

**QUARTERLY REPORT FOR THE THREE MONTHS  
ENDED 31 MARCH 2009**



Registered offices 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	page	2
THE GROUP	page	3
BASIS OF PRESENTATION	page	4
CONSOLIDATION PRINCIPLES	page	4
BASIS OF CONSOLIDATION	page	6
SIGNIFICANT EVENTS DURING THE PERIOD	page	7
RESULTS OF OPERATIONS	page	9
FINANCIAL POSITION AND CASH FLOW	page	18
OTHER INFORMATION	page	19
DECLARATION BY THE MANAGER RESPONSIBLE FOR THE GROUP'S FINANCIAL REPORTING PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 2 OF LEGISLATIVE DECREE 58/1998	page	21

## CORPORATE OFFICERS

### **BOARD OF DIRECTORS**

Claudio Carnevale  
*Chairman and CEO*

Francesco Ago <sup>(1), (2), (3)</sup>  
*Director*

Margherita Argenziano  
*Director*

Luca De Rita  
*Director*

Giovanni Galoppi <sup>(1), (2)</sup>  
*Director*

Giuseppe Guizzi <sup>(1), (2)</sup>  
*Director*

Luciano Hassan  
*Director*

Cristian Carnevale  
*Director*

Raffaele Cappiello <sup>(1), (2)</sup>  
*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 Board of Directors and Board of Statutory Auditors of Acotel Group S.p.A. were elected by the Annual General Meeting of 24 April 2009, which also elected Claudio Carnevale as Chairman.

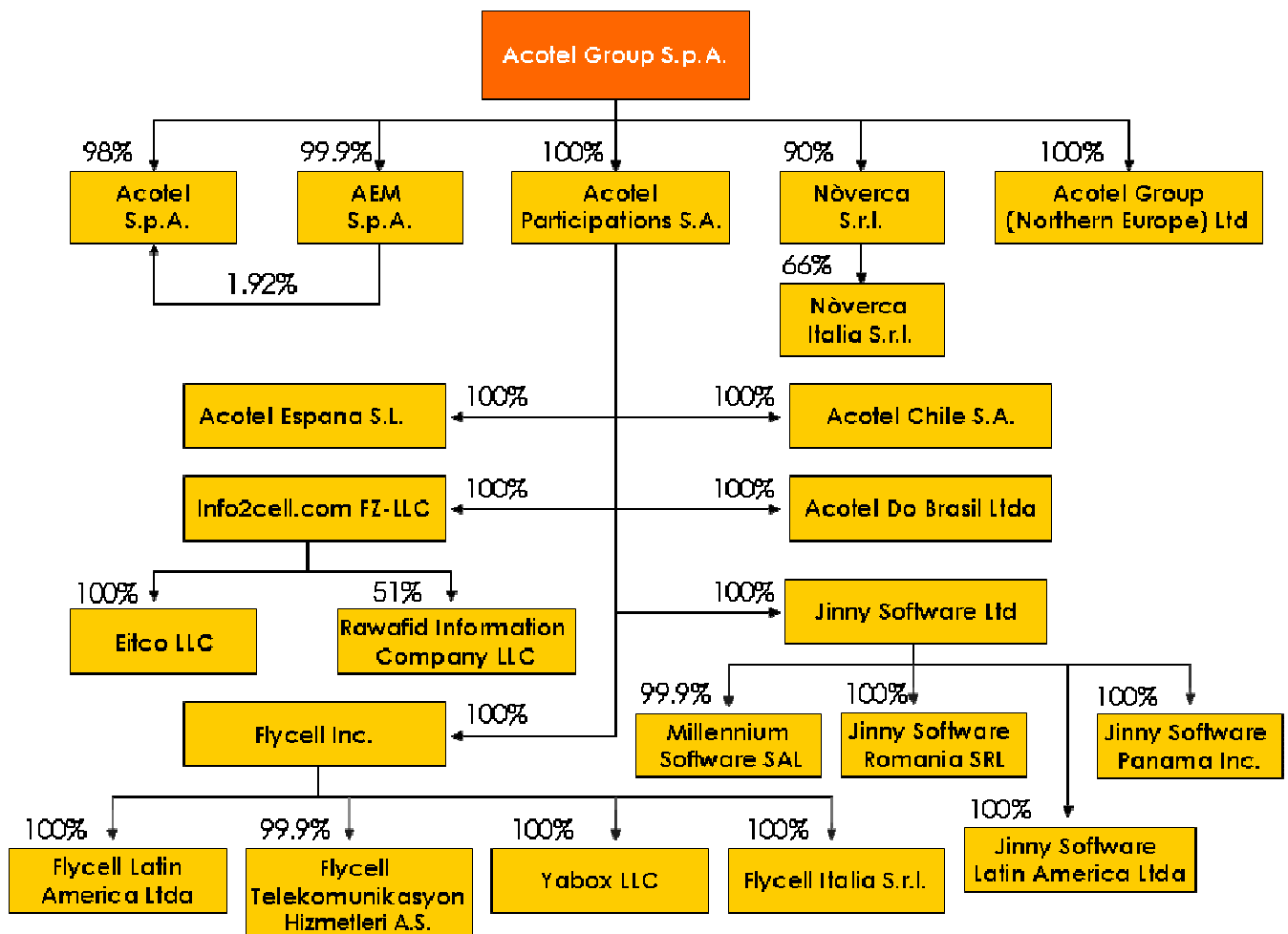
The Board of Directors' meeting of 7 May 2009 elected Claudio Carnevale as the Company's Chief Executive Officer, assigning him all the powers necessary for effective and timely management of the Company.

The Board meeting of 7 May 2009 also elected Francesco Ago, Raffaele Cappiello, Giovanni Galoppi and Prof. Giuseppe Guizzi as members of the Remuneration Committee and the Internal Audit Committee. Francesco Ago is Chairman of both committees.

The Board of Directors also elected Francesco Ago as the Company's Lead Independent Director.

### THE GROUP

The following chart shows the structure of the Acotel Group at 31 March 2009:



The parent company of Acotel Group S.p.A. is Clama S.r.l., which at 31 March 2009 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 31 March 2009 have 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 2008, 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 2009 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. Above all, turnover generated by *Flycell Inc.* and its subsidiaries, in addition to certain related cost items, include preliminary figures and estimates that have yet to be confirmed.

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 2009 and carried forward to the following accounting period.

Certain evaluation 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 evaluation of any loss.

In addition, this quarterly report is unaudited.

### CONSOLIDATION PRINCIPLES

The consolidated quarterly financial statements include the financial statements of *Acotel Group SpA* and those of its subsidiaries and joint ventures.

The net profit or loss of subsidiaries and joint ventures acquired or sold during the period is included in the consolidated income statement from the effective acquisition date or until the effective disposal date.

Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures in order to bring their accounting policies into line with those adopted by the Group.

The financial statements of Group companies are prepared in the functional currency of each company. For the purposes of the consolidated financial statements, the financial statements of each company are translated into the Group's functional and presentation currency: the euro.

The assets and liabilities of overseas subsidiaries are translated into euros at closing exchange rates. Revenues and costs are translated at average rates for the period. Any translation differences are recognised in shareholders' equity in the "currency translation reserve". This reserve is recognised in the income statement as a gain or a loss in the period in which the related subsidiary is sold.

#### Line-by-line consolidation

Subsidiaries are defined as entities over which the Group has the power to govern the financial and operating policies.

The assets and liabilities and the revenues and expenses of consolidated companies are recorded on a line-by-line basis. The carrying amount of investments is eliminated against the corresponding share of the investee companies' shareholders' equity and the individual assets and liabilities are recognised at fair value at the date control was obtained. Any positive difference is recognised in non-current assets as "Goodwill", while negative differences are recognised in the income statement.

Intercompany receivables and payables, including dividends distributed within the Group, are eliminated. Profits, losses, revenues and expenses arising from intercompany transactions, and that have yet to be realised on transactions with third parties, are eliminated.

Minority interests in shareholders' equity and in net profit for the period is shown in the specific items in the consolidated balance sheet and income statement.

#### Proportionate consolidation

A joint venture is a contractual arrangement in which a party undertakes an economic activity with other participants, thereby subjecting it to joint control.

Joint venture agreements that entail the establishment of a separate entity in which each participant has a share in the investment are called jointly controlled entities.

Joint ventures are defined as entities in which, on a contractual basis, several participants share control of an economic activity, and therefore decisions regarding financial and operating policies require the unanimous consent of the parties sharing control.

The Acotel Group reports jointly controlled entities using the proportionate method of consolidation, by which the Group's share of the assets and liabilities and the revenues and expenses of jointly controlled entities are recorded on a line-by-line basis in the consolidated financial statements.

In transactions carried out between a Group company and a jointly controlled entity, unrealised gains and losses are eliminated in proportion to the Group's interest in the jointly controlled entity, except for when unrealised losses are evidence of a reduction in value of the asset transferred.

## 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 quarter of 2009, compared with 31 December 2008.

### Companies consolidated on a line-by-line basis

Company	Date of acquisition	Group's interest (%)	Registered office	Share capital	
				Currency	Amount
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 S.A.	28 April 2000	100%	Luxembourg	EURO	1,200,000
Acotel Chile S.A.	28 April 2000	100% (4)	Santiago, Chile	USD	17,330
Acotel Espana S.L.	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 A.S.	2 July 2005 (1)	99.9% (7)	Istanbul	TRY	50,000
Flycell Latin America Conteúdo Para Telefonía 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	250,000
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	10,000

- (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.

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

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

- (1) Prior to such date the Group held 50% of the company's share capital, posted to investments in associates. As of 9 May 2008, following the acquisition of an interest by Intesa SanPaolo S.p.A., 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) Held via Nòverca S.r.l.

SIGNIFICANT EVENTS DURING THE PERIOD

The most important event to take place in the first quarter of 2009 was the commercial launch of the Mobile Virtual Network Operator, *Nòverca*, which was established by the Acotel Group in partnership with the major banking group, Intesa Sanpaolo. The bank, in addition to holding equity interests in *Nòverca Italia S.r.l.*, *Nòverca S.r.l.* and *Acotel Group S.p.A.*, will also act as one of the principal distribution channels for SIM cards.

In accordance with a precise strategy adopted by *Nòverca Italia S.r.l.*, the commercial launch is taking place gradually, in terms of both the distribution of SIM cards and customer acquisitions. This approach aims to enable the company to monitor and fine tune all the various business processes, including technology-related issues and customer care. The creation of *Nòverca* is based on a proprietary technology platform, which has been developed entirely in-house by the Group and had never before been tried out in a real operating environment. In accordance with this strategy, the distribution of SIM cards was launched at only a few hundred of the over 6,000 branches operated by the banking group.

The commercial launch of *Nòverca* marks the Acotel Group's entry into the mobile telecommunications business, meaning that, from the second quarter of 2009, the Group will operate in four areas of business and no longer three, as before.

In the Services business segment, *Flycell Inc.* has started distribution of its consumer services in Mexico, a country that represents the sixth geographical market to be entered by the company. Thanks to this further expansion of its overseas footprint, the company has confirmed its intention of pursuing a geographical expansion strategy aimed at both creating synergies between the various markets and exploiting economies of scale at the level of its technology platform and headquarters organisation.

The Services segment also witnessed *Info2cell's* launch of an SMS service distributing information on the UEFA Champions League, a European sporting event with a large following throughout the Persian Gulf and above all in Saudi Arabia.

In February the Mobile Messaging Solutions business, headed by *Jinny Software Ltd.*, successfully met the strict technical requirements imposed by *Zain Tanzania* regarding the supply of a Service Delivery Platform consisting of various integrated products such as an SMSC, a Message Router, VoiceSMS, Voicemail, a Ringback Tone Server and a Charging Gateway. The importance of this technical

certification lies in the fact that it has further enhanced Jinny Software's reputation, given that *Zain Tanzania* is one of the most important operators in Africa and a member of the *Zain group*, which is present in 22 countries with over 56 million subscribers.

## RESULTS OF OPERATIONS

### RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(€000)	Note	Q1 2009	Q1 2008	Inc./Dec.	% inc./dec.
Revenues	1	22,484	17,990	4,494	25%
Other income		64	11	53	482%
<b>Total</b>		<b>22,548</b>	<b>18,001</b>	<b>4,547</b>	<b>25%</b>
Movements in work in progress, semi-finished and finished goods		5	(2)	7	350%
Raw materials	2	(234)	(204)	(30)	(15%)
External services	3	(17,995)	(14,539)	(3,456)	(24%)
Rentals and leases	4	(437)	(380)	(57)	(15%)
Staff costs	5	(5,031)	(4,098)	(933)	(23%)
Internal capitalised costs	6	402	186	216	116%
Other costs	7	(294)	(370)	76	21%
<b>Gross operating profit/(loss)</b>		<b>(1,036)</b>	<b>(1,406)</b>	<b>370</b>	<b>26%</b>
Amortisation and depreciation	8	(365)	(343)	(22)	(6%)
Impairment charges/reversal of impairment charges on non-current assets		(1)	(1)	-	-
<b>Operating profit/(loss)</b>		<b>(1,402)</b>	<b>(1,750)</b>	<b>348</b>	<b>20%</b>
Net finance income/(costs)	9	392	(24)	416	1,733%
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(1,010)</b>	<b>(1,774)</b>	<b>764</b>	<b>43%</b>
Taxation	10	(330)	(932)	602	65%
<b>NET PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>		<b>(1,340)</b>	<b>(2,706)</b>	<b>1,366</b>	<b>50%</b>
Net profit/(loss) attributable to minority interests		86	60	26	43%
<b>NET PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY</b>		<b>(1,426)</b>	<b>(2,766)</b>	<b>1,340</b>	<b>48%</b>
Earnings per share	11	(0.35)	(0.71)		
Diluted earnings per share	11	(0.35)	(0.71)		

Compared with the results for the same period of the previous year, the Acotel Group's results for the first quarter of 2009 show improvements in both revenue and earnings.

Revenue of 22,484 thousand euros for the quarter is up 25% on the first quarter of 2008, reflecting the positive commercial performances achieved primarily by *Flycell Inc.* and its direct subsidiaries, and by *Info2cell* and *Jinny Software*.

The Group reports a gross operating loss of 1,036 thousand euros for the quarter, marking an improvement of 26% on the figure for the same period of 2008. This margin reflects the slowdown witnessed by the subsidiaries, *Acotel S.p.A.* and *Acotel do Brasil*, essentially as a result of the economic downturn that has hit the countries in which the two companies operate. The improvement compared with the previous year is almost entirely due to the stronger performance registered by *Flycell Inc.* and its direct subsidiaries.

After amortisation and depreciation, amounting to 365 thousand euros, and the impairment of non-current assets, totalling 1 thousand euros, the operating loss is 1,402 thousand euros, representing a 20% improvement on the same period of last year.

After net finance income of 392 thousand euros, estimated taxation for the period of 330 thousand euros, and profit attributable to minority interests of 86 thousand euros, the net loss attributable to the Parent Company for the first quarter of 2009 amounts to 1,426 thousand euros, marking an improvement of 48% on the same period of 2008.

## Note 1 - Revenue

Revenue in the first quarter of 2009 amounts to 22,484 thousand euros, representing an increase on the 17,990 thousand euros of the same period of the previous year.

As shown in the table below, in addition to the Services segment (up 23.5%), Mobile messaging solutions (up 67%) and the Design of security systems (up 8%) also registered growth.

(€000)	Q1 2009	%	Q1 2008	%
SERVICES	20,721	92.1%	16,775	93.3%
MOBILE MESSAGING SOLUTIONS	1,272	5.7%	760	4.2%
SECURITY SYSTEMS DESIGN	491	2.2%	455	2.5%
	<b>22,484</b>	<b>100%</b>	<b>17,990</b>	<b>100%</b>

## 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 services and content to mobile phone users.

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

(€000)	Q1 2009	Q1 2008	Inc./Dec.)
B2C services	16,048	10,466	5,582
Network Operator services	3,152	5,245	(2,093)
Corporate services	1,444	785	659
Media services	77	279	(202)
<b>Total</b>	<b>20,721</b>	<b>16,775</b>	<b>3,946</b>

At 16,048 thousand euros B2C service revenues for the first quarter of 2009 are up 53% on the same period of the previous year, representing approximately 77.5% of total service revenues. These revenues are generated almost exclusively by the US subsidiary, *Flycell Inc.* and its direct subsidiaries, *Flycell Latin America*, *Flycell Telekomünikasyon Hizmetleri A.Ş* and *Flycell Italia S.r.l.*. The geographical expansion embarked on by *Flycell* in the last few years continues. During the first quarter of 2009 *Flycell* launched its commercial offering in Mexico, generating turnover of 2,367 thousand euros in the period under review. The new source of revenue adds to existing markets in North America (7,237 thousand euros), Brazil (2,532 thousand euros), Spain (1,770 thousand euros), Italy (1,227 thousand euros) and Turkey (893 thousand euros).

Revenues from the provision of Network Operator services, amounting to 3,152 thousand euros, are down 40% on the first quarter of 2008. They include revenues from services rendered by the subsidiary, *Acotel S.p.A.* to *Telecom Italia*, totalling 1,904 thousand euros, revenues from services rendered by the Brazilian subsidiary, *Acotel do Brasil*, to the Brazilian operators, *TIM Celular* and *TIM Nordeste Telecomunicações*, amounting to 665 thousand euros, and revenues generated by activities carried out by *Info2cell* for the main mobile telephony operators in the Middle East, totalling 571 thousand euros. The reduction compared with the same period of the previous year is principally due to lower turnover reported by the Italian and Brazilian subsidiaries.

Revenues from Corporate services amount to 1,444 thousand euros, and relate primarily to services provided in the Middle East by *Info2cell*, which generated revenues of 1,111 thousand euros, and in Italy by *Acotel S.p.A.*, primarily to banks, totalling 332 thousand euros. The 84% increase compared with the first quarter of 2008 reflects increased turnover at the Middle Eastern subsidiary.

Revenues from services provided to media companies, amounting to 77 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 1,272 thousand euros in the first quarter of 2009, are ahead of the figure for the same period of 2008 (760 thousand euros). 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.

## SECURITY SYSTEMS DESIGN

Revenues from the design and production of electronic security systems amount to 491 thousand euros for the first quarter and are entirely generated by the subsidiary, *AEM S.p.A.*. These revenues, which are up 8% on the figure for the first quarter of 2008, 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)	<u>Q1 2009</u>		<u>Q1 2008</u>	
		%		%
NORTH AMERICA	7,291	32.4%	7,279	40.5%
LATIN AMERICA	5,784	25.7%	3,990	22.2%
ITALY	4,016	17.8%	4,091	22.6%
COUNTRIES	2,722	12.1%	768	4.3%
MIDDLE EAST	2,026	9.0%	1,398	7.8%
AFRICA	518	2.3%	358	2.0%
ASIA	127	0.7%	106	0.6%
<b>TOTAL</b>	<b>22,484</b>	<b>100%</b>	<b>17,990</b>	<b>100%</b>

The geographical revenue breakdown for the first quarter of 2009 reveals:

- stable turnover in North America, generated almost entirely by the subsidiary, *Flycell Inc.*;
- revenue growth in Latin America and Europe, thanks above all to B2C services provided by *Flycell Inc.* and its direct operating subsidiaries, *Flycell Latin America* and *Flycell Telekomünikasyon Hizmetleri A.Ş.*;
- revenue growth generated in the Middle East, thanks to the commercial activities of the subsidiary, *Info2cell*.

## **Note 2 – Raw materials**

The cost of raw materials during the quarter, amounting to 234 thousand euros, refers principally to the purchase of materials for the construction of telecommunications and security systems by *Jinny Software* (150 thousand euros).

### Note 3 – External services

The cost of external services totals 17,995 thousand euros for the quarter, representing an increase of 24% on the first quarter of 2008. A breakdown of the service costs is shown below:

(€000)	Q1 2009	Q1 2008	Inc./ (Dec.)
Interconnection and billing services	7,574	4,581	2,993
Advertising	5,707	6,076	(369)
Content providers	1,873	1,566	307
Professional consultants	722	422	300
Travel expenses	496	383	113
Purchase of SMS packages	379	344	35
Connectivity and sundry utilities	369	315	54
Remuneration of governance bodies	173	162	11
Outsourcing	131	86	45
Other minor expenses	571	604	(33)
<b>Total</b>	<b>17,995</b>	<b>14,539</b>	<b>3,456</b>

The most significant components of this item reflect the operating methods adopted by *Flycell Inc.* and its direct subsidiaries, *Flycell Latin America*, *Flycell Telekomünikasyon Hizmetleri A.Ş* and *Flycell Italia S.r.l.*, to develop business in their principal markets. This entails significant costs (7,574 thousand euros) charged by telephone operators and mobile transaction network providers for interconnection and billing services and substantial promotional costs (5,410 thousand euros out of a Group total of 5,707 thousand euros) in order to raise market awareness of the companies' services and increase their customer base.

The other most significant costs regard the cost of acquiring content from external content providers, amounting to 1,873 thousand euros, the fees paid to marketing, administrative, legal, tax and technical consultants by Group companies (722 thousand euros), travel expenses (496 thousand euros), the cost of purchasing SMS packages from mobile operators (379 thousand euros), and the cost of connecting to terrestrial and satellite transmission networks, together with other utilities (369 thousand euros). Other cost items, in order of importance, regard the fees paid to governance bodies, totalling 173 thousand euros, and the cost of outsourcing, amounting to 131 thousand euros.

### Note 4 – Rentals and leases

Rentals and leases amount to 437 thousand euros and mainly include rentals on offices occupied by Group companies.

## Note 5 – Staff costs

Staff costs include:

(€000)	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Inc./(Dec.)</u>
Salaries and wages	3,937	3,217	720
Social security contributions	636	556	80
Staff termination benefits	66	54	12
Finance costs	(15)	(12)	(3)
Other costs	407	283	124
<b>Total</b>	<b><u>5,031</u></b>	<b><u>4,098</u></b>	<b><u>933</u></b>

The increase in staff costs is due principally to the additional staff recruited by *Nòverca S.r.l.*, *Nòverca Italia S.r.l.* and overseas 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 number of staff by category at 31 March 2009 and a comparison of the average numbers for the first quarters of 2009 and 2008 are reported in the following table:

	At 31 March 2009	Average Q1 2009	Average Q1 2008
Managers	29	29	19
Supervisors	59	59	28
White- and blue-collar staff	345	344	315
<b>Total</b>	<b>433</b>	<b>432</b>	<b>362</b>

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

	At 31 March 2009	At 31 March 2008
Italy	106	99
Lebanon	80	69
Jordan	66	60
USA	63	61
Ireland	34	28
Brazil	34	21
United Arab Emirates	18	21
Romania	12	3
Malaysia	7	4
Turkey	4	3
Spain	3	-
Kenya	3	-
South Africa	2	-
Panama	1	-
<b>Total</b>	<b>433</b>	<b>369</b>

#### Note 6 - Internal capitalised costs

Internal capitalised costs, totalling 402 thousand euros, include 294 thousand euros relating to staff employed in the development of software and new applications that will interact with the “*Nòverca*” platform. The platform has been used by the Acotel Group to supply integrated IP communications solutions (data, audio, video) under this brand name since mid-2007 and, from the end of the first quarter of 2009, has been used to supply added value services as a Mobile Virtual Network Operator. The remaining amount regards the cost of staff employed by *Acotel Group S.p.A.* on development of the new *Acotel* platform in 2009.

#### Note 7 – Other costs

Other costs amount to 294 thousand euros in the first quarter of 2009, including 180 thousand euros for indirect taxes due from *Acotel do Brasil* and *Flycell 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)	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Inc./(Dec.)</u>
Amortisation of non-current intangible assets	77	62	15
Depreciation of property, plant and equipment	288	281	7
<b>Total</b>	<b><u>365</u></b>	<b><u>343</u></b>	<b><u>22</u></b>

Amortisation of non-current intangible assets mainly refers to amortisation of the software and licences utilised by various Group companies.

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

### Note 9 - Finance income and costs

Net finance income of 392 thousand euros for the first quarter of 2009 breaks down as follows:

(€000)	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Inc./(Dec.)</u>
Interest income from investments	217	201	16
Interest income on bank deposits	56	21	35
Foreign exchange gains	225	43	182
Other interest income	1	34	(33)
<b>Total finance income</b>	<b><u>499</u></b>	<b><u>299</u></b>	<b><u>200</u></b>
Interest expense and bank charges	(60)	(47)	(13)
Foreign exchange losses	(23)	(264)	241
Other interest expense	(24)	(12)	(12)
<b>Total finance costs</b>	<b><u>(107)</u></b>	<b><u>(323)</u></b>	<b><u>216</u></b>
<b>Net finance income/(costs)</b>	<b><u>392</u></b>	<b><u>(24)</u></b>	<b><u>416</u></b>

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 originally disbursed in dollars.

### Note 10 - Taxation

Taxation for the period, amounting to 330 thousand euros, reflects estimated income taxes and deferred tax assets and liabilities recognised by Group companies.

## Note 11 – Earnings per share

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

(€000)	Q1 2009	Q1 2008
<b>Net profit/(loss) (€000)</b>	(1,426)	(2,766)
<b>Number of shares (000)</b>		
Shares in circulation at the start of the period*	4,114 *	3,916 *
Weighted average of treasury shares acquired/sold in the period	-	-
Weighted average of ordinary shares in circulation	<b>4,114</b>	<b>3,916</b>
<b>Basic and diluted earnings per share **</b>	<b>(0.35)</b>	<b>(0.71)</b>

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

\*\* : basic earnings for the first quarters of 2009 and 2008 coincide with diluted earnings per share as the conditions provided for by IAS 33 do not exist.

## FINANCIAL POSITION AND CASH FLOW

### RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€000)	31 Mar 2009	31 Dec 2008	Inc./Dec.)	% inc./dec.)
<b>Non-current assets:</b>				
Property, plant and equipment	4,516	4,084	432	11%
Intangible assets	13,762	12,379	1,383	11%
Other assets	606	481	125	26%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>18,884</b>	<b>16,944</b>	<b>1,940</b>	<b>11%</b>
<b>Net current assets:</b>				
Inventories	393	396	(3)	(1%)
Trade receivables	22,313	22,220	93	-
Other current assets	3,163	2,340	823	35%
Trade payables	(14,623)	(9,404)	(5,219)	(55%)
Other current liabilities	(4,231)	(4,319)	88	2%
<b>TOTAL NET CURRENT ASSETS</b>	<b>7,015</b>	<b>11,233</b>	<b>(4,218)</b>	<b>(38%)</b>
<b>STAFF TERMINATION AND AND OTHER EMPLOYEE BENEFITS</b>	<b>(1,198)</b>	<b>(1,146)</b>	<b>(52)</b>	<b>(5%)</b>
<b>NON-CURRENT PROVISIONS</b>	<b>(333)</b>	<b>(294)</b>	<b>(39)</b>	<b>(13%)</b>
<b>NET INVESTED CAPITAL</b>	<b>24,368</b>	<b>26,737</b>	<b>(2,369)</b>	<b>(9%)</b>
<b>Shareholders' equity:</b>				
Share capital	1,084	1,084	-	-
Reserves and retained earnings/(accumulated losses)	64,305	57,522	6,783	12%
Net profit/(loss) for the period	(1,426)	6,564	(7,990)	(122%)
Minority interests	116	30	86	287%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>64,079</b>	<b>65,200</b>	<b>(1,121)</b>	<b>(2%)</b>
<b>MEDIUM-/LONG TERM DEBT</b>	<b>101</b>	<b>101</b>	<b>-</b>	<b>-</b>
<b>Net cash and cash equivalents:</b>				
Current financial assets	(21,029)	(18,764)	(2,265)	(12%)
Cash and cash equivalents	(22,568)	(23,439)	871	4%
Current financial liabilities	3,785	3,639	146	4%
	<b>(39,812)</b>	<b>(38,564)</b>	<b>(1,248)</b>	<b>(3%)</b>
<b>NET FUNDS</b>	<b>(39,711)</b>	<b>(38,463)</b>	<b>(1,248)</b>	<b>(3%)</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND NET FUNDS</b>	<b>24,368</b>	<b>26,737</b>	<b>(2,369)</b>	<b>(9%)</b>

The Acotel Group's net invested capital at 31 March 2009 amounts to 24,368 thousand euros, made up of non-current assets of 18,884 thousand euros, net current assets of 7,015 thousand euros, staff termination benefits of 1,198 thousand euros and other non-current provisions of 333 thousand euros.

Net invested capital is financed by shareholders' equity of 64,079 thousand euros and net funds of 39,711 thousand euros.

A detailed analysis of changes in the principal balance sheet items shows that:

- non-current assets have increased compared to the end of the previous year, primarily reflecting investments linked to the launch of the Group's Mobile Virtual Network Operator business at the end of March;
- movements in net working capital relate to the success of efforts aimed at achieving a better match between amounts collected from customers and payments to suppliers;
- net funds at 31 March 2009, the composition of which is provided in the following table, amount to 39,711 thousand euros, marking an increase of 1,248 thousand euros on 31 December 2008.

## NET FUNDS

(€000)

	31 Mar 2009	31 Dec 2008
A. Cash and cash equivalents	22,568	23,439
B. Assets held for trading	16,424	16,147
<b>C. Liquidity (A + B)</b>	<b>38,992</b>	<b>39,586</b>
<b>D. Other current financial assets</b>	<b>4,605</b>	<b>2,617</b>
E. Current bank borrowings	(3,753)	(3,607)
F. Current portion of non-current debt	(32)	(32)
<b>G. Current financial liabilities (E + F)</b>	<b>(3,785)</b>	<b>(3,639)</b>
<b>H. Net current funds (C+D+G)</b>	<b>39,812</b>	<b>38,564</b>
I. Non-current financial liabilities	(101)	(101)
<b>L. Non-current debt (I)</b>	<b>(101)</b>	<b>(101)</b>
<b>M. Net funds (H + L)</b>	<b>39,711</b>	<b>38,463</b>

## OTHER INFORMATION

The tax audit of Acotel Group S.p.A. referred to in the Annual Report for 2008 came to an end on 13 May 2009. As a result, the tax authorities have notified the Company of irregularities in the tax treatment of certain balance sheet items and the failure to apply regulations governing income produced by a number of foreign subsidiaries.

Acotel Group S.p.A. believes that the findings are without grounds and, in addition to making representations to the tax authorities with notes explaining its approach to taxation, is considering the best way to proceed in order to have the validity of its position recognised.

**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 Finance Act, that this consolidated quarterly report is consistent with the underlying accounting records.