QUARTERLY REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 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

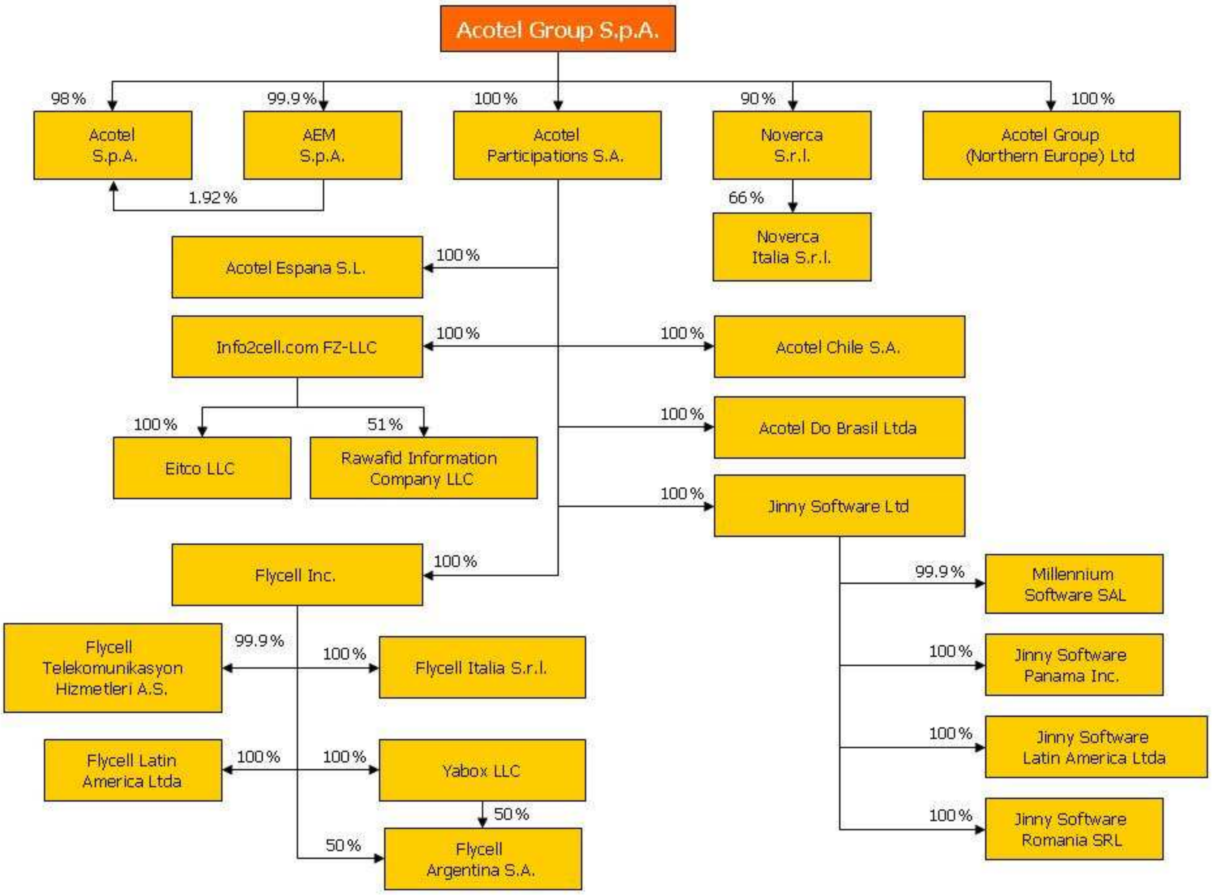
Maurizio Salimei
Auditor

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

THE GROUP

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



The parent company of Acotel Group S.p.A. is Clama S.r.l., which at 30 September 2010 holds 1,727,915 ordinary shares, representing 41.4% of the share capital.

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

BASIS OF PRESENTATION

The Acotel Group's quarterly report for the three months ended 30 September 2010 has been prepared in compliance with art. 154-ter (*Financial reporting*) of Legislative Decree 58/1998 (the Consolidated Finance Act) and subsequent amendments and additions, and the CONSOB's Regulations for Issuers.
The quarterly report has been prepared under the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

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, integrated where necessary by the application of standards to take account of aspects not present at that date.
The consolidated financial statements for the three months ended 30 September 2010 have been prepared on the basis of the underlying accounting records at that date, as adjusted in accordance with the matching principle.

Preparation of this report required management to make estimates and assumptions which, based primarily on internal records, essentially have an effect on revenues and costs that have yet to be confirmed by customers and suppliers and on provisions for bad debts and litigation.

Above all, a portion of the turnover generated by *Flycell Inc.* and its subsidiaries, in addition to certain related cost items, include preliminary figures, derived primarily from internal reporting systems, and estimates that have yet to be confirmed by mobile transaction network providers and/or operators.
Estimates and assumptions are primarily used in order to account for any refunds that may be payable to B2C customers, and for the portion of revenues deriving from subscriptions for B2C services billed in September 2010 and carried forward to the following accounting period.

It should also be noted that provisions (in this quarterly report provisions are classified in "Other current liabilities" in the reclassified consolidated statement of financial position) of 843 thousand euros (equal to 1,150 thousand US dollars) have been made on the basis of the best estimate of the expenditure required to enable *Flycell Inc.* to settle a class action claim 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 S.r.l.* 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 S.p.A.*, 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.

In addition, certain measurement processes, above all those of a complex nature relating to the estimate of potential impairments of fixed assets, are generally only fully carried out during preparation of the annual financial statements, unless events or changes in circumstances indicate that there may be an impairment requiring the immediate measurement of a loss.

This quarterly report is unaudited.

BASIS OF CONSOLIDATION

The following tables provide summary information on consolidated companies held, directly or indirectly, by *Acotel Group S.p.A.*, the Parent Company. There were no changes in the basis of consolidation during the third quarter of 2010 compared with the previous two quarters.

Companies consolidated on a line-by-line basis

Company	Date of acquisition	Group's interest (%)	Registered office	Share capital	
Acotel S.p.A.	28 April 2000	99.9% (3)	Rome	EURO	13,000,000
AEM Advanced Electronic Microsystems S.p.A.	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 ES.p.A.na 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 S.R.L.	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
Rawafid 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 S.r.l.	10 July 2008 (1)	100% (7)	Rome	EURO	90,000
Flycell Argentina SA	26 October 2009	100% (7)	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 S.r.l.	10 July 2002 (1)	90%	Rome	EURO	2,949,289
Noverca Italia S.r.l.	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 S.r.l.

SIGNIFICANT EVENTS DURING THE PERIOD

Flycell Inc., which oversees all the activities involved in the development and sale of the Group's B2C services and which operates either directly, or via investee companies, in the USA, Argentina, Brazil, Italy, Mexico, Spain, South Africa and Turkey, saw a significant improvement in its profit margins during the quarter. This was primarily due to the decision to insource management of the company's expenditure on advertising, taken by the CEO appointed at the end of August.

Acotel do Brasil, primarily thanks to a series of new activities carried out on behalf of the mobile operator, *TIM Celular*, achieved a substantial increase in turnover and profit margins during the reporting period. A new innovative service, *Meu Jornal*, proved particularly successful. This allows users to receive a personalised collection of press clippings, choosing both the subject matter and the newspapers from which they wish to receive news items on their mobile phone, before the newspapers go on sale at newsagents.

In August the subsidiary, *Acotel S.p.A.*, concluded an agreement for the supply of services to the Public Sector, involving the development and provision of mobile services based primarily on the USSD (Unstructured Supplementary Service Data) protocol, as part of the "*Vivi facile*" project set up by the Ministry for Public Administration and Innovation. The initiative is designed to improve communication between the general public and central and local government entities, in areas such as justice, taxation, education, transport, pensions and health.

Info2cell, based in Dubai, strengthened its market position in Iraq, doubling the number of contract customers of the operator, Zain, that use its services, thanks in part to new tailor-made services for Ramadan, and signing an agreement with the operator, Asiacell. The success of the WAP portal offering coverage of the recent World Cup, developed for the operators, STC, Orange, Umniah and VIVA Kuwait, has led the company to transform the portal into a site providing general sports coverage, to the great satisfaction of the operators. The company has also successfully launched the *BBC Video Bulletin* service with Etisalat in the United Arab Emirates, registering over 1,500 subscribers in the first three days after rollout.

In the Mobile Messaging Solutions segment, the subsidiary, *Jinny Software Ltd.*, recorded an increase in revenues compared with the same period of 2009, thanks to the success of its upselling initiatives designed to encourage existing customers to upgrade and purchase new platforms. The best selling platforms were those relating to call completion services (e.g. voicemail, call transfer, call waiting, etc.).

Noverca Italia S.r.l., a mobile virtual network operator (MVNO), in which the *Intesa Sanpaolo S.p.A.* banking group directly and indirectly holds a 40.6% interest, operates in the Mobile Telecommunications segment in Italy. During the third quarter the company registered an increase in users, thanks to a series of marketing and commercial initiatives primarily designed to build loyalty among existing customers. These initiatives included *Ricarica Estate*, a promotion aimed at getting users to top up more often, and *Tutto Noverca*, which for a price of 10 euros a month (automatically renewable) offers subscribers a bundle of voice calls and text messages to be used each month. The third quarter also saw the company conclude two agreements with retailers and retail chains for the sale of SIM cards and topups, thereby enlarging its distribution network, which now consists of more than 40,000 outlets.

In the Security Systems segment, *AEM S.p.A.*, which has rolled out its new website at www.aem.net, announced the production of a new line of alarm systems that will eventually replace those sold until now. The new products, developed in order to meet the changing needs of the security market, are highly modular and make extensive use of both the IP protocol and WEB technologies.

RESULTS OF OPERATIONS

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€000)	Note	Q3			9M		
		2010	2009	Inc./(Dec.)	2010	2009	Inc./(Dec.)
Revenues	1	37,456	39,112	(1,656)	117,435	99,143	18,292
Other income		86	88	(2)	263	229	34
Total		**37,542**	**39,200**	**(1,658)**	**117,698**	**99,372**	**18,326**
Movements in work in progress, semi-finished and finished goods	2	(278)	577	(855)	(463)	586	(1,049)
Raw materials	3	(279)	(990)	711	(1,112)	(1,566)	454
External services	4	(29,229)	(28,766)	(463)	(99,722)	(77,634)	(22,088)
Rentals and leases	5	(452)	(416)	(36)	(1,406)	(1,288)	(118)
Staff costs	6	(5,390)	(4,865)	(525)	(16,932)	(15,161)	(1,771)
Internal capitalised costs	7	237	363	(126)	917	1,342	(425)
Other costs	8	(1,060)	(402)	(658)	(2,427)	(1,119)	(1,308)
Gross operating profit/(loss)		**1,091**	**4,701**	**(3,610)**	**(3,447)**	**4,532**	**(7,979)**
Amortisation and depreciation	9	(826)	(639)	(187)	(2,545)	(1,613)	(932)
Impairment charges/reversal of impairment charges on non-current assets		(8)	-	(8)	(8)	(1)	(7)
Operating profit/(loss)		**257**	**4,062**	**(3,805)**	**(6,000)**	**2,918**	**(8,918)**
Net finance income/(costs)	10	(96)	(198)	102	83	301	(218)
PROFIT/(LOSS) BEFORE TAX		**161**	**3,864**	**(3,703)**	**(5,917)**	**3,219**	**(9,136)**
Taxation	11	(1,625)	(1,130)	(495)	(2,044)	(1,188)	(856)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS		**(1,464)**	**2,734**	**(4,198)**	**(7,961)**	**2,031**	**(9,992)**
Profit/(Loss) attributable to non-controlling interests		17	173	(156)	123	197	(74)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**(1,481)**	**2,561**	**(4,042)**	**(8,084)**	**1,834**	**(9,918)**
Earnings per share	12	(0.36)	0.62		(1.96)	0.45	
Diluted earnings per share	12	(0.36)	0.62		(1.96)	0.45	

Compared with the results for the same period of the previous year, the Acotel Group's results for the third quarter of 2010 show a slight reduction in revenue and a downturn in earnings.

Revenue of 37,456 thousand euros for the quarter is down 4% on the third quarter of 2009, essentially reflecting a reduction in turnover generated in the B2C segment by *Flycell Inc.* and its direct subsidiaries.

The Group reports a gross operating profit of 1,091 thousand euros, down on the profit of 4,701 thousand euros for the third quarter of 2009.

After amortisation and depreciation, amounting to 826 thousand euros, and impairments of non-current assets, totalling 8 thousand euros, operating profit amounts to 257 thousand euros.

After net finance costs of 96 thousand euros, estimated taxation for the period of 1,625 thousand euros, and profit attributable to minority interests of 17 thousand euros, the loss attributable to owners of the Parent for the third quarter of 2010 amounts to 1,481 thousand euros, marking a deterioration compared with the profit of 2,561 thousand euros reported for the same period of the previous year.

Note 1 - Revenue

Revenue in the third quarter of 2010 amounts to 37,456 thousand euros, representing a reduction on the 39,112 thousand euros of the same period of the previous year.

As shown in the table below, the decline is primarily attributable to the Services segment:

	2010		**2009**	
(€000)	**Q3**	**9M**	**Q3**	**9M**
SERVICES	33,950	106,653	36,461	91,280
MOBILE MESSAGING SOLUTIONS	2,502	8,509	2,160	6,419
MOBILE TELECOMMUNICATIONS	654	1,137	78	110
SECURITY SYSTEMS DESIGN	350	1,136	413	1,334
	37,456	**117,435**	**39,112**	**99,143**

SERVICES

The Services business segment, which reports a 7% decline with respect to the third quarter of 2009, includes services supplied directly to end customers (B2C) and the activities carried out for telephone and commercial companies, and has the primary purpose of supplying value added services and content to mobile phone users.

A breakdown of service revenues is given in the following table:

(€000)	Q3			9M		
	2010	**2009**	**Inc./(Dec.)**	**2010**	**2009**	**Inc./(Dec.)**
B2C services	25,347	30,109	(4,762)	82,707	75,603	7,104
Network Operator services	4,903	4,199	704	12,689	10,499	2,190
Corporate services	3,464	1,871	1,593	10,395	4,454	5,941
Media services	236	282	(46)	862	724	138
Total	**33,950**	**36,461**	**(2,511)**	**106,653**	**91,280**	**15,373**

At 25,347 thousand euros, B2C service revenues for the third quarter of 2010 are down 16% on the same period of the previous year, representing approximately 75% of total service revenues. These revenues are generated primarily by the US subsidiary, *Flycell Inc.*, in North America, Spain, Mexico and South Africa and by its direct subsidiaries, *Flycell Italia*, *Flycell Latin America*, *Flycell Telekomünicasyon Hizmetleri A.Ş* and *Flycell Argentina* in Italy, Brazil, Turkey and Argentina.

Revenues from the provision of Network Operator services, amounting to 4,903 thousand euros, are up approximately 17% on the third quarter of 2009. They primarily include revenues from services rendered by the subsidiary, *Acotel do Brasil*, to the Brazilian operators, *TIM Celular* and *TIM Nordeste Telecomunicaçoes*, amounting to 2,776 thousand euros, revenues generated by the provision of services to *Telecom Italia* by the subsidiary, *Acotel S.p.A.*, totalling 1,494 thousand euros, and revenues generated by activities carried out by *Info2cell* for the main mobile telephony operators in the Middle East, totalling 633 thousand euros. The increase compared with the same period of the previous year is principally due to higher turnover at the Brazilian subsidiary.

Revenues from Corporate services, which are up 85% on the same period of 2009, total 3,464 thousand euros. These revenues relate primarily to services provided in the Middle East by *Info2cell*, totalling 2,676 thousand euros, and those provided in Italy by *Acotel S.p.A.*, primarily to banks, totalling 788 thousand euros. The increase compared with the third quarter of 2009 primarily reflects increased sales at the Middle-eastern subsidiary.

Revenues from services provided to Media companies, amounting to 236 thousand euros, are almost entirely generated in the Middle East by the subsidiary, *Info2cell*, and in Italy by *Acotel S.p.A.*.

MOBILE MESSAGING SOLUTIONS

Revenues from this line of business, amounting to 2,705 thousand euros (including 203 thousand euros in intercompany revenues), are up 19% 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 the Middle East, Africa, Asia, Europe, Latin America and North America.

MOBILE TELECOMMUNICATIONS

Mobile telecommunications revenues, which are entirely attributable to *Noverca Italia S.r.l.*, amount to 654 thousand euros and, in accordance with the proportionate method of consolidation, correspond to *Acotel Group* S.p.A.'s 59.4% direct and indirect interest in *Noverca Italia S.r.l.*.
Revenues generated by this segment do not reflect the effective volume of traffic (voice, SMS, date and services) used by customers, as the priority aim is to increase the number of active SIM cards. This has been in part pursued via promotions in which customers were offered free use of their phones.

SECURITY SYSTEMS DESIGN

Revenues from the design and production of electronic security systems amount to 350 thousand euros for the third quarter and are entirely generated by the subsidiary, *AEM S.p.A.*. These revenues, which are down 15% on the figure for the same period 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.

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

	2010				2009			
(€000)	Q3	%	9M	%	Q3	%	9M	%
NORTH AMERICA	12,401	33.1%	38,593	32.9%	8,843	22.6%	26,329	26.5%
LATIN AMERICA	10,422	27.8%	31,369	26.7%	10,928	27.9%	25,176	25.4%
ITALY	5,860	15.6%	18,528	15.8%	8,867	22.7%	20,737	20.9%
MIDDLE EAST	4,670	12.5%	13,262	11.3%	2,572	6.6%	6,824	6.9%
OTHER EUROPEAN COUNTRIES	3,263	8.7%	12,502	10.5%	6,933	17.7%	17,240	17.4%
AFRICA	610	1.6%	2,572	2.2%	638	1.6%	1,726	1.7%
ASIA	230	0.7%	609	0.6%	331	0.9%	1,111	1.2%
	37,456	**100%**	**117,435**	**100%**	**39,112**	**100%**	**99,143**	**100%**

The geographical revenue breakdown for the third quarter of 2010 reveals:
- revenue growth in North America, thanks to the B2C services provided by *Flycell Inc.*;
- revenue growth in the Middle East, thanks to the commercial activities of *Info2cell* and its direct subsidiaries;
- a reduction in revenues generated in Italy and Spain (classified in other European countries), essentially due to the B2C services provided by *Flycell Italia* and *Flycell Inc.*, respectively.

Note 2 – Movement in work in progress, semi-finished and finished goods

This item, which represents an expense of 278 thousand euros, reflects sales during the quarter of mobile phones previously held in stock by *Noverca Italia S.r.l.*.

Note 3 – Raw materials

The cost of raw materials during the quarter, amounting to 279 thousand euros, refers principally to the purchase of materials for the construction of telecommunications systems by *Jinny Software*.

Note 4 – External services

The cost of external services totals 29,229 thousand euros for the third quarter, representing a slight increase (up 2%) on the same period of 2009. A breakdown of service costs is shown below:

	2010		2009	
(€000)	Q3	9M	Q3	9M
Interconnection and billing services	12,440	41,177	14,791	36,952
Advertising	9,061	35,495	8,423	25,224
Content providers	3,776	10,794	2,128	5,921
Professional consultants	729	2,109	764	2,126
Purchase of SMS packages	682	2,129	568	1,442
Travel expenses	469	1,350	390	1,367
MVNO mobile phone traffic	415	1,511	140	202
Connectivity and sundry utilities	380	1,103	403	1,101
Remuneration of governance bodies	192	575	196	551
Call centres	190	584	210	480
Outsourcing	97	305	130	376
Auditors' fees	66	276	122	356
Other minor expenses	732	2,314	501	1,536
Total	**29,229**	**99,722**	**28,766**	**77,634**

Note 5 – Rentals and leases

Rentals and leases amount to 452 thousand euros and mainly include rentals on offices occupied by Group companies.

Note 6 – Staff costs

Staff costs include:

(€000)	2010		2009	
	Q3	9M	Q3	9M
Salaries and wages	4,312	13,224	3,886	11,962
Social security contributions	712	2,338	595	1,870
Staff termination benefits	87	265	79	250
Finance costs	(13)	(47)	(12)	(42)
Other costs	292	1,152	317	1,121
Total	**5,390**	**16,932**	**4,865**	**15,161**

The 11% increase in staff costs during the period is due to the additional staff recruited by certain Group companies due to expansion of their activities.

Other staff costs primarily 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 number of staff by category at 30 September 2010 and a comparison of the average numbers for the third quarter and first nine months of 2010 and 2009 are reported in the following table:

	At 30 Sept 2010	**Average Q3 2010**	**Average Q3 2009**	**Average 9M 2010**	**Average 9M 2009**
Managers	28	29	30	29	30
Supervisors	67	71	66	71	62
White- and blue-collar staff	372	370	364	363	353
Total	**467**	**470**	**460**	**463**	**445**

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

	At 30 Sept 2010	At 30 Sept 2009
Italy	117	113
Lebanon	81	82
Jordan	61	64
Brazil	54	38
USA	47	57
Ireland	34	37
Romania	23	22
United Arab Emirates	12	13
Saudi Arabia	10	7
Malaysia	8	8
Kenya	7	6
Turkey	5	4
S.p.A.in	4	4
South Africa	1	3
Panama	1	1
Indonesia	1	-
Egypt	1	-
Total	**467**	**459**

Note 7 - Capitalised internal costs

Capitalised internal costs, totalling 237 thousand euros, primarily regard 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.

Note 8 – Other costs

Other costs, totalling 1,060 thousand euros during the third quarter of 2010, include 699 thousand euros for indirect taxes payable by *Acotel do Brasil*, *Flycell Latin America*, *Flycell Argentina* and *Jinny Latin America* in compliance with Brazilian and Argentine tax laws. The balance includes other general expenses and charges incurred by Group companies in connection with their ordinary activities.

Note 9 - Amortisation and depreciation

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

(€000)	2010 Q3	2010 9M	2009 Q3	2009 9M
Amortisation of non-current intangible assets	298	954	188	474
Depreciation of property, plant and equipment	528	1,591	451	1,139
Total	**826**	**2,545**	**639**	**1,613**

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 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.

Note 10 - Finance income and costs

Net finance costs of 96 thousand euros for the third quarter of 2010 break down as follows:

(€000)	2010 Q3	2010 9M	2009 Q3	2009 9M
Interest income from investments	362	857	190	655
Interest income on bank deposits	2	11	8	75
Foreign exchange gains	-	774	-	341
Other interest income	14	14	67	68
Total finance income	**378**	**1,656**	**265**	**1,139**
Interest expense and bank charges	(240)	(574)	(118)	(320)
Foreign exchange losses	(234)	(950)	(332)	(474)
Other interest expense	-	(49)	(13)	(44)
Total finance costs	**(474)**	**(1,573)**	**(463)**	**(838)**
Net finance income/(costs)	**(96)**	**83**	**(198)**	**301**

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

The balance of foreign exchange gains and losses reflects the impact of closing exchange rates on the value of intercompany loans to Group companies with different functional currencies.

Note 11 - Taxation

Taxation for the period, amounting to 1,625 thousand euros, reflects estimated income taxes and deferred tax assets and liabilities recognised by Group companies.

Note 12 – Earnings per share

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

	2010		2009	
(€000)	Q3	9M	Q3	9M
Profit/(Loss) for the period (€000)	**(1,481)**	**(8,084)**	**2,561**	**1,834**
Number of shares (000)				
Shares in circulation at the start of the period*	4,114	4,114	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**	**4,114**	**4,114**
Basic and diluted earnings per share **	**(0.36)**	**(1.96)**	**0.62**	**0.45**

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

**: basic earnings for the third quarter and first nine months of 2010 and 2009 coincide with diluted earnings per share as the conditions provided for by IAS 33 do not exist.

FINANCIAL POSITION AND CASH FLOW

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€000)	30 September 2010	31 December 2009	Increase/(Decrease)	% inc./(dec.)
Non-current assets:				
Property, plant and equipment	6,709	5,218	1,491	29%
Intangible assets	12,966	13,404	(438)	(3%)
Other assets	3,527	3,462	65	2%
TOTAL NON-CURRENT ASSETS	**23,202**	**22,084**	**1,118**	**5%**
Net current assets:				
Inventories	393	845	(452)	(53%)
Trade receivables	27,361	27,015	346	1%
Other current assets	5,008	4,482	526	12%
Trade payables	(18,050)	(17,585)	(465)	(3%)
Other current liabilites	(8,471)	(9,574)	1,103	12%
TOTAL NET CURRENT ASSETS	**6,241**	**5,183**	**1,058**	**20%**
STAFF TERMINATION AND AND OTHER EMPLOYEE BENEFITS	**(1,573)**	**(1,389)**	**(184)**	**(13%)**
NON-CURRENT PROVISIONS	**(686)**	**(392)**	**(294)**	**(75%)**
NET INVESTED CAPITAL	**27,184**	**25,486**	**1,698**	**7%**
Equity:				
Share capital	1,084	1,084	-	-
Reserves and retained earnings/(accumulated losses)	68,616	66,079	2,537	4%
Profit/(Loss) for the period	(8,084)	1,311	(9,395)	(717%)
Non-controlling interests	430	308	122	40%
TOTAL EQUITY	**62,046**	**68,782**	**(6,736)**	**(10%)**
MEDIUM-/LONG TERM DEBT	**69**	**69**	**-**	**-**
Net cash and cash equivalents:				
Current financial assets	(25,376)	(27,843)	2,467	9%
Cash and cash equivalents	(13,252)	(19,045)	5,793	30%
Current financial liabilities	3,697	3,523	174	5%
	(34,931)	**(43,365)**	**8,434**	**19%**
NET FUNDS	**(34,862)**	**(43,296)**	**8,434**	**19%**
TOTAL EQUITY AND NET FUNDS	**27,184**	**25,486**	**1,698**	**7%**

The Acotel Group's net invested capital at 30 September 2010 amounts to 27,184 thousand euros, made up of non-current assets of 23,202 thousand euros, net current assets of 6,241 thousand euros, staff termination benefits of 1,573 thousand euros and other non-current provisions of 686 thousand euros.

Net invested capital is financed by consolidated equity of 62,046 thousand euros and net funds of 34,862 thousand 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 S.r.l.*, with the aim of expanding the functions of the technology platform in readiness for its conversion to a Full MVNO;
- net working capital has not undergone any significant changes;
- net funds amount to 34.9 million euros at 30 September 2010, marking a reduction of 8.4 million euros compared with 31 December 2009.

NET FUNDS

(€000)

	30 September 2010	30 June 2010	31 December 2009
A. Cash and cash equivalents	13,252	14,104	19,045
B. Assets held for trading	22,861	22,763	10,627
C. Liquidity (A + B)	**36,113**	**36,867**	**29,672**
D. Other current financial assets	**2,515**	**4,895**	**17,216**
E. Current bank borrowings	(3,664)	(4,084)	(3,491)
F. Current portion of non-current debt	(33)	(33)	(32)
G. Current financial liabilities (E + F)	**(3,697)**	**(4,117)**	**(3,523)**
H. Net current funds (C+D+G)	**34,931**	**37,645**	**43,365**
I. Non-current financial liabilities	(69)	(69)	(69)
L. Non-current debt (I)	**(69)**	**(69)**	**(69)**
M. Net funds (H + L)	**34,862**	**37,576**	**43,296**

Net funds at 30 September 2010 amount to 34,862 thousand euros, marking a reduction with respect to the end of 2009 and the end of the first half of 2010. 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, above all in terms of promotional expenditure and increased staff costs.

OTHER INFORMATION

During the third quarter 2010 the Group became aware of what it believes a tortious act suffered by *Flycell Inc.* involving the company's CEO, whose employment was subsequently terminated.

The costs connected with this conduct, regarding the purchase of advertising space and estimated at approximately 5 million US dollars, have been recognised in full in this quarterly report with reference to the first nine months of the current year. To this regard it is noticed that the preliminary outcomes to the legal actions taken by *Flycell* in the relevant US courts lead management to believe that large part of losses incurred can be recouped in a reasonably short period of time.

DECLARATION BY THE MANAGER RESPONSIBLE FOR THE GROUP'S FINANCIAL REPORTING PURSUANT TO THE PROVISIONS OF ARTICLE 154 BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998

The manager responsible for the Group's financial reporting, Luca De Rita, hereby declares, pursuant to article 154 *bis*, paragraph 2 of the Consolidated Law on Finance, that the accounting information contained in this consolidated quarterly report is consistent with the underlying accounting records.