QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2011

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

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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

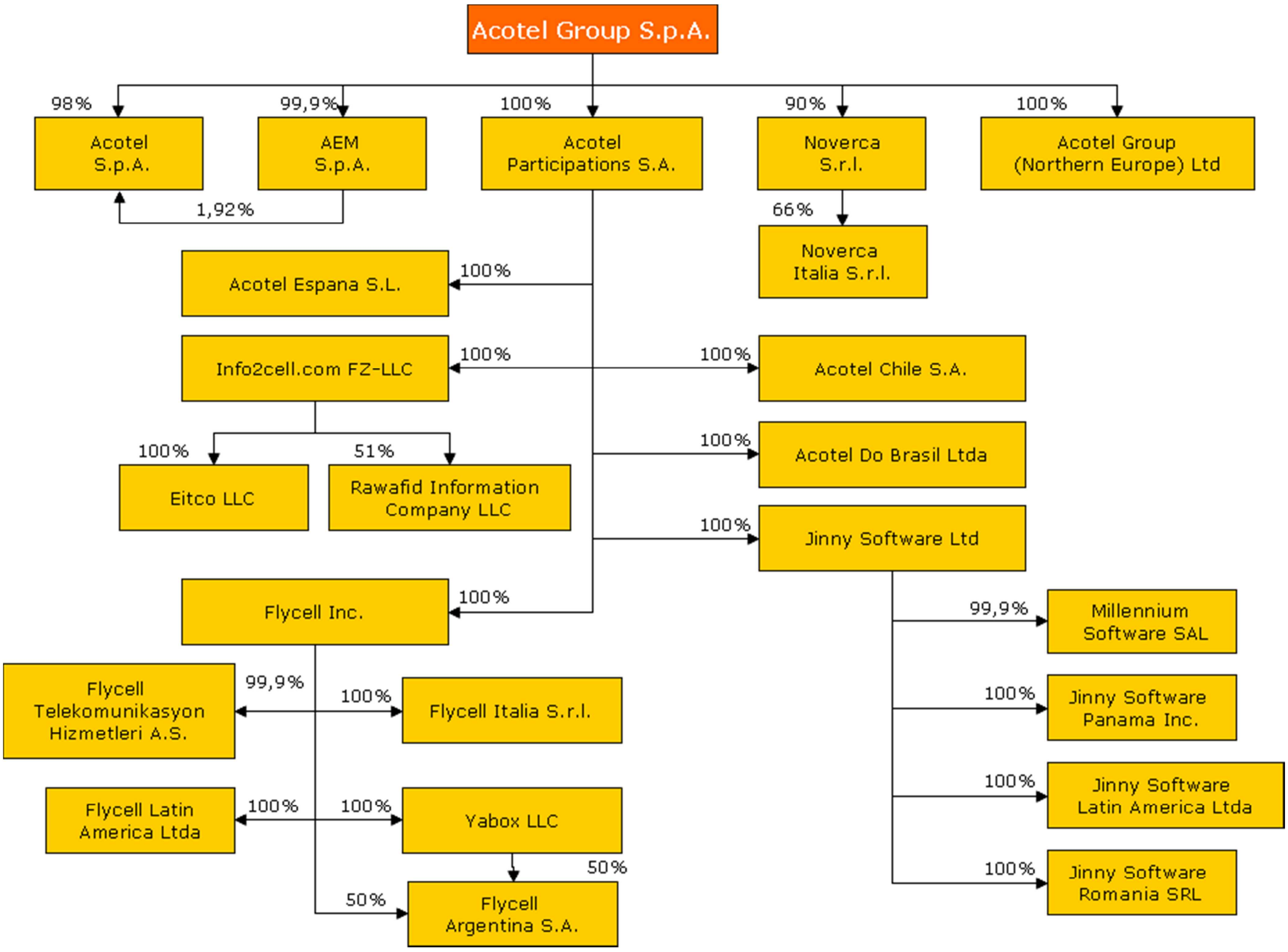
Maurizio Salimei
Auditor

Independent auditors

Deloitte & Touche SpA

THE GROUP

The following chart shows the structure of the Acotel Group at 31 March 2011.



The parent company of Acotel Group S.p.A. is Clama S.r.l., which at 31 March 2011 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 Group's quarterly report for the three months ended 31 March 2011 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 Group's consolidated financial statements for the year ended 31 December 2010, 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 31 March 2011 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, any impairments of inventories and 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 March 2011 and carried forward to the following accounting period.

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 an immediate measurement of any loss.

This quarterly report is unaudited.

BASIS OF CONSOLIDATION

The following table provides 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 first quarter of 2011, compared with 31 December 2010.

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 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
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% (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 controller 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. *The date of acquiring a 100% interest. Prior to this date the Group held a 50% interest in the company, posted to investments in associates. Following the acquisition of a stake by Intesa SanPaolo S.p.A., as of 9 May 2008 the Group reduced its interest to 90%.*
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

During the first quarter *Flycell Inc.*, which is responsible for the Services segment's B2C business, began preparing for the commercial launch of its services in a number of new countries in South America (Venezuela, Colombia, Ecuador, Peru, Chile and Uruguay) and Central America, in addition to Australia and Portugal. In line with the internationalisation strategy pursued for several years by the company, this geographical expansion process is expected to be completed in 2011. This will enable the company to offset the decline in business in the USA, following a number of regulatory changes in the USA, which have significantly reduced the cap on SMS billing and thus rendered certain subscription services less profitable.

Info2cell, which provides B2B services as part of the Services segment and operates in the Middle east and North Africa, has renewed its agreement with Samsung, covering the provision of content management services for the Samsung Regional Multimedia Portal. The company has also launched, under its own brand, a free iPhone application for soccer fans, called Al-Dawri, which has proved an immediate success as one of the most downloaded apps in Saudi Arabia. It has also signed commercial agreements with the operators, Korek (Iraq), MTN Yemen, Yemen Mobile and MTN Sudan for the provision of value added services.

In Brazil *Acotel do Brasil*, which also provides B2B services as part of the Services segment, has won the contract to manage mobile voting for the BBB (Big Brother Brasil) TV programme, and launched a lottery, called Férias Premiada, for the customers of TIM Brasil, the top prize being a car.

Acotel S.p.A., which provides B2B services in Italy as part of the Services segment, has launched, under an agreement with the quizzi.it portal, an iPhone application for online quizzes and tests. The application generates revenue from banner advertising and enables users to have free access to games and tests on a range of subjects divided into categories: for her, for him, love and personality.

In February the subsidiary, *Jinny Software Ltd.*, took part in the Mobile World Congress in Barcelona, the most important global event for the mobile telecommunications industry, where it announced its new strategic positioning, summarised in the new payoff, “Powering Mobile Innovation”. The new positioning sees the company propose itself as the main partner for all entities – real and virtual network operators and enablers – wishing to make innovative value added services their principal competitive weapon.

Nòverca, the Italian joint venture MVNO set up in partnership with the Intesa Sanpaolo banking group, completed development of the platform that will permit it to begin operating as a Full MVNO in the coming months. It is reported that new commercial strategies are under evaluation with the bank in order to improve the Nòverca project.

A customer pilot of new services the company plans to launch during the year was run. These services, dubbed Enhanced Life because they are designed to simplify or improve users' lives, will allow customers to control and reduce their energy consumption at home and carry out video-surveillance and monitor their state of health and the health of the rest of their family.

RESULTS OF OPERATIONS

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€000)	Note	Q1 2011	Q1 2010	Inc./(Dec.)	% inc./(dec.)
Revenues	1	28,837	39,252	(10,415)	(27%)
Other income		81	82	(1)	(1%)
Total		**28,918**	**39,334**	**(10,416)**	**(26%)**
Movements in work in progress, semi-finished and finished goods		-	(5)	5	(100%)
Raw materials	2	(536)	(313)	(223)	(71%)
External services	3	(20,626)	(33,428)	12,802	38%
Rentals and leases	4	(463)	(419)	(44)	(11%)
Staff costs	5	(5,527)	(5,385)	(142)	(3%)
Internal capitalised costs	6	243	242	1	-
Other costs	7	(626)	(432)	(194)	(45%)
Gross operating profit/(loss)		**1,383**	**(406)**	**1,789**	**441%**
Amortisation and depreciation	8	(905)	(834)	(71)	(9%)
Impairment charges/reversal of impairment charges on non-current assets		(2)	-	(2)	-
Operating profit/(loss)		**476**	**(1,240)**	**1,716**	**138%**
Net finance income/(costs)	9	187	209	(22)	(11%)
PROFIT/(LOSS) BEFORE TAX		**663**	**(1,031)**	**1,694**	**164%**
Taxation	10	(774)	(440)	(334)	(76%)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS		**(111)**	**(1,471)**	**1,360**	**92%**
Profit/(Loss) attributable to non-controlling interests		66	150	(84)	(56%)
ATTRIBUTABLE TO OWNERS OF THE PARENT		**(177)**	**(1,621)**	**1,444**	**89%**
Earnings per share	11	(0.04)	(0.39)		
Diluted earnings per share	11	(0.04)	(0.39)		

Compared with the results for the same period of the previous year, the Group's results for the first quarter of 2011 show a reduction in revenue and a significant improvement in earnings.

Revenue of 28,837 thousand euros for the quarter is down 27% on the first quarter of 2010, essentially due to a reduction in B2C revenues in the Services segment.

In contrast, the gross operating loss of 406 thousand euros reported for the first quarter of 2010 has been transformed into a profit of 1,383 thousand euros in the first three months of 2011. The improvements reflects the different method of managing advertising expenditure adopted by the US subsidiary, *Flycell Inc.*, from the second half of the previous year and into the first quarter of 2011.

After amortisation and depreciation, amounting to 905 thousand euros, and impairments of non-current assets, totalling 2 thousand euros, operating profit amounts to 476 thousand euros, marking an increase of 138% on the same period of the previous year.

After net finance income of 187 thousand euros, estimated taxation for the period of 774 thousand euros, and profit attributable to non-controlling interests of 66 thousand euros, the net loss attributable to owners of the Parent for the first quarter of 2011 amounts to 177 thousand euros, marking an improvement of 89% on the same period of 2010.

Note 1 - Revenue

Revenue in the first quarter of 2011 amounts to 28,837 thousand euros, representing a reduction on the 39,252 thousand euros of the same period of the previous year.

As shown in the table below, the reduction in revenue reflects the performance of the Services segment (down 32%). In contrast, Mobile Messaging Solutions saw revenue grow by 52%.

(€000)	**Q1 2011**	**%**	**Q1 2010**	**%**
SERVICES	25,073	87.0%	36,728	93.6%
MOBILE MESSAGING SOLUTIONS	2,972	10.3%	1,958	5.0%
MOBILE TELECOMMUNICATIONS	464	1.6%	179	0.4%
SECURITY SYSTEMS	328	1.1%	387	1.0%
	28,837	**100%**	**39,252**	**100%**

SERVICES

The Services business segment 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 content and services to mobile phone users.

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

(€000)	Q1 2011	Q1 2010	Inc./(Dec.)
B2C services	17,635	28,769	(11,134)
Network Operator services	4,004	4,121	(117)
Corporate services	3,347	3,518	(171)
Media services	87	320	(233)
Total	**25,073**	**36,728**	**(11,655)**

B2C service revenues generated by *Flycell Inc.* and its direct subsidiaries during the first quarter of 2011 amount to 17,635 thousand euros, marking a reduction of 39% on the same period of 2010 and accounting for approximately 70% of total service revenues. The reduction primarily reflects the impact of the above regulatory changes introduced by the US authorities on the company's principal market, in addition to a more prudent approach to advertising expenditure following a reduction in returns.

Revenues from the provision of Network Operator services, amounting to 4,004 thousand euros, are substantially in line with the first quarter of 2010. These include revenues from services rendered by the subsidiary, *Acotel do Brasil*, to the Brazilian operator, *TIM Celular*, amounting to 1,750 thousand euros, revenues generated by the provision of services to *Telecom Italia* by the subsidiary, *Acotel S.p.A.*, totalling 1,670 thousand euros, and revenues generated by activities carried out by *Info2cell* for the main mobile telephony operators in the Middle East, totalling 584 thousand euros.

Revenues from Corporate services, which are substantially in line with the same period of the previous year, total 3,347 thousand euros. These revenues are generated by services provided in the Middle East by *Info2cell*, totalling 2,471 thousand euros, and those provided in Italy by *Acotel S.p.A.*, primarily to banks, totalling 876 thousand euros.

Revenues from services provided to media companies, amounting to 87 thousand euros, are almost entirely generated in the Middle East by the subsidiary, *Info2cell.*

MOBILE MESSAGING SOLUTIONS

Revenues from this line of business in the first quarter of 2011, amounting to 2,972 thousand euros, are up 52% on the same period of 2010. These revenues are generated by *Jinny Software* from the supply of new equipment and the provision of maintenance to mobile operators in Africa, the Middle East, Latin America, Asia, Europe and North America.

MOBILE TELECOMMUNICATIONS

Mobile telecommunications revenues, which are entirely attributable to *Noverca Italia S.r.l.*, amount to 464 thousand euros, compared with 179 thousand euros in the same period of 2010. In accordance with the proportionate method of consolidation, the figure corresponds to *Acotel Group S.p.A.*'s 59.4% direct and indirect interest in *Noverca Italia S.r.l.*.

SECURITY SYSTEMS

Revenues from the design and production of electronic security systems amount to 328 thousand euros for the first quarter and are entirely generated by the subsidiary, *AEM S.p.A.*. These revenues, which are down 15% on the figure for the first quarter of 2010, 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:

(€000)	**Q1 2011**	**%**	**Q1 2010**	**%**
LATIN AMERICA	8,654	30.0%	10,796	27.5%
NORTH AMERICA	7,064	24.5%	11,800	30.1%
ITALY	5,563	19.3%	6,425	16.4%
MIDDLE EAST	3,597	12.4%	4,254	10.8%
OTHER EUROPEAN COUNTRIES	2,053	7.1%	5,276	13.4%
AFRICA	1,622	5.6%	619	1.5%
ASIA	284	1.1%	82	0.3%
	28,837	**100%**	**39,252**	**100%**

Note 2 – Raw materials

The cost of raw materials during the quarter, amounting to 536 thousand euros, refers principally to the purchase of materials for the construction of telecommunications and security systems by *Jinny Software* (468 thousand euros).

Note 3 – External services

The cost of external services totals 20,626 thousand euros for the quarter, representing a reduction of 38% on the first quarter of 2010. A breakdown of the service costs is shown below:

(€000)	**Q1 2011**	**Q1 2010**	**Inc./(Dec.)**
Interconnection and billing services	9,056	14,527	(5,471)
Advertising	4,810	11,470	(6,660)
Content providers	3,042	3,537	(495)
Professional consultants	666	723	(57)
Purchase of SMS packages	624	724	(100)
Connectivity and sundry utilities	403	338	65
Travel expenses	393	383	10
Telecommunications services	389	497	(108)
Remuneration of corporate officers	191	191	-
Auditors' fees	121	83	38
Call centres	117	191	(74)
Outsourcing	95	120	(25)
Other minor expenses	719	644	75
Total	**20,626**	**33,428**	**(12,802)**

The reduction in the cost of external services primarily reflects the decision of *Flycell Inc.* to reduce advertising expenditure and a decrease in the cost of interconnection and billing services incurred by this company and its direct subsidiaries due to the reduction in turnover.

Note 4 – Rentals and leases

Rentals and leases amount to 463 thousand euros and mainly include rentals on offices occupied by Group companies.

Note 5 – Staff costs

Staff costs include:

(€000)	**Q1 2011**	**Q1 2010**	**Inc./(Dec.)**
Salaries and wages	4,252	4,155	97
Social security contributions	828	761	67
Staff termination benefits	95	101	(6)
Finance costs	(20)	(15)	(5)
Other costs	372	383	(11)
Total	**5,527**	**5,385**	**142**

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 number of staff by category at 31 March 2011 and a comparison of the average numbers for the first quarters of 2011 and 2010 are reported in the following table:

	At 31 Mar 2011	Average Q1 2011	Average Q1 2010
Managers	26	27	30
Supervisors	76	74	71
White- and blue-collar staff	379	380	355
Total	**481**	**481**	**456**

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

	At 31 Mar 2011	At 31 Mar 2010
Italy	123	113
Lebanon	82	81
Jordan	62	64
Brazil	57	41
USA	43	52
Ireland	38	38
Romania	22	21
United Arab Emirates	13	10
Saudi Arabia	10	10
Kenya	10	5
Malaysia	8	9
Turkey	5	5
Spain	4	4
South Africa	1	2
Panama	1	1
Indonesia	1	1
Egypt	1	1
Total	**481**	**458**

Note 6 – Capitalised internal costs

Capitalised internal costs, totalling 243 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 7 – Other costs

Other costs amount to 626 thousand euros in the first quarter of 2011, including 414 thousand euros for indirect taxes payable by Acotel do Brasil, Flycell Latin America and Jinny Latin America in compliance with local legislation.

The balance includes other general expenses and charges incurred by Group companies in connection with their ordinary activities.

Note 8 - Amortisation and depreciation

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

(€000)	Q1 2011	Q1 2010	Inc./(Dec.)
Amortisation of non-current intangible assets	294	310	(16)
Depreciation of property, plant and equipment	611	524	87
Total	**905**	**834**	**71**

Amortisation of intangible assets mainly refers to amortisation of the software and licences utilised by various Group companies, 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 MVNO, *Nòverca*.

Depreciation of property, plant and equipment essentially refers to depreciation of the telecommunications equipment and infrastructures used by Group companies.

Note 9 - Finance income and costs

Net finance income of 187 thousand euros for the first quarter of 2011 breaks down as follows:

(€000)	Q1 2011	Q1 2010	Inc./(Dec.)
Income from investments	353	278	75
Interest income on bank deposits	5	1	4
Foreign exchange gains	365	399	(34)
Total finance income	**723**	**678**	**45**
Interest expense and bank charges	(51)	(135)	84
Foreign exchange losses	(450)	(334)	(116)
Other interest expense	(35)	-	(35)
Total finance costs	**(536)**	**(469)**	**(67)**
Net finance income/(costs)	**187**	**209**	**(22)**

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 outstanding intercompany loans between companies with different functional currencies.

Note 10 - Taxation

Taxation for the period, amounting to 774 thousand euros, reflects estimated income tax expense and deferred tax income and expense recognised by Group companies, net of the related reversals.

Note 11 – Earnings per share

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

(€000)	**Q1 2011**	**Q1 2010**
Profit/(loss) for the period (€000)	**(177)**	**(1,621)**
Number of shares (000)		
Shares in circulation at the start of the 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 **	**(0.04)**	**(0.39)**

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

**: basic earnings for the first quarters of 2011 and 2010 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)	31 March 2011	31 December 2010	Increase/(Decrease)	% inc./(dec.)
Non-current assets:				
Property, plant and equipment	6,864	6,787	77	1%
Intangible assets	13,050	13,112	(62)	-
Other assets	3,389	3,440	(51)	(1%)
TOTAL NON-CURRENT ASSETS	**23,303**	**23,339**	**(36)**	**-**
Net current assets:				
Inventories	410	514	(104)	(20%)
Trade receivables	27,749	31,990	(4,241)	(13%)
Other current assets	6,747	8,633	(1,886)	(22%)
Trade payables	(18,028)	(19,332)	1,304	7%
Other current liabilites	(8,748)	(8,527)	(221)	(3%)
TOTAL NET CURRENT ASSETS	**8,130**	**13,278**	**(5,148)**	**(39%)**
TERMINATION AND OTHER EMPLOYEE BENEFITS	**(1,712)**	**(1,649)**	**(63)**	**(4%)**
NON-CURRENT PROVISIONS	**(340)**	**(470)**	**130**	**28%**
NET INVESTED CAPITAL	**29,381**	**34,498**	**(5,117)**	**(15%)**
Equity:				
Share capital	1,084	1,084	-	-
Reserves and retained earnings/(accumulated losses)	65,946	69,243	(3,297)	(5%)
Profit/(Loss) for the period	(177)	(2,239)	2,062	(92%)
Non-controlling interests	623	558	65	12%
TOTAL EQUITY	**67,476**	**68,646**	**(1,170)**	**(2%)**
MEDIUM-/LONG TERM DEBT	**35**	**35**	**-**	**-**
Net cash and cash equivalents:				
Current financial assets	(27,560)	(26,284)	(1,276)	(5%)
Cash and cash equivalents	(11,652)	(11,700)	48	-
Current financial liabilities	1,082	3,801	(2,719)	(72%)
	(38,130)	**(34,183)**	**(3,947)**	**(12%)**
OTHERS	**(38,095)**	**(34,148)**	**(3,947)**	**(12%)**
TOTAL EQUITY AND NET FUNDS	**29,381**	**34,498**	**(5,117)**	**(15%)**

The Group's net invested capital at 31 March 2011 amounts to 29,381 thousand euros, made up of non-current assets of 23,303 thousand euros, net current assets of 8,130 thousand euros, provisions for staff termination benefits of 1,712 thousand euros and other non-current provisions of 340 thousand euros.

Net invested capital is financed by consolidated equity of 67,476 thousand euros and net funds receivable from others of 38,095 thousand euros.

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

- there have been no material changes in non-current assets during the period;
- changes in net current assets reflect the performance of the Group's business volumes;
- net funds receivable from others at 31 March 2011 amount to 38,095 thousand euros, marking an increase of 3,947 thousand euros on 31 December 2010, as shown in the following table.

NET FUNDS

(€000)

	31 March 2011	31 December 2010	Increase/ (Decrease)
A. Cash and cash equivalents	11,652	11,700	(48)
B. Assets held for trading	24,959	23,683	1,276
C. Liquidity (A + B)	**36,611**	**35,383**	**1,228**
D. Loans and receivables due from related parties	1,335	991	344
E. Other current financial assets	2,601	2,601	-
F. Current financial assets (D + E)	**3,936**	**3,592**	**344**
G. Current bank borrowings	(1,049)	(3,768)	2,719
H. Current portion of non-current debt	(33)	(33)	-
I. Current financial liabilities (G + H)	**(1,082)**	**(3,801)**	**2,719**
L. Net current funds (C+F+I)	**39,465**	**35,174**	**4,291**
M. Non-current financial liabilities	(35)	(35)	-
N. Non-current debt (M)	**(35)**	**(35)**	**-**
O. Net funds (L + N)	**39,430**	**35,139**	**4,291**
- receivable from related parties	1,335	991	344
- receivable from others	38,095	34,148	3,947

Net funds at 31 March 2011 amount to 39,430 thousand euros, marking an increase of 4,291 thousand euros compared with the end of 2010.

OTHER INFORMATION

Following the settlement agreed on 30 December 2010, during the current year the Group recovered 4,6 million US dollars as a result of the positive outcome of the dispute with the former CEO of *Flycell Inc.*, Alberto Montesi, as reported in previous financial reports.

DECLARATION BY THE MANAGER RESPONSIBLE FOR FINANCIAL REPORTING

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