left its employ.

The average age of the Group's staff, at 32, and their high level of education (with 77% of staff having a degree or a university qualification) helps to create a youthful and dynamic environment, ensuring a strong ability to innovate and to effectively understand the market for the Group's services.

RISKS AND UNCERTAINTIES

This section provides an analysis of the principal risks and uncertainties to which the Group's operations are exposed in the short term.

Credit risk

44.4% of total trade receivables relates to amounts due from the mobile transaction network providers, *mBlox* (17.1%), and *Open Market* (8.9%), which supply *Flycell Inc.* with operator connectivity in the US and Spain, *Wind* (9.6%) and *Telecom Italia* (8.8%).
Group companies are not involved in significant disputes with customers regarding receivables.

Liquidity risk

The Group makes limited recourse to external sources of funding, being able to meet its cash requirements from its own funds.

The cash flows, borrowing requirements and liquidity of Group companies are monitored and managed centrally by the Parent Company, with the aim of ensuring effective and efficient management of the Group's financial resources.

Foreign exchange risk

The Group is not exposed to any significant extent to foreign exchange risk, which is mainly limited to:

- foreign exchange exposures deriving from intercompany loans, which, whilst being eliminated from the consolidated financial statements, generate foreign exchange gains or losses for subsidiaries whose functional currencies are different from the euro;
- the partial difference between the currencies in which receivables and payables are denominated, above all in the case of *Jinny Software Ltd.* and *Flycell Inc.*, although the risks are in any event limited by the short space of time between the issue of invoices and collection of the amount due.

Interest rate risk

In view of the Group's limited dependence on external sources of funding, it is not exposed to interest rate risk to any significant extent.

Operational risks and uncertainties

In addition to uncertainties linked to the overall economic environment and growing competition in the markets in which the Group operates, the Services business, and above all the B2C segment, is subject to numerous data and consumer protection regulations. Whilst Group companies operate within these regulations, given the high numbers of customers served, it is not possible to exclude the risk of litigation involving both individuals and groups of customers. Moreover, as readers will be aware, the above regulations are currently undergoing substantial changes that may result in significant restrictions on the marketing and commercial activities carried out in order to support the sale of services.

The decision to invest heavily, in both financial terms and in terms of the number of staff employed, in the commercial launch of *Noverca* and its conversion to a Full MVNO will face a key test in the near future, when the Group has targeted significant increases in both customers and the average customer spend. Achievement of these targets should be made possible, from 2011, by the greater degree of independence deriving from *Noverca*'s ability to operate as a Full MVNO.

Although all the companies in the Group operate in highly competitive markets, the Group believes it has the technological and commercial expertise and financial strength necessary to compete successfully.

OTHER INFORMATION

No transactions took place between the parent, *Clama Srl*, *Acotel Group SpA* and other Group companies during the period.

At 30 June 2010 the Company holds 56,425 treasury shares, which are accounted for as an 871 thousand euro reduction in equity, representing the average cost of 15.44 euros per share and a total par value of 14,671 euros.

Acotel Group SpA does not possess shares or units issued by its parent, either directly or through fiduciary companies or proxies, nor has it acquired or sold such shares during the period.

Other Group companies do not possess *Acotel Group SpA* shares, either directly or through fiduciary companies or proxies, nor have they acquired or sold such shares during the period.

At 30 June 2010 *Acotel Group SpA* has not established any branch offices.

The Group has not carried out any exceptional and/or unusual transactions during the first half of 2010, with any transactions forming part of the Group's ordinary activities. Such transactions are conducted on an arm's length basis, taking account of the nature of the goods sold and the services provided. Related party disclosures are include in the notes to the condensed interim financial statements.

EVENTS AFTER 30 JUNE 2010

As part of a long-term collaboration with *Paolo Fox*, one of Italy's leading astrologers, *Acotel SpA* launched an *iPhone* application in July, enabling mobile users to consult their horoscopes in video, audio and text format. Just a few days after launch, a total of over 20,000 downloads had been registered, demonstrating the high degree of interest among the public and the excellence of the chosen business model, based on advertising revenues generated by display banners.

July also saw all the Group's service companies take advantage of the World Cup in South Africa to develop and provide special services. In this regard, *Info2cell* managed to achieve positive results with its services even in countries where the event had limited importance, such as, for example, the Seychelles, Kuwait and the United Arab Emirates, where many users still signed up to the offering.

In the Mobile Telecommunications segment, *Noverca Italia Srl* has promoted a series of services and commercial offerings conceived especially for the summer season, typically a time for travel and holidays. These include *Guida Turistica Nòverca* (the "Noverca Tourist Guide"), a service supplied in collaboration with *Touring Editore* that uses georeferencing to enable users to view information about monuments or other nearby places of interest on their cell phone display. A further service, *Estero Low Cost* ("International Low Cost"), enables customer to make cheap calls abroad from Italy thanks to the use of Hybrid VoIP (Voice Over Internet Protocol) technology.

Finally, *AEM* rolled out its new website, www.aem.net, with new graphics and content that will enable it to market itself more successfully in the coming months.

OUTLOOK

In the Services business, and specifically with regard to the B2C services managed by *Flycell*, we expert margins to pick up strongly on the back of customer acquisitions during the first half as a result of the significant promotional expenditure incurred.

In the Network Operator segment of this area of business the Group will continue to work with its customers in Italy, Brazil and the Middle East in order to expand the range of services offered and successfully respond to changes in demand. New initiatives expected to be launched include *Info2cell*'s finalisation of an agreement with *Asiacell* in *Iraq*, and the launch of mobile marketing services by *Acotel do Brasil* in collaboration with *TIM Brasil*.

The process of receiving approval from the relevant authorities for the project involving *Acotel SpA*, which will see the company provide the services mentioned earlier in this report to the Public Sector, is expected to move forward.

Partly in view of its current order book, Jinny Software Ltd. is expected to achieve satisfactory results in the Mobile Messaging Solutions segment during the second half of 2010, a time of year in which mobile operators tend to concentrate decisions regarding new investments.

Noverca Italia Srl's priority in the Mobile Telecommunications segment will be to boost the number of customers through further commercial initiatives, with the opening-up of new distribution channels for both the consumer and business markets, but above all through greater involvement of its partner, *Intesa Sanpaolo*, with which it has agreed a specific action plan for the last 4 months of the year. On the technological and organisational front, all the activities involved in the conversion to a Full MVNO will continue.

CONDENSED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€000)	Note	H1 2010	H1 2009
Revenues	1	79,979	60,031
Other income:	2	177	141
- from related parties		*156*	*121*
- other		*21*	*20*
Total		**80,156**	**60,172**
Movement in work in progress, semi-finished and finished goods		(185)	9
Raw materials, semi-finished and finished goods	3	(833)	(576)
External services	4	(70,493)	(48,868)
- rendered by related parties		*(100)*	*(70)*
- other		*(70,393)*	*(48,798)*
Rentals and leases	5	(954)	(872)
Staff costs	6	(11,542)	(10,296)
Amortisation and depreciation	7	(1,719)	(974)
Capitalised internal costs	8	680	979
Impairment charges/reversal of impairment charges on non-current assets		-	(1)
Other costs	9	(1,367)	(717)
Finance income	10	1,347	1,003
Finance costs	10	(1,168)	(504)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(6,078)**	**(645)**
Taxation	11	(419)	(58)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(6,497)**	**(703)**
Profit/(Loss) from discontinued operations		-	-
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS		**(6,497)**	**(703)**
Profit/(Loss) attributable to non-controlling interests		106	24
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**(6,603)**	**(727)**
Earnings per share	12	(1.61)	(0.18)
Diluted earnings per share	12	(1.61)	(0.18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€000)	Note	H1 2010	H1 2009
Profit/(Loss) for the period		**(6,497)**	**(703)**
Gains/(Losses) from translation of financial statements of foreign operations		1,840	1,237
Tax credit/(expense) on other gains/(losses)		-	-
Total other gains/(losses), net of tax		1,840	1,237
Total comprehensive income/(loss) for the year		**(4,657)**	**534**
Total comprehensive income/(loss) for the period attributable to:			
owners of the parent		(4,763)	510
non-controlling interests		106	24
Total comprehensive income/(loss) for the year		**(4,657)**	**534**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

(€000)	**Note**	**30 June 2010**	**31 December 2009**
Non-current assets:			
Property, plant and equipment	13	6,820	5,218
Goodwill	14	11,531	11,531
Other intangible assets	15	1,684	1,873
Other non-current assets		178	167
Deferred tax assets	16	4,714	3,295
TOTAL NON-CURRENT ASSETS		**24,927**	**22,084**
Current assets:			
Inventories	17	703	845
Trade receivables	18	29,857	27,015
Other current assets	19	5,134	4,482
- due from related parties		*707*	*259*
- other		*4,427*	*4,223*
Current financial assets	20	27,658	27,843
Cash and cash equivalents	21	14,104	19,045
TOTAL CURRENT ASSETS		**77,456**	**79,230**
NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**
TOTAL ASSETS		**102,383**	**101,314**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
LIABIITIES AND EQUITY

(€000)	Note	30 June 2010	31 December 2009
Equity:			
Share capital		1,084	1,084
Share premium reserve		55,106	55,106
- Treasury shares		(871)	(871)
Cash flow hedge and currency translation reserve		1,446	(394)
Other reserves		10,266	10,159
Retained earnings/(accumulated losses)		3,283	2,079
Profit/(Loss) for the period		(6,603)	1,311
Equity attributable to owners of the Parent		**63,711**	**68,474**
Non-controlling interests		414	308
TOTAL EQUITY	22	**64,125**	**68,782**
Non-current liabilities:			
Non-current financial liabilities	23	69	69
Staff termination benefits and other employee benefits	24	1,504	1,389
Deferred tax liabilities	25	300	392
TOTAL NON-CURRENT LIABILITIES		**1,873**	**1,850**
Current liabilities:			
Provisions	26	1,794	1,418
Current financial liabilities	27	4,117	3,523
Trade payables	28	22,454	17,585
- due to related parties		*20*	*40*
- other		*22,434*	*17,545*
Tax liabilities	29	1,096	2,534
Other current liabilities	30	6,924	5,622
- due to related parties		*1,964*	*1,203*
- other		*4,960*	*4,419*
TOTAL CURRENT LIABILITIES		**36,385**	**30,682**
LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**
TOTAL LIABILITIES		**38,258**	**32,532**
TOTAL LIABILITIES AND EQUITY		**102,383**	**101,314**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(€000)	Share capital	Share premium reserve	- Treasury shares	Cash flow hedge and currency translation reserve	Other reserves	Reserves and retained earnings	Profit / (Loss) for the period	**Total equity attribu-table to owners of the Parent**	Equity attribu-table to non-controlling interests	**Total consolidated equity**
Balances at 1 Jan 2009	**1,084**	**55,106**	**(871)**	**(2,387)**	**9,538**	**(3,864)**	**6,564**	**65,170**	**30**	**65,200**
Appropriation of profit/(loss) for 2008					573	5,991	(6,564)	-		-
Other changes								-	45	**45**
Comprehensive income/ (loss) for the period				1,237			(727)	**510**	24	**534**
Balances at 30 June 2009	**1,084**	**55,106**	**(871)**	**(1,150)**	**10,111**	**2,127**	**(727)**	**65,680**	**99**	**65,779**
Balances at 1 Jan 2010	**1,084**	**55,106**	**(871)**	**(394)**	**10,159**	**2,079**	**1,311**	**68,474**	**308**	**68,782**
Appropriation of profit/(loss) for 2009					107	1,204	(1,311)	-		-
Comprehensive income/ (loss) for the period				1,840			(6,603)	**(4,763)**	106	**(4,657)**
Balances at 30 June 2010	**1,084**	**55,106**	**(871)**	**1,446**	**10,266**	**3,283**	**(6,603)**	**63,711**	**414**	**64,125**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€000)	**H1 2010**	**H1 2009**
A. NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**43,365**	**38,564**
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	**(3,104)**	**4,530**
Cash flows from operating activities before changes in working capital	**(4,485)**	**427**
Profit/(Loss) for the period	(6,603)	(727)
Amortisation and depreciation	1,719	974
Net change in staff termination benefits	115	138
Net change in deferred tax liabilities	(92)	42
Net change in provisions	376	-
(Increase) / decrease in receivables	(3,494)	(6,312)
- due from related parties	*(448)*	*(102)*
- other	*(3,046)*	*(6,210)*
(Increase) / decrease in inventories	142	(49)
Increase / (decrease) in payables	4,733	10,464
- due to related parties	*741*	*767*
- other	*3,992*	*9,697*
C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES	**(4,562)**	**(4,304)**
(Purchases)/disposals of fixed assets:		
- Intangible assets	(467)	(1,647)
- Property, plant and equipment	(2,665)	(1,387)
- Financial assets	(1,430)	(1,270)
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES	**1,946**	**1,306**
Other changes in equity	1,840	1,237
Change in minority interests	106	69
E. CASH FLOW FOR THE PERIOD (B+C+D)	**(5,720)**	**1,532**
F. NET CASH AND CASH EQUIVALENTS AT END OF PERIOD (A + E)	**37,645**	**40,096**

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS AND ACCOUNTING STANDARDS

The Acotel Group's condensed interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union. The financial statements also comply with the measures issued in implementation of art. 9 of Legislative Decree 38/2005. IFRS also includes all the International Accounting Standards (IAS) in effect and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which was previously called the Standing Interpretations Committee (SIC).

In particular, these financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting, which establishes the basis for the preparation of interim financial statements. The financial statements have been prepared in condensed form, applying the option provided for by IAS 34. They do not, therefore, include all the information required for annual IFRS financial statements and should be read alongside the annual financial statements prepared for the year ended 31 December 2009.

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 2009, to which reference should be made.

These condensed interim financial statements have been prepared on the basis of the accounting standards in force at the date of preparation. These standards may not coincide with the IFRS in force at 31 December 2010 as a result of future changes introduced by the European Commission during the process of endorsing international accounting standards or due to the issue of new standards or interpretations by the IASB or IFRIC.

The consolidated financial statements for the six months ended 30 June 2010 have been prepared on the basis of the underlying accounting records at that date, as adjusted in accordance with the matching principle.

NEW STANDARDS AND INTERPRETATIONS NET YET EFFECTIVE

This section shows a list of standards, interpretations and updates to previously published standards, or to those yet to be approved by the European Union, whose application will be obligatory in future periods and whose adoption it was decided not to bring forward:

- IFRS 9 – Financial Instruments;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Changes to IAS 1 – Presentation of Financial Statements;
- Changes to IAS 24 – Related Party Disclosures;
- Changes to IAS 32 – Financial Instruments: Presentation;
- Changes to IAS 34 – Interim Financial Reporting;
- Changes to IFRS 3 – Business Combinations;
- Changes to IFRS 7 – Financial Instruments: Disclosures;
- Changes to IFRIC 14 – Prepayments of a Minimum Funding Requirement.

The Group is evaluating the eventual impact that adoption of these standards and interpretations may have on the consolidated financial statements.

BASIS OF CONSOLIDATION

The following table provides summary information on consolidated companies held, directly or indirectly, by *Acotel Group SpA*, the Parent Company. There were no changes in the basis of consolidation during the first half of 2010, compared with 31 December 2009.

Companies consolidated on a line-by-line basis

Company	Date of acquisition	Group's interest (%)	Registered office	Share capital	
Acotel SpA	28 April 2000	99.9% (3)	Rome	EURO	13,000,000
AEM Advanced Electronic Microsystems SpA	28 April 2000	99.9%	Rome	EURO	858,000
Acotel Participations SA	28 April 2000	100%	Luxembourg	EURO	6,200,000
Acotel Chile SA	28 April 2000	100% (4)	Santiago, Chile	USD	17,330
Acotel Espana SL	28 April 2000	100% (4)	Madrid	EURO	3,006
Acotel Do Brasil LTDA	8 August 2000 (1)	100% (4)	Rio de Janeiro	BRL	1,868,250
Jinny Software Ltd.	9 April 2001	100% (4)	Dublin	EURO	3,201
Millennium Software SAL	9 April 2001	99.9% (5)	Beirut	LPD	30,000,000
Info2cell.com FZ-LLC	29 January 2003 (2)	100% (4)	Dubai	DH	18,350,000
Emirates for Information Technology Co.	29 January 2003	100% (6)	Amman	JD	710,000
Flycell Inc.	28 June 2003 (1)	100% (4)	Wilmington	USD	10,000
Acotel Group (Northern Europe) Ltd.	27 May 2004 (1)	100%	Dublin	EURO	101,000
Flycell Telekomunikasyon Hizmetleri AS	2 July 2005 (1)	99.9% (7)	Istanbul	TRY	50,000
Flycell Latin America Conteúdo Para Telefonia Móvel LTDA	6 June 2006 (1)	100% (7)	Rio de Janeiro	BRL	250,000
Jinny Software Romania SRL	26 June 2007 (1)	100% (5)	Bucharest	RON	200
Yabox LLC	24 October 2007 (1)	100% (7)	Wilmington	USD	1
Jinny Software Latin America Importação e Exportação LTDA	11 February 2008 (1)	100% (5)	Sao Paolo	BRL	3,714,816
Rawafed Information Company LLC	24 February 2008 (1)	51% (6)	Riyadh	SAR	500,000
Jinny Software Panama Inc.	1 July 2008 (1)	100% (5)	Panama City	USD	10,000
Flycell Italia Srl	10 July 2008 (1)	100% (7)	Rome	EURO	90,000
Flycell Argentina SA	26 October 2009	100% (8)	La Plata	ARS	12,000

(1) The date of the company's entry into the Group coincides with its incorporation.
(2) Prior to such date the Group held 33% of the company's share capital, posted to investments in associates.
(3) AEM owns 1.92% of the share capital.
(4) Controlled via Acotel Participations S.A.
(5) Controlled via Jinny Software Ltd.
(6) Controlled via Info2cell.com FZ-LLC.
(7) Controlled via Flycell Inc.
(8) Controlled via Flycell Inc. and Yabox LLC.

Jointly controlled entities (joint ventures) consolidated using the proportionate method

Company	Date of acquisition	Group's interest (%)	Registered office	Share capital	
Noverca Srl	10 July 2002 (1)	90%	Rome	EURO	2,949,289
Noverca Italia Srl	9 May 2008 (2)	59.4% (3)	Rome	EURO	120,000

(1) Prior to this date the Group held a 50% interest in the company, posted to investments in associates. As of 9 May 2008 the Group holds a 90% interest in the company.
(2) The date of the company's entry into the Group coincides with its incorporation.
(3) Investment held through Noverca Srl

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group was required to make estimates and assumptions during preparation of the condensed interim financial statements and the related notes in application of IFRS. The actual values of the related revenues, costs, assets and liabilities could differ from these estimates.

The estimates were primarily used to record revenues and costs that have yet to be confirmed by customers and suppliers, adjustments to revenues from B2C services, as explained below, as well as the related direct costs, any impairments of goodwill and inventories, and provisions for bad debts, litigation and taxation. The estimates and assumptions are periodically reviewed and the effects of any change are immediately reflected in the income statement.

In this regard, the situation caused by the current economic and financial crisis has rendered it necessary to make assumptions about future performance that are subject to significant uncertainty. It is, therefore, not impossible that the actual results for the subsequent financial year may differ from any estimates and, as a result, require adjustments to the carrying amounts of the related items. These adjustments, which are currently impossible to estimate or predict, may be material. The items primarily affected by these situations of uncertainty are provisions for bad debts and impairments of inventories and goodwill.

In particular, with regard to revenues and costs yet to be confirmed by customers, turnover generated by B2C services mainly in the month of May and June and a number of related cost items include preliminary figures, deriving primarily from internal reporting systems, and estimates not yet confirmed by mobile transaction network providers and/or operators.

The adjustments to revenues from B2C services relate to the value of any refunds that might be requested by *Flycell Inc.* customers dissatisfied with the services provided by the latter until 30 June 2010. This estimate is carried out based on available data and current contracts entered into with certain telephone operators essentially via the mobile transaction network providers, *mBlox* and *Open Market*. The portion of revenues deriving from subscriptions for B2C services billed in June 2010 and carried forward to the following year is also estimated.
Management also consults the Group's legal and tax advisors in order to estimate the liabilities deriving from litigation when it deems it probable that an outflow of resources embodying economic benefits will be required and the amount of the resulting losses may be reliably estimated. If it is possible that there will be an outflow of resources embodying economic benefits but the amount of the obligation cannot be measured with sufficient reliability, the resulting contingent liability is disclosed in the notes to the financial statements. In this regard, it should be noted that

provisions of 1,630 thousand euros (equal to 2 million US dollars) have been made on the basis of the best estimate of the expenditure required to enable *Flycell Inc.* to settle three class action claims for damages in the United States. Further provisions of 120 thousand euros have been made to cover the Antitrust Authority fine incurred by *Flycell Italia Srl* in July 2010, following an investigation begun at the end of 2009. On the other hand, no provisions have been made in relation to the tax audit of *Acotel Group SpA*, due to the fact that, as things stand, the Directors believe the findings to be totally without grounds and, in addition to making representations to the tax authorities with notes explaining the Company's approach to taxation, are considering the best way to proceed in order to have the validity of its position recognised.

Finally, certain measurement processes, above all those of a complex nature relating to the estimate of potential impairments of non-current 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 immediate measurement of any loss.

OPERATING SEGMENTS

The Acotel Group currently operates in four business segments:
- Value Added Services prevalently supplied through mobile telephony;
- Mobile Messaging Solutions for fixed and mobile operators;
- Security Systems Design for large organisations.
- Mobile Telecommunications.

In compliance with the provisions of IFRS 8, identification of the Group's operating segments is based on internal reports used by management in taking strategic decisions. These internal reports, which also reflect the current organisational structure of the Group, are based on the various products and services supplied and are prepared using the same accounting standards described in the section "Basis of preparation" in the condensed interim financial statements.

Breakdowns of the Group's results by operating and geographical segments are shown below:

Results by operating segment

The income statements by operating segment for the first half of 2010 and 2009 are as follows:

(€000)	H1 2010					
	Services	Mobile Messaging Solutions	Security Systems Design	Mobile Telecom.	Inter-segment eliminations / Other	Total
Revenue:						
Revenue from third party customers	72,703	6,007	786	483	-	79,979
Inter-segment revenues	-	2,833	-	-	(2,833)	-
Total	**72,703**	**8,840**	**786**	**483**	**(2,833)**	**79,979**
Gross operating profit/(loss)	**(759)**	**507**	**84**	**(3,449)**	(921)	**(4,538)**
Amortisation, depreciation and impairments	(396)	(325)	(2)	(1,710)	714	(1,719)
Operating profit/(loss)	**(1,155)**	**182**	**82**	**(5,159)**	**(207)**	**(6,257)**
Finance income	1,534	111	-	1	(299)	1,347
Finance costs	(1,355)	(59)	(5)	(22)	273	(1,168)
Profit/(Loss) before tax	**(977)**	**234**	**77**	**(5,180)**	**(233)**	**(6,078)**
Taxation						(419)
Profit/(Loss) attributable to non-controlling interests						106
Profit/(Loss) attributable to owners of the Parent						**(6,603)**

(€000)	H1 2009					
	Services	Mobile Messaging Solutions	Security Systems Design	Mobile Telecom.	Inter-segment eliminations / Other	Total
Revenue:						
Revenue from third party customers	54,819	4,259	921	32	-	60,031
Inter-segment revenues	-	198	-	-	(198)	-
Total	**54,819**	**4,457**	**922**	**32**	**(198)**	**60,031**
Gross operating profit/(loss)	**4,185**	**(1,523)**	**49**	**(2,866)**	(14)	**(169)**
Amortisation, depreciation and impairments	(325)	(189)	(2)	(1,125)	666	(975)
Operating profit/(loss)	**3,860**	**(1,712)**	**47**	**(3,991)**	**652**	**(1,144)**
Finance income	1,773	21	1	25	(817)	1,003
Finance costs	(1,215)	(41)	(5)	(4)	761	(504)
Profit/(Loss) before tax	**4,418**	**(1,732)**	**43**	**(3,970)**	**596**	**(645)**
Taxation						(58)
Profit/(Loss) attributable to non-controlling interests						24
Profit/(Loss) attributable to owners of the Parent						**(727)**

Total consolidated assets by operating segment at 30 June 2010 and 31 December 2009 are as follows:

(€000)	Services	Mobile Messaging Solutions	Security Systems Design	Mobile Telecom.	Elimin-ations / Other	Total
At 30 June 2010	72,582	18,453	1,650	9,671	27	**102,383**
At 31 December 2009	72,267	15,434	1,850	11,735	28	**101,314**

Results by geographical segment

The following table provides an analysis of the Group's sales in the various geographical segments, independently of the origin of the goods and services:

(€000)	H1 2010	%	H1 2009	%
North America	26,192	32.7%	17,486	29.1%
Latin America	20,947	26.2%	14,248	23.7%
Italy	12,668	15.8%	11,870	19.8%
Other European countries	9,239	11.6%	10,307	17.2%
Middle East	8,592	10.7%	4,252	7.1%
Africa	1,962	2.5%	1,088	1.8%
Asia	379	0.5%	780	1.3%
Total revenue from third party customers	**79,979**	**100%**	**60,031**	**100%**

The breakdown of revenues for the first half of 2010 by geographical segment reveals:

- significant revenue growth in North America and Latin America, thanks above all to the B2C services provided by *Flycell Inc.* and *Flycell Latin America*;
- revenue growth in the Middle East, thanks to the commercial activities of *Info2cell* and its direct subsidiaries.

The following table shows a geographical breakdown of the total value of non-current assets, excluding financial assets and deferred tax assets:

(€000)	At 30 June 2010	At 31 December 2009
Other European countries	10,734	9,208
Italy	5,015	5,249
Middle East	3,609	3,533
Latin America	571	497
North America	284	302
Total non-current assets	**20,213**	**18,789**

The Group did not earn revenues from any specific customer representing more than 10% of total revenue for the period.

NOTES TO THE INCOME STATEMENT

Note 1 - Revenue

Revenue amounts to 79,979 thousand euros in the first half of 2010, marking an increase of 33% on the 60,031 thousand euros of the same period of the previous year. The following table shows a breakdown:

(€000)

	H1 2010	H1 2009	Increase/ (Decrease)
Services	72,703	54,819	17,884
Mobile Messaging Solutions	6,007	4,259	1,748
Security Systems	786	921	(135)
Mobile Telecommunications	483	32	451
Total	**79,979**	**60,031**	**19,948**

SERVICES

The Services business, which reports revenue growth of 33% with respect to the first half of 2009, includes the services supplied to end customers (B2C), and those provided to telephone and commercial companies, with 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)

	H1 2010	H1 2009	Increase/ (Decrease)
B2C services	57,360	45,494	11,866
Network Operator services	7,786	6,300	1,486
Corporate services	6,931	2,583	4,348
Media services	626	442	184
Total	**72,703**	**54,819**	**17,884**

B2C service revenues for the first half of 2010 are up 26% on the same period of the previous year, representing approximately 79% of total service revenues. These revenues are generated primarily by the US subsidiary, *Flycell Inc.* in North America, Spain, Mexico and South Africa (40,806 thousand euros) and by its direct subsidiaries, *Flycell Latin America* (7,595 thousand euros), *Flycell Italia* (6,113 thousand euros), *Flycell Argentina SA* (1,618 thousand euros) and *Flycell Telekomünicasyon Hizmetleri AŞ* (1,199 thousand euros) in Brazil, Italy, Argentina and Turkey.

Revenues from the provision of Network Operator services, amounting to 7,786 thousand euros, are up 1,486 thousand euros (23.6%) on the same period of the previous year. They primarily include revenues from services rendered by the subsidiary, *Acotel SpA*, to *Telecom Italia*, totalling 3,403 thousand euros, revenues from services rendered by the Brazilian subsidiary, *Acotel do Brasil*, to the Brazilian operators, *TIM Celular* and *TIM Nordeste Telecomunicaçoes*, amounting to 2,928 thousand euros, and revenues generated by activities carried out by *Info2cell* for the main mobile telephony operators in the Middle East, totalling 1,435 thousand euros. The increase compared with the same period of the previous year is principally due to higher turnover reported by the Brazilian and Middle Eastern subsidiaries.

Revenues from Corporate services amount to 6,931 thousand euros, and relate primarily to services provided in the Middle East by *Info2cell* and its direct subsidiaries, which generated revenues of 5,384 thousand euros, and in Italy by *Acotel SpA*, primarily to banks, totalling 1,547 thousand euros. The 168% increase compared with the first half of 2009 reflects increased turnover at both subsidiaries.

Revenues from services provided to Media companies, amounting to 626 thousand euros, are almost entirely generated in the Middle East by the subsidiary, *Info2cell*, totalling 568 thousand euros, and in Italy by *Acotel SpA*, amounting to 58 thousand euros.

MOBILE MESSAGING SOLUTIONS

Revenues from this line of business, amounting to 8,840 thousand euros (including 2,833 thousand euros in intercompany revenues) in the first half of 2010, are up 98% on the figure for the same period of 2009. These revenues are generated by *Jinny Software* from the supply of new equipment and the provision of maintenance to mobile operators in Europe, Africa, the Middle East, Latin America, North America and Asia.

SECURITY SYSTEMS

Revenues from the design and production of electronic security systems amount to 786 thousand euros for the first half and are entirely generated by the subsidiary, *AEM SpA*. These revenues, which are down 15% on the figure for the first half of 2009, essentially regard the installation, supply, servicing and maintenance 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.

MOBILE TELECOMMUNICATIONS

Mobile telecommunications revenues, which are entirely attributable to *Noverca Italia Srl*, amount to 483 thousand euros and, in accordance with the proportionate method of consolidation, correspond to *Acotel Group* SpA's 59.4% direct and indirect interest in *Noverca Italia Srl*.
Revenues generated by this segment reflect the approach with which the Group has pursued *Noverca Italia Srl*'s primary objective of increasing the number of active SIM cards, which has involved running promotions during certain periods aimed at *Intesa Sanpaolo* customers, who were offered SIM cards with a free TopUp.

Note 2 – Other income

Other income of 177 thousand euros includes 156 thousand euros in income generated by *Noverca Italia Srl*, representing the portion of this component not eliminated in application of the proportionate method used to consolidate this company.

Note 3 – Raw materials

The cost of raw materials during the first half, amounting to 833 thousand euros, refers principally to the purchase of materials for the construction of telecommunications systems by *Jinny Software* (710 thousand euros).

Note 4 – External services

The cost of external services totals 70,493 thousand euros for the first half, representing an increase on the first half of 2009. A breakdown of service costs is shown below:

(€000)

	H1 2010	H1 2009	Increase/ (Decrease)
Interconnection and billing services	28,737	22,161	6,576
Advertising	26,434	16,801	9,633
Content providers	7,018	3,793	3,225
Purchase of SMS packages	1,447	874	573
Professional consultants	1,380	1,362	18
Travel expenses	881	977	(96)
Connectivity and sundry utilities	723	698	25
Call center	394	270	124
Remuneration of corporate officers	383	355	28
Auditors' fees	210	234	(24)
Outsourcing	208	246	(38)
Other minor expenses	2,678	1,097	1,581
Total	**70,493**	**48,868**	**15,049**

The increase in service costs primarily reflects the significant revenue growth reported by certain subsidiaries, the launch of new businesses and the entry of existing businesses into new geographical areas.
The most significant components of this item reflect the operating methods adopted by *Flycell Inc.*, and its direct subsidiaries, *Flycell Latin America Ltda*, *Flycell Telekomünicasyon Hizmetleri AŞ*, *Flycell Italia Srl* and *Flycell Argentina SA* to develop business in their respective markets. This entails significant costs (28,737 thousand euros) charged by telephone operators and mobile transaction network providers for interconnection and billing services and substantial promotional costs (24,612 thousand euros out of a Group total of 26,434 thousand euros) in order to raise market awareness of the companies' services and increase their customer base.
Remuneration paid to corporate officers, totalling 383 thousand euros, includes 332 thousand euros paid to the Directors and 51 thousand euros to the Statutory Auditors.

External services also include 100 thousand euros relating to a sports sponsorship agreement with the related party, *Urbe Roma S.S.D. a r.l.*.

Note 5 – Rentals and leases

Rentals and leases amount to 954 thousand euros and mainly include rentals on offices occupied by Group companies.

Note 6 – Staff costs

Staff costs include:

(€000)

	H1 2010	H1 2009	Increase/ (Decrease)
Salaries and wages	8,912	8,076	836
Social security contributions	1,626	1,275	351
Staff termination benefits	178	171	7
Finance costs	(34)	(30)	(4)
Other costs	860	804	56
Total	**11,542**	**10,296**	**1,246**

The increase in staff costs is due to the additional staff recruited by certain Group companies due to expansion of their activities.

Other staff costs include charges incurred in relation to professional training and refresher courses, prevention and health care expenses, and contributions for defined-contribution pension plans for the staff of foreign subsidiaries.

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

	30 June 2010	31 December 2009	30 June 2009
Italy	114	112	110
Lebanon	82	81	79
Jordan	63	61	62
USA	52	56	61
Brazil	45	38	36
Ireland	38	37	37
Romania	20	21	16
United Arab Emirates	10	10	7
Saudi Arabia	11	10	15
Malaysia	9	8	7
Kenya	8	6	3
Turkey	4	5	4
Spain	4	4	4

South Africa	2	2	3
Indonesia	1	1	1
Panama	1	1	1
Egypt	1	-	-
Total	**465**	**453**	**446**

The number of staff by category at 30 June 2010 and a comparison of the average numbers for the first six months of 2010 and 2009 are reported in the following table:

	30 June 2010	Average H1 2010	Average H1 2009
Managers	29	29	30
Supervisors	72	72	62
White- and blue-collar staff	364	358	345
Total	**465**	**459**	**437**

Note 7 - Amortisation and depreciation

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

(€000)

	H1 2010	H1 2009	Increase/ (Decrease)
Amortisation of intangible assets	656	286	370
Depreciation of property, plant and equipment	1,063	688	375
Total	**1,719**	**974**	**745**

Amortisation of intangible assets mainly refers to amortisation of the software and licences utilised by various Group companies, in addition to the expenses paid to Telecom Italia during the first half in return for preparation and configuration of the technology infrastructure used in delivering the services provided by the new MVNO, *Nòverca*.

Depreciation of property, plant and equipment essentially refers to depreciation of the telecommunications equipment and infrastructures used by Group companies. The increase primarily regards rollout, in the second quarter of 2009, of the *MVNO* platform in readiness for the commercial launch of *Nòverca*.

Note 8 - Capitalised internal costs

Capitalised internal costs, totalling 680 thousand euros, include 479 thousand euros relating to staff employed in the development of software and new applications used in supplying the MVNO services launched under the *Nòverca* brand and in the company's conversion to a Full MVNO.

The balance includes 142 thousand euros represented by the cost of staff employed by *Jinny Software* in the development of new products, and 59 thousand euros regarding the cost of staff employed by *Acotel Group SpA* during the first half on further development of the *Acotel* platform.

Note 9 – Other costs

Other costs amount to 1,367 thousand euros, including 694 thousand euros for indirect taxes due from *Acotel do Brasil, Flycell Latin America* and *Jinny Latin America* in compliance with Brazilian tax laws, and 120 thousand euros regarding the Antitrust fine incurred by the subsidiary, *Flycell Italia Srl*. The balance includes other general expenses and charges incurred by Group companies in connection with their ordinary activities.

Note 10 - Finance income and costs

Net finance income of 179 thousand euros breaks down as follows:

(€000)

	H1 2010	H1 2009	Increase/ (Decrease)
Interest income from investments	519	465	54
Interest income on bank deposits	9	67	(58)
Foreign exchange gains	819	470	349
Other interest income	-	1	(1)
Total finance income	**1,347**	**1,003**	**344**
Interest expense and bank charges	(334)	(202)	(132)
Foreign exchange losses	(761)	(271)	(490)
Other interest expense	(73)	(31)	(42)
Total finance costs	**(1,168)**	**(504)**	**(664)**
Total finance income/(costs)	**179**	**499**	**(320)**

Interest income from investments includes 131 thousand euros in profits on loans and receivables and 388 thousand euros relating to profits on financial assets held for trading.

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

Note 11 - Taxation

Taxation for the first half of 2010 breaks down as follows:

(€000)

	H1 2010	H1 2009	Increase/ (Decrease)
Income taxes for the period	1,947	1,261	686
Deferred tax assets	(1,403)	(1,221)	(182)
Deferred tax liabilities	(125)	18	(143)
Total	**419**	**58**	**361**

The total amount of 419 thousand euros includes provisions for taxes on the income of Group companies, recognised in current tax liabilities.

Deferred tax assets include provisions made by Group companies after taking account of the reversal of deferred taxes recognised in previous years. The balance of deferred tax assets primarily relates to the recognition of deferred tax assets on tax losses generated during the period by *Noverca Srl* and *Noverca Italia Srl*, which management reasonably believes will be recovered as a result of taxable income generated by the companies included in the tax consolidation arrangement.

Reconciliation of the statutory rate of IRES (corporation tax) of 27.5% and the effective rate is shown in the following schedule:

(€000)

	H1 2010	%	H1 2009	%
Pre-tax profit/(loss)	**(6,078)**		**(645)**	
Charge calculated at statutory rate of 27.5% of pre-tax result	(1,671)	27.5%	(177)	27.5%
Net tax credit/(expense) on losses of foreign subsidiaries that do not qualify for recognition of deferred tax assets	1,284	46.6%	702	108.8%
Differences between statutory and effective rates for foreign subsidiaries	477	17.3%	(605)	(93.7%)
Differences between statutory and effective rates for Italian subsidiaries	99	3.6%	(257)	(39.9%)
Net tax credit/(expense) on increases and decreases for Italian companies	62	2.3%	290	44.9%
Other minor changes	5	0.2%	(30)	(4.6%)
IRES	**256**	**9.3%**	**(77)**	**12.0%**
IRAP	163		135	
Income tax expense for the period	**419**		**58**	

No account has been taken of IRAP (regional tax) in the comparison between the effective tax charge accounted for in the financial statements and the statutory tax charge as, being a tax calculated on a different basis from pre-tax profit/(loss), it would generate a distortion between one period and another. The statutory tax rate was accordingly only determined on the basis of the prevailing statutory rate for IRES (corporation tax) of 27.5%.

The taxes relating to the taxable income of foreign subsidiaries were calculated according to the prevailing rates in the respective countries.

Deferred tax assets of 10.8 million euros on tax losses reported by certain subsidiaries at 30 June 2010 have not been recorded as no grounds are currently deemed to exist for such recognition. Specifically, this amount breaks down as follows: approximately 7 million euros regarding the US subsidiary, *Flycell Inc.*, for which, given the sector in which the company operates, projected results for reporting periods after 2010 do not provide a reliable basis for recognition; approximately 2.2 million euros relating to the Luxembourg-based subsidiary, *Acotel Participations S.A.*, which acts as a sub-holding and is not currently expected to generate taxable income against which accumulated tax losses may be used; and approximately 1.6 million euros relating to the subsidiary, *Noverca Srl*, which is still in its start-up phase.

Note 12 – Earnings per share

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

(€000)	H1 2010	H1 2009
Profit/(Loss) for the period (€000)	**(6,603)**	**(727)**
Number of shares (000)		
Shares in circulation at beginning of period	4,114 *	4,114 *
Weighted average of treasury shares acquired/sold in the period		
Weighted average of ordinary shares in circulation	**4,114**	**4,114**
Basic and diluted earnings per share **	**(1.61)**	**(0.18)**

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

**: basic earnings per share for the first half of 2010 and 2009 coincides with diluted earnings per share as the conditions provided for by IAS 33 do not exist.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

Note 13 - Property, plant and equipment

A breakdown of this item, shown less accumulated depreciation, is as follows:

(€000)

	Historical cost	Accumulated depreciation	Carrying amount at 30 June 2010	Carrying amount at 31 Dec 2009
Plant and machinery	11,830	(8,219)	3,611	3,678
Industrial equipment	2,780	(2,188)	592	821
Assets under construction and advances	2,333	-	2,333	446
Other	1,252	(968)	284	273
Total	**18,195**	**(11,375)**	**6,820**	**5,218**

Plant and machinery mainly consists of data transmission platforms installed at the various premises occupied by Group companies and used in the provision of value added services.

Industrial equipment includes the computers used by the Group for development and maintenance of hardware and software products used in the development and management of value added services and in internal operating activities.

Assets under construction have increased with respect to 31 December 2009 due to the investments made by *Noverca Srl* in preparation for the conversion of the mobile operator, *Nòverca*, to a Full MVNO, expected to take place at the beginning of 2011.

Furniture and fittings are included in "Other" assets together with leasehold improvements, consisting of the costs incurred in recent years in order to renovate the building located in Rome, which is used as the registered office and operational headquarters of the Group's Italian companies. The relevant lease expires in 2013.

No property, plant or equipment was revalued or impaired during the first half of 2010.

Changes in property, plant or equipment during the year are shown in an annex.

Note 14 - Goodwill

Goodwill has been allocated to the cash generating units (CGUs) identified within the context of the Group's operating segments. The following table shows the allocation of goodwill:

(€000)

Operating segment	CGU	30 June 2010	31 Dec 2009	Increase/ (Decrease)
Mobile Messaging Solutions	Jinny Software	8,610	8,610	-
Services	Info2cell	2,627	2,627	-
Security Systems	AEM	294	294	-
	Total	**11,531**	**11,531**	-

The Group tests the recoverability of goodwill at least once a year, when preparing the annual financial statements, or more frequently if there are indicators of impairment.

Note 15 - Other intangible assets

A breakdown of other intangible assets at 30 June 2010 is as follows:

(€000)

	Historical cost	Accumulated amortisation	Carrying amount at 30 June 2010	Carrying amount at 31 Dec 2009
Industrial patents and intellectual property rights	1,559	(1,215)	344	301
Concessions, licences and similar rights	2,969	(2,123)	846	1,216
Intangible assets in process and advances	242	-	242	148
Other	345	(93)	252	208
Total	**5,115**	**(3,431)**	**1,684**	**1,873**

Industrial patents and intellectual property rights consist of the specific software purchased from third parties and used by the Group in the provision of MVNO and computerised services and for the internal information system used by Group companies.

Concessions, licenses and similar rights primarily include the cost of the licence for the software used by the subsidiary, *Info2cell*, for the supply of value added services, and the expenses paid to Telecom Italia in return for preparation and configuration of the technology infrastructure used in delivering the services provided by the new MVNO, *Nòverca*.

Intangible assets in process and advances, totalling 163 thousand euros, regards staff costs capitalised by *Noverca Italia Srl* in relation to the development of the software and new applications used in supplying the MVNO services offered under the *Nòverca* brand. The balance regards staff costs capitalised by the subsidiary, *Jinny Software*, relating to internal development of new products.

No intangible assets were revalued or impaired during the first half of 2010.

Changes in intangible assets during the year are shown in an annex.

Note 16 - Deferred tax assets

The following table shows a comparison of the temporary differences that led to the recognition of deferred tax assets:

(€000)

	30 June 2010		31 Dec 2009	
	Taxation	Tax rate	Taxation	Tax rate
Deferred tax assets:				
Recovery of taxed book amortisation and depreciation	418	32.32% - 27.5%	323	32.32% - 27.5%
Consolidation adjustments	336	27.5%	132	27.5%
IAS/IFRS adjustments	122	27.5%	143	27.5%
Impairment of inventories	98	31.86% - 27.5%	50	31.86% - 27.5%
Recovery of taxed provisions for bad debts	31	27.5%	31	27.5%
Provisions for taxed Directors' fees	10	27.5%	105	27.50%
Other	21	32.32%-27.5%	16	32.32%-27.5%
Sub-total	**1,036**		**800**	
Tax losses to be carried forward	3,678		2,495	
Total	**4,714**		**3,295**	

Deferred tax assets on consolidation adjustments were calculated with reference to the temporary deductible differences arising in the consolidated financial statements as a result of the elimination of an intercompany sale during the consolidation process.

Deferred tax assets deriving from the carry forward of tax losses have been accounted for on the basis of the tax losses generated during the year by *Noverca Srl* and *Noverca Italia Srl* and transferred to *Acotel Group SpA* under the tax consolidation arrangement.

CURRENT ASSETS

Note 17 - Inventories

The table that follows gives the detail of the inventories, valued using the average weighted cost method, and of provisions made to bring their carrying amounts into line with their estimated realisable values at 30 June 2010:

(€000)

	Gross value	Accumulated impairments	Carrying amount at 30 June 2010	Carrying amount at 31 Dec 2009
Raw and ancillary materials and consumables	88	(61)	27	27
Work in progress and semi-finished products	53	(7)	46	43
Finished products and goods for resale	908	(278)	630	775
Total	**1,049**	**(346)**	**703**	**845**

Movements in provisions for inventory impairments are shown below:

(€000)

Balance at 31 December 2009	**170**
Provisions 2010	176
Uses 2010	-
Balance at 30 June 2010	**346**

The impairment recognised during the first half reflects the resale value of the stocks held by *Noverca Italia Srl.*

Note 18 – Trade receivables

These represent trade receivables less provisions for bad debts made to adjust their carrying amount to their estimated realisable value, as shown below:

(€000)

	30 June 2010	31 Dec 2009	Increase/ (Decrease)
Trade receivables	30,347	27,184	3,163
Provisions for bad debts	(490)	(169)	(321)
Total	**29,857**	**27,015**	**2,842**

The increase in trade receivables at 30 June 2010, with respect to the end of the previous year, is essentially due to the Group's higher turnover in the period under review.

Trade receivables are fully collectable within 12 months.

Movements in provisions for bad debts during the period are shown below:

(€000)

Balance at 31 December 2009	**169**
Provisions 2010	321
Uses 2010	-
Balance at 30 June 2010	**490**

The increase in provisions for bad debts is essentially attributable to the subsidiary, *Flycell Inc.*.

Note 19 – Other current assets

At 30 June 2010 these assets total 5,134 thousand euros and break down as follows:

(€000)

	30 June 2010	31 Dec 2009	Increase/ (Decrease)
VAT credits	1,533	1,436	97
Prepayments to suppliers	1,401	1,312	89
Current income tax assets	816	737	79
Amounts due from related parties	707	259	448
Other	677	738	(61)
Total	**5,134**	**4,482**	**652**

VAT credits of 1,364 thousand euros are attributable to *Noverca Italia Srl.*

Prepayments to suppliers of 1,401 thousand euros relate essentially to sales commissions, service contracts, commissions due for advertising activities carried out by third parties, who are remunerated on the basis of contracts actually signed with end customers, and insurance premiums paid by Group companies in advance.

Current income tax assets regard advance payments of IRAP and IRES, less IRAP payable for the first half.

Amounts due from related parties, totalling 707 thousand euros, regard receivables due from *Noverca Italia Srl* (496 thousand euros) and *Noverca Srl* (211 thousand euros).

Note 20 - Current financial assets

Current financial assets, amounting to 27,658 thousand euros, include:

(€000)

	30 June 2010	31 Dec 2009	Increase/ (Decrease)
Loans and receivables	4,895	17,216	(12,321)
Assets held for trading	22,763	10,627	12,136
Total	**27,658**	**27,843**	**(185)**

Loans and receivables include:
- a cash collateral of 2,100 thousand euros securing advances of US$5 million granted by the Bank of the West N.Y. (USA) to the subsidiary, *Flycell Inc*.;
- "repurchase agreements", totalling 2,003 thousand euros, with maturity second half of 2010;
- bonds, as detailed below:

(€000)

	Par value	Interest	Rate	Maturity	Value at 30 June 2010
Banca Nazionale del Lavoro S.p.A.	500	Quarterly in arrears	3-month Euribor	18 Mar 2012	500
UBS	300	Quarterly in arrears	3-month Euribor + 0.95	26 Aug 2010	292
Total	**800**				**792**

Assets held for trading regard:

- 10,463 thousand euros held in a "Private Select" portfolio managed by Pioneer Investment Management SGRpA and subscribed by *Acotel Group SpA* and *Acotel SpA*; this fund, which is exposed to limited risk, invests its assets in money market instruments and bonds;
- investment funds (primarily interbank funds) invested in by the subsidiary, *Acotel do Brasil*, and managed by *ItauBank* and *Citibank*, totalling 10,680 thousand euros, and by the Turkish subsidiary and managed by *GarantiBank*, totalling 121 thousand euros;
- the bonds, totalling 602 thousand euros, traded on an active market;
- the treasury credit certificates, totalling 148 thousand euros;
- 249 thousand euros invested in Exchange Traded Funds DB-XTRAII EONIA by Acotel Group SpA via Deutsche Bank SpA; this investment is exposed to limited risk in that it tracks the EONIA overnight interbank rate;
- 250 thousand euros invested in the ISF Euro Liquidity B fund issued by SICAV Schroder and subscribed by *Acotel Group SpA* via Deutsche Bank SpA; this fund, which is exposed to limited risk, primarily holds its assets in the form of bonds and cash;
- 250 thousand euros invested in the DB Platinum IV Dynamic Cash R1CA EUR fund issued by SICAV DB Platinum IV and subscribed by *Acotel Group SpA* via Deutsche Bank SpA; this fund, which is exposed to limited risk, primarily holds its assets in the form of cash.

Note 21 – Cash and cash equivalents

This item includes bank deposits of 14,087 thousand euros and cash and notes in hand, totalling 17 thousand euros.
The bank deposits represent the closing balances of Group companies' bank current accounts.

EQUITY

Note 22 - Equity attributable to the Group

The statement of changes in equity during the period is included in the financial statements.

At 30 June 2010 the fully paid-up share capital of *Acotel Group SpA* consists of 4,170,000 ordinary shares with a par value of 0.26 euros each.

The Group's objectives in managing its capital essentially relate to the need to support and develop its business activities, in the belief that this will result in the creation of value for shareholders as a whole and, more in general, safeguard the interests of stakeholders.

The share premium reserve amounts to 55,106 thousand euros and derives mainly from capital increases carried out in preparation for the Company's stock market flotation.

At 30 June 2010 treasury shares acquired by *Acotel Group SpA* were recorded as a reduction of consolidated equity, totalling 871 thousand euros. These shares have a par value of 14,671 euros, representing 1.35% of the share capital.
This refers to 56,425 *Acotel Group SpA* ordinary shares, of which 28,320 were acquired in execution of the authority granted by the General Meeting of 24 April 2002 and 28,105, net of sales to date, in execution of the authority granted by the General Meeting of 30 April 2004. The average purchase price of these shares was 15.44 euros; at 30 June 2010 the share price stood at 52.90 euros. euros.

Other Group companies do not possess *Acotel Group SpA* shares, either directly or through fiduciary companies or proxies, nor have they acquired or sold shares during the period.

At 31 December 2009 *Acotel Group SpA* does not possess shares or units issued by parent companies, either directly or through fiduciary companies or proxies, nor has it acquired or sold such shares or units during the period.

The currency translation reserve, which has a positive balance of 1,446 thousand euros, derives from the application of closing exchange rates in the translation of the financial statements of foreign subsidiaries expressed in foreign currencies other than the euro. Assets and liabilities are translated into euros using the related exchange rates at 30 June 2010, while equity items are translated on the basis of historical exchange rates. Income statement items are translated utilising average exchange rates for the period.

The following exchange rates were used:

Company	Currency	Exchange rate at 30 June 2010	Average exchange rate H1 2010
Info2cell	Dh	4.507	4.879
Rawafed Information Company LLC	SAR	4.602	4.981
Eitco	JD	0.870	0.942
Millenium Software	L£	1,847.280	1,999.920
Flycell Inc.	USD	1.227	1.328
Acotel do Brasil LTDA	BRL	2.208	2.387
Flycell Latin America LTDA	BRL	2.208	2.387
Jinny Software Latin America LTDA	BRL	2.208	2.387
Flycell Telekomunikasyon Hizmetleri A.S.	TL	1.940	2.022
Jinny Software Romania SRL	LEI	4.370	4.149
Jinny Software Panama Inc.	B	1.227	1.328
Flycell Argentina SA	Ps	4.826	5.137

Other reserves, amounting to 10,266 thousand euros, break down as follows:

(€000)

	30 June 2010	31 Dec 2009	Increase/ (Decrease)
Legal reserve	217	217	-
Profit on sale of treasury shares	9,219	9,219	-
Other	830	723	107
Total	**10,266**	**10,159**	**107**

The increase with respect to 31 December 2009 is attributable to *Acotel SpA*, *AEM SpA*, *Flycell Italia Srl* and *Flycell Telekomünicasyon Hizmetleri AŞ* following the appropriations of profit for 2009 to the legal reserve, in accordance with the respective shareholder resolutions.

Retained earnings amount to 3,283 thousand euros.

Non-controlling interests represent the share of equity attributable to minority shareholders in subsidiaries. At 30 June 2010 non-controlling interests amount to 414 thousand euros and relate to non-controlling interests in the subsidiaries, *Acotel SpA*, *AEM SpA*, *Millennium Software SAL* and *Rawafid Information Company LLC*. The increase, compared with the previous year, is due primarily to the impact of consolidating *Rawafed Information Company LLC.*

NON-CURRENT LIABILITIES

Note 23 - Non-current financial liabilities

This item totals 69 thousand euros at 30 June 2010 and refers to the portion payable after 12 months of the loan from the Ministry of Industry to cover research and development costs incurred by the subsidiary, *AEM SpA*, to realise the remote surveillance systems and domestic automation. The agreed repayment schedule started from 2003 and will be completed by 2012. This loan bears an interest rate of 3.625% and is unsecured.

Note 24 - Staff termination benefits and other employee benefits

At 30 June 2010 this item totals 1,504 thousand euros and includes accrued amounts due to employees as staff termination benefits, less any advances paid.
Movement during the year are shown below:

(€000)	**30 June 2010**	**31 December 2009**
Opening balance	**1,389**	**1,146**
Provisions	144	278
Finance costs	34	60
Uses	(40)	(41)
Various withholding taxes	(15)	(25)
Other changes	(8)	(29)
Closing balance	**1,504**	**1,389**

Provisions for staff termination benefits shown in the financial statements are calculated by an independent actuary.

Details of the financial assumptions adopted are as follows:

Financial assumptions	**June 2010**
Annual discount rate	4.10%
Annual inflation rate	2.00%
Annual rate of salary increase	Managers 2.50%; Supervisors/White-collar/Blue-collar 1.00%

Note 25 – Deferred tax liabilities

Deferred tax liabilities, amounting to 300 thousand euros at 30 June 2010, derive from temporary differences between the carrying amount of assets and liabilities and their tax bases. This item primarily regards the Brazilian subsidiaries, *Acotel do Brasil* and *Flycell Latin America*.

CURRENT LIABILITIES

Note 26 – Provisions

Provisions, totalling 1,794 thousand euros, include 1,630 thousand euros (equal to 2 million US dollars at the end of the period) relating to amounts claimed from *Flycell Inc.* by lawyers representing the mobile transaction network providers, *mBlox* and *OpenMarket*, following the settlements reached with US telephone companies, and amounts claimed by lawyers representing customers for *Flycell Inc.*'s B2C services, who have filed claims directly against the subsidiary.

Note 27 - Current financial liabilities

Current financial liabilities of 4,117 thousand euros include advances of 4,084 thousand euros received from banks primarily by the subsidiary, *Flycell Inc.*, and 33 thousand euros regarding the portion of the previously described loan from the Ministry of Industry to the subsidiary, *AEM SpA*, falling due within 12 months of 30 June 2010.

Note 28 - Trade payables

Trade payables total 22,454 thousand euros (including 20 thousand euros payable to the related party, *Urbe Roma S.S.D. a r.l.*, under a sports sponsorship agreement). They include payables due to suppliers within 12 months, totalling 20,072 thousand euros, and advances received from customers by Group companies, totalling 2,382 thousand euros. The latter refer principally to amounts received from customers and deferred, in accordance with the matching principle, by the subsidiaries, *Jinny Software* (720 thousand euros), *Flycell Inc.* (617 thousand euros) and *Info2cell* (575 thousand euros). The increase with respect to the end of the previous year essentially reflects the Group's expansion and a better match between collection and payment periods.

Note 29 - Tax liabilities

This item breaks down as follows:

(€000)

	30 June 2010	31 Dec 2009	Increase/ (Decrease)
VAT payable	457	507	(50)
Income tax payable	390	1,836	(1,446)
Substitute tax payable	122	191	(69)
Other tax liabilities	127	-	127
Total	**1,096**	**2,534**	**(1,438)**

The item includes VAT due from Acotel Group companies and income taxes, less advances paid, in addition to withholding taxes due from employees and consultants in the form of substitute tax.

It should be noted that no Group company is in dispute with the tax authorities. Information on the tax audit of the Parent Company, completed on 13 May 2009, is provided in the Section, "Litigation and contingencies".

Note 30 - Other current liabilities

This item breaks down as follows:

(€000)

	30 June 2010	31 Dec 2009	Increase/ (Decrease)
Amounts due to staff	2,612	2,309	303
Amounts due to related parties	1,964	1,203	761
Amounts due to pension funds and social security institutions	1,316	1,112	204
Amounts due to Directors	73	420	(347)
Other payables	959	578	381
Total	**6,924**	**5,622**	**1,302**

Amounts due to staff mainly refer to pay, bonuses and holiday pay due.

Amounts due to related parties include 1,880 thousand euros payable to *Noverca Italia Srl* and 84 thousand euros payable to *Noverca Srl*. These amounts primarily regard tax losses generated by the two companies and transferred to *Acotel Group SpA* under the tax consolidation arrangement. These payables represent the portion of this component not eliminated in application of the proportionate method used to consolidate the two companies.

Amounts due to pension funds and social security institutions include social security and insurance contributions due, which include the agreed contributions to be made to defined contribution plans for the employees of overseas subsidiaries.

Other amounts due include statutory auditors' fees and other general expenses of Group companies.

NET FUNDS

(€000)

	30 June 2010	31 Dec 2009	Increase/ (Decrease)
A. Cash and cash equivalents	14,104	19,045	(4,941)
B. Assets held for trading	22,763	10,627	12,136
C. Liquidity (A + B)	**36,867**	**29,672**	**7,195**
D. Other current financial assets	**4,895**	**17,216**	**(12,321)**
E. Current bank borrowings	(4,084)	(3,491)	(593)
F. Current portion of non-current debt	(33)	(32)	(1)
G. Current financial liabilities (E + F)	**(4,117)**	**(3,523)**	**(594)**
H. Net current funds (C+D+G)	**37,645**	**43,365**	**(5,720)**
I. Non-current financial liabilities	(69)	(69)	-
L. Non-current debt (I)	**(69)**	**(69)**	**-**
M. Net funds (H + L)	**37,576**	**43,296**	**(5,720)**

Net funds at 30 June 2010 amount to 37,576 thousand euros, marking a reduction with respect to the end of 2009. This essentially reflects the significant amount being invested by the Group in order to support its expansion into both new geographical areas and new businesses, involving large scale promotional expenditure and an increase in staff costs.

LITIGATION AND CONTINGENCIES

The Board of Directors, having obtained the advice of their legal experts, considers that there are no liabilities for which it is necessary that Group companies make provision, other than those described in Note 26 above.

The tax audit of the Parent Company concluded on 13 May 2009 resulted in an official tax audit report. At the date of the Board of Directors' meeting held to approve the interim report, no tax demand notice has so far been received from the tax authorities.
Acotel Group SpA's Directors believe that the findings are totally without grounds and, in addition to making representations to the tax authorities with notes explaining the Company's approach to taxation, are considering the best way to proceed in order to have the validity of its position recognised.

COMMITMENTS

The guarantees granted by the Group include 139 thousand euros for a surety given to the entity that owns the property that the Parent Company rents and where all the Group's Italian companies have their offices, and 316 thousand euros (equivalent to 387,550 US dollars at the end of the period) for a surety given in the interests of *Flycell Inc.* as a guarantee for the lease agreement signed by this company.

The residual amount is for sureties of 70 thousand euros granted in fulfilment of agreements with third parties.

RELATED PARTY TRANSACTIONS

The related party transactions presented in the Group's consolidated financial statements regard transactions with the two jointly controlled entities (*Noverca Italia Srl* and *Noverca Srl*) and with *Urbe Roma S.S.D. a r.l.*.

Purchase of investments from shareholders

In the first half of 2010 no investments were traded between Acotel Group companies and the Group's shareholders.

Transactions with jointly controlled entities

At 30 June 2010 the most significant commercial and financial transactions between *Acotel Group SpA* and the companies it jointly controls regard an interest-bearing loan granted to *Noverca Srl* and administrative, rental and management services relating to the building used by *Noverca Srl* and *Noverca Italia Srl*.
In addition, *Acotel Group SpA*, as the consolidating company, and the jointly controlled entities, *Noverca Srl* and *Noverca Italia Srl*, have entered into a tax consolidation arrangement, as provided for by articles 117 and 128 of the Consolidated Income Tax Act and the Ministerial Decree of 9 June 2004.

Transactions with associates

At 30 June 2010 the Group does not hold investments in associates.

Other transactions

In January the Group entered into a two-year sponsorship deal, worth a total of 200 thousand euros, with the related party, *Urbe Rome S.S.D. a r.l.*, which is majority owned by Claudio Carnevale, Chairman and CEO of *Acotel Group SpA*. In 2010 the club is playing in the first division of Italy's National Baseball League.

OTHER INFORMATION

In the first half the Acotel Group did not carry out any material non-recurring transactions, as defined by the CONSOB Ruling of 28 July 2006.

A specific section of the this interim report contains details of events after 30 June 2010 and the outlook for the rest of the financial year.

ANNEXES TO THE
CONSOLIDATED FINANCIAL STATEMENTS

ANNEX 1

Statement of movements in property, plant and equipment and related accumulated depreciation

(€000)

Item	Historical cost					Accumulated depreciation					Total
	Balance at 1 Jan 2010	*Increases*	*Decreases*	*Exchange differences*	*Balance at 30 June 2010*	*Balance at 1 Jan 2010*	*Movements during the period*	*Exchange differences*	*Depreciation for the period*	*Balance at 30 June 2010*	**30 June 2010**
Plant and machinery	10,670	757	-	404	11,831	(6,992)	(7)	(331)	(890)	(8,220)	**3,611**
Industrial and commercial equipment	2,772	95	(309)	220	2,778	(1,951)	9	(121)	(123)	(2,186)	**592**
Assets under construction	446	1,887	-	-	2,333	-	-	-	-	-	**2,333**
Other	1,164	34	-	55	1,253	(891)	-	(28)	(50)	(969)	**284**
Total	**15,052**	**2,773**	**(309)**	**679**	**18,195**	**(9,834)**	**2**	**(480)**	**(1,063)**	**(11,375)**	**6,820**

ANNEX 2

Statement of movements in intangible assets and related amortisation

(€000)

Item	Historical cost					Accumulated amortisation					Total
	Balance at 1 Jan 2010	*Increases*	*Decreases*	*Exchange differences*	*Balance at 30 June 2010*	*Balance at 1 Jan 2010*	*Movements during the period*	*Exchange differences*	*Amortisation for the period*	*Balance at 30 June 2010*	**30 June 2010**
Industrial patents and intellectual property rights	1,289	250	-	20	1,559	(988)	-	(12)	(215)	(1,215)	**344**
Concessions, licences and similar rights	2,771	7	(28)	219	2,969	(1,555)	7	(185)	(390)	(2,123)	**846**
Intangibles in process	148	191	(97)	-	242	-	-	-	-	-	**242**
Other	250	95	-	-	345	(42)	-	-	(51)	(93)	**252**
Total	**4,458**	**543**	**(125)**	**239**	**5,115**	**(2,585)**	**7**	**(197)**	**(656)**	**(3,431)**	**1,684**

ATTESTATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/1998

Attestazione del Bilancio semestrale abbreviato ai sensi dell'art. 154-bis del D.Lgs. 58/98

I sottoscritti Claudio Carnevale e Luca De Rita, rispettivamente Presidente ed Amministratore Delegato e Dirigente preposto alla redazione dei documenti contabili societari della ACOTEL GROUP S.p.A., attestano, tenuto anche conto di quanto previsto all'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

- *l'adeguatezza in relazione alle caratteristiche dell'impresa e*
- *l'effettiva applicazione nel corso del primo semestre 2010 delle procedure amministrative e contabili per la formazione del bilancio semestrale abbreviato.*

Si attesta, inoltre, che:

- *il bilancio semestrale abbreviato:*

a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;

b) corrisponde alle risultanze dei libri e delle scritture contabili;

c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'ACOTEL GROUP S.p.A. e delle imprese incluse nel consolidamento;

- *la relazione intermedia sulla gestione contiene un'analisi attendibile dei riferimenti agli eventi importanti che si sono verificati nei primi sei mesi dell'esercizio ed alla loro incidenza sul bilancio semestrale abbreviato, unitamente a una descrizione dei principali rischi ed incertezze per i sei mesi restanti dell'esercizio. La relazione intermedia sulla gestione comprende, altresì, un'analisi attendibile delle informazioni sulle operazioni rilevanti con parti correlate.*

La presente attestazione viene resa anche ai sensi e per gli effetti di cui all'art. 154-bis, comma 2, del decreto legislativo 24 febbraio 1998, n.58.

5 agosto 2010

Il Presidente ed Amministratore Delegato
(Claudio Carnevale)

Il Dirigente preposto alla redazione dei documenti contabili societari
(Luca De Rita)

INDEPENDENT AUDITORS' REPORT

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RELAZIONE DELLA SOCIETÀ DI REVISIONE SULLA REVISIONE CONTABILE LIMITATA DEL BILANCIO CONSOLIDATO SEMESTRALE ABBREVIATO

Agli Azionisti della
ACOTEL GROUP S.p.A.

1. Abbiamo effettuato la revisione contabile limitata del bilancio consolidato semestrale abbreviato, costituito dal conto economico consolidato, dal conto economico complessivo consolidato, dalla situazione patrimoniale-finanziaria consolidata, dal prospetto delle variazioni del patrimonio netto consolidato, dal rendiconto finanziario consolidato e dalle relative note esplicative della Acotel Group S.p.A. e controllate ("Gruppo Acotel") al 30 giugno 2010. La responsabilità della redazione del bilancio consolidato semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea, compete agli Amministratori della Acotel Group S.p.A.. E' nostra la responsabilità della redazione della presente relazione in base alla revisione contabile limitata svolta.

2. Il nostro lavoro è stato svolto secondo i criteri per la revisione contabile limitata raccomandati dalla Consob con Delibera n. 10867 del 31 luglio 1997. La revisione contabile limitata è consistita principalmente nella raccolta di informazioni sulle poste del bilancio consolidato semestrale abbreviato e sull'omogeneità dei criteri di valutazione, tramite colloqui con la direzione della società, e nello svolgimento di analisi di bilancio sui dati contenuti nel predetto bilancio consolidato. La revisione contabile limitata ha escluso procedure di revisione quali sondaggi di conformità e verifiche o procedure di validità delle attività e delle passività ed ha comportato un'estensione di lavoro significativamente inferiore a quella di una revisione contabile completa svolta secondo gli statuiti principi di revisione. Di conseguenza, diversamente da quanto effettuato sul bilancio consolidato di fine esercizio, non esprimiamo un giudizio professionale di revisione sul bilancio consolidato semestrale abbreviato.

   Per quanto riguarda i dati relativi al bilancio consolidato dell'esercizio precedente ed al bilancio consolidato semestrale abbreviato dell'anno precedente presentati ai fini comparativi, si fa riferimento alle nostre relazioni emesse rispettivamente in data 6 aprile 2010 e in data 7 agosto 2009.

3. Sulla base di quanto svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato semestrale abbreviato del Gruppo Acotel al 30 giugno 2010 non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

DELOITTE & TOUCHE S.p.A.

Domenico Falcone
Socio

Roma, 6 agosto 2010