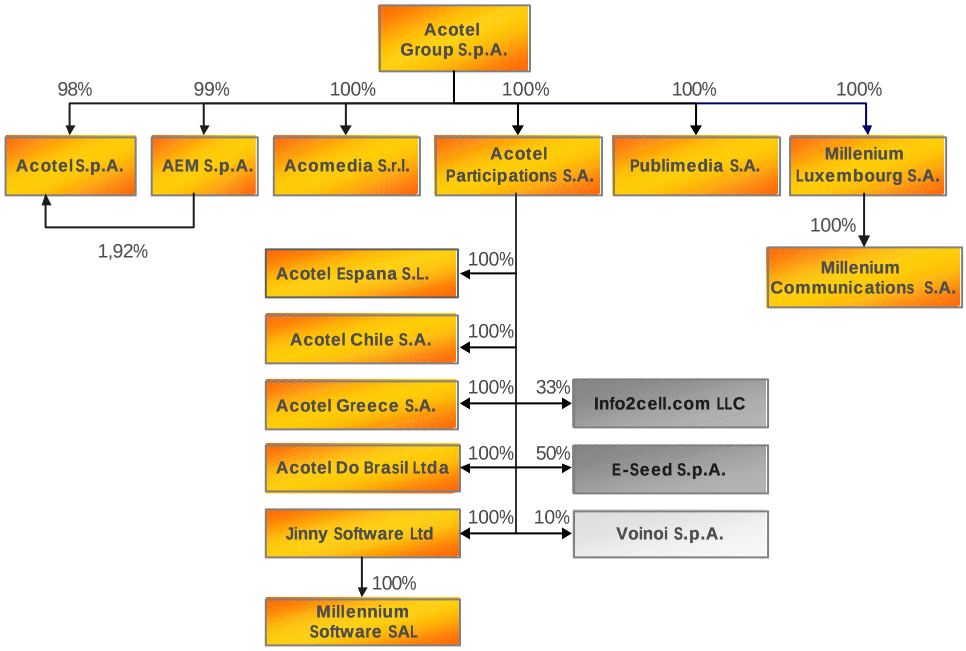
REPORT ON GROUP OPERATIONS
FOR THE FIRST SIX MONTHS OF 2002

THE ACOTEL GROUP



The Acotel Group works as an Application Service Provider in the Information and Communication Technology (ICT) sector and is engaged in Italy and overseas in the provision in real time of customized information services (e.g. news bulletins, sports and financial information, weather forecast, horoscopes, arts and entertainment, transport) via all the computerized communications media. The Acotel Group offers information services by means of a multimedia technological platform, developed inside the Group, contributing to the process of convergence between the different means of communication: Internet, fixed and mobile telephony, and satellite television.

During 2001 the Group expanded its range of products and services. In addition to multimedia information services, we now supply high-technology platforms capable of meeting demand from telecommunications operators, public utilities, financial institutions and other businesses in general.

Acotel Group S.p.A. is the leader of a Group of companies operating in the ICT sector, based on a single business project.
The main companies in the Acotel Group, in addition to Acotel Group S.p.A., which basically performs managerial functions and manages the Acotel Platform, through which it operates directly on the market as an Application Service Provider, are:

- *Acotel S.p.A.*, which markets the multimedia services for Italy;
- *Acomedia S.r.l.*, which acts as Content Provider, managing the processing of editorial content for the information services;
- *A.E.M. S.p.A.*, which deals with the design and production of security systems;
- *Millenium Communication S.A.*, which works in the field of land and satellite telecommunications;
- *Publimedia S.A.*, which collects advertising;
- *Acotel Participations S.A.*, which acts as a sub-holding and controls the foreign companies Acotel Do Brasil Ltda, Acotel Chile S.A., Acotel Espana S.L. and Acotel Greece S.A., which operate in their respective countries.
- *Jinny Software*, acquired in 2001, deals with the design, production and development of high-technology ITC equipment.

OPERATING PERFORMANCE

The most significant events during the first half of 2002 were the extension of the contract with *Telecom Italia Mobile* and completion of the platform commissioned by *Voinoi S.p.A.* (*Acea Group*).

In May, the existing contract the Acotel Group has with *Telecom Italia Mobile* was extended by a year until December 31, 2004.
As well as confirming the contractual provisions relating to the supply by Acotel of Information Services via SMS, WAP and Voice channels, the new agreement extends the scope of collaboration to include the supply of M-Services (Multimedia Services). These new services enable the owners of mobile phones equipped with the new standard to receive content with pictures, text and sound, in color and optimized for their particular handset.
The agreement also provides for development of new applications and the supply of services for *TIM*'s new voice portal, *i-TIM Voice*, which can be accessed by dialing 4444 from any *TIM* mobile phone.
The decision to extend the date of the contract well in advance and to expand the scope of collaboration demonstrates the mutual willingness of TIM and Acotel to strengthen their ties and build on the excellent results achieved in developing value added services on all the standards made available by the latest technologies. In this positive climate, MMS (Multimedia Messaging Services) have been sold over the TIM network from July 1, 2002, as fully explained in the section on subsequent events.

In June, the subsidiary, *Jinny Software Ltd.*, completed construction of a platform specifically designed to meet the requirements of *Voinoi S.p.A.* This company was set up by *Acea S.p.A*, the capital's multiutility group, to interface with its Rome customers and cater to their many needs.

Group activities during the first half of the year also included the launch of the Irish portal *www.acoweb.ie* and a re-branding campaign carried out on behalf of *Vodafone* in Ireland.
In January, *Jinny Software Ltd.* inaugurated the *www.acoweb.ie* portal which provides multimedia messaging services to corporate and private customers in the Irish market. By using the portal, customers can choose the services they are interested in and access them via SMS, WAP or in voice format.
The portal is already offering its private customers value added information services (including lottery results, sports news, mobile banking services, ticket purchasing and financial news) and the opportunity to download icons and ringtones for mobile phones. It will also be among the first Irish portals to offer *Premium SMS*, which enables reception of services and content charged to the operator's bill. These services will soon be made available to companies, for whom personalized applications will be provided.

Given its well-established relationship with Ireland's number one mobile phone operator, and with the www.acoweb.ie portal up and running, *Jinny* was granted responsibility for managing the publicity campaign, conducted via the SMS channel, regarding the change of name from *Eircell* to *Vodafone*. The www.acoweb.ie website registered over 450,000 hits during the first six months of the year, which enabled the Irish operator's customers to download the new brand's logo onto their mobile phones via an SMS, and also to access the other new services enabling the purchase of pictures and ringtones that *Vodafone* has recently launched through various distribution channels.
The quality of service supplied was much appreciated by *Vodafone* and undoubtedly represents an excellent basis for lasting collaboration. *Vodafone's* considerable marketing requirements in

Ireland, where it has a 58% market share and more than 1.7 million customers, should also be taken into account.

FINANCIAL REVIEW

RESULTS OF OPERATIONS

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(thousands of euros)	Jan. 1 - Jun. 30 2002		Jan. 1 - Jun. 30 2001		change	% change
Total revenues	8,459		8,059		400	4.96%
Materials and service costs	2,960		4,131		(1,171)	-28.35%
Gross margin	**5,499**		**3,928**		**1,571**	**39.99%**
Labor costs	2,844		1,889		955	50.56%
EBITDA	**2,655**		**2,039**		**616**	**30.21%**
	31.39%		*25.30%*			
Depreciation	424		293		131	44.71%
Amortization	836		1,726		(890)	-51.56%
EBIT	**1,395**		**20**		**1,375**	**6,875.00%**
	16.49%		*0.25%*			
Net financial income (expense)	642		701		(59)	-8.42%
Income (loss) from ordinary activities	**2,037**		**721**		**1,316**	**182.52%**
	24.08%		*8.95%*			
Adjustments to financial assets	(1,030)		(365)		(665)	-
Extraordinary income (loss), net	59		167		(108)	-64.67%
Net income (loss) for the period	**1,066**	**(*)**	**523**	**(*)**	**543**	**103.82%**
	12.60%		*6.49%*			
Minority interest in net income (loss)	(2)		(1)		(1)	100.00%
Group net income (loss)	**1,068**	**(*)**	**524**	**(*)**	**544**	**103.82%**
	12.63%		*6.50%*			

(*) results for the period are pre-tax

Total revenues for the first six months of 2002 amounted to 8,459 thousand euros with net income of 1,068 thousand euros, which is double the figure for the first half of 2001.

Revenues from sales and services totaled 8,209 thousand euros, up 9.5% with respect to the same period in the previous year. The growth in EBITDA and EBIT, which stood at 2,655 thousand euros and 1,395 thousand euros respectively, was even more significant.

The EBITDA margin also improved considerably to 31.4%, compared with the 25.3% registered for the six months ended June 30, 2001. The EBIT margin 16.5% was also up on the 0.25% of the same period of 2001).

Revenues from sales and services for the six months to June 30, 2002 break down by business segment as follows:

(thousands of euros)	Jan. 1 - Jun. 30 2002	%	Jan. 1 - Jun. 30 2001	%
SERVICES TO NETWORK OPERATORS	5,224	63.6%	3,894	52.0%
SERVICES TO CORPORATE CUSTOME	397	4.9%	435	5.8%
SOFTWARE DEVELOPMENT	357	4.3%	-	-
DESIGN OF DATA COMMUNICATIONS EQUIPMENT	1,863	22.7%	2,739	36.5%
DESIGN OF ELECTRONIC SECURITY EQUIPMENT	366	4.5%	430	5.7%
OTHER	2	0.0%	1	0.0%
	8,209	**100%**	**7,499**	**100%**

Value added services (VAS) provided to Network Operators generated revenues of 5,224 thousand euros, up 34% over the same period in 2001, and representing 63% of the total.

The increase in turnover registered by this business segment is due to the redefinition of some operational aspects of the existing commercial partnership with *Telecom Italia Mobile*, Italy's leading mobile phone operator. During the first half of the year new types of service, such as Enhanced Messaging Services (EMS) and Multimedia Messaging Services (MMS) – the latter only in the experimental phase - became operational. Such services, which represent a development from SMS, enable users with suitably equipped mobile phones to exchange pictures, icons and tunes that have been adapted for mobile phones, in addition to the usual text messages.
The strengthening of commercial ties with *TIM*, confirmed by the extension of the existing contract until December 31, 2004, is based on the key pillars of quality, ongoing expansion of content and the types of information provided, and steady growth in customer demand for these services.

The strategic value of the commercial partnership with Italy's number one mobile phone operator is backed up by the figures for the volume of services provided. During the first half of 2002, the number of messages supplied by the *Scriptim* service almost doubled, rising to 140 million compared to 67 million for the six months to June 30, 2001, while demand for WAP services (*Waptim*) amounted to 10 million viewed pages, against 9 million in the same period of the previous year.

Revenues earned by *Jinny Software* from *Eircell-Vodafone Ireland* for the company's contribution to the publicity campaign for the new *Vodafone* brand also fall within the category of value added services.
Such revenues, totaling 97 thousand euros, while not particularly significant in terms of amount, are extremely important from the commercial point of view as this customer, as well as being the leading mobile telephone operator in Ireland (with a 58% market share), is also part of one of the most important European groups, to which the Acotel Group can offer its expertise not only as a service provider but also as a supplier of multimedia equipment.
Revenues from the provision of services to corporate customers, consisting of value added information services supplied to companies that request mobile telephony services to offer to their own customers as a further means of access and extension of their commercial services, totaled 397

thousand euros, which was substantially in line with respect to the first half of 2001, both in terms of value and as a percentage of the total.

Revenues from the design and implementation of ICT equipment, totaling 1,863 thousand euros, relate entirely to the Irish subsidiary, *Jinny Software*. This segment's customers are mobile telephone operators and companies that opt to develop value added multimedia services autonomously and then provide them directly to their own customers. The Group supplies them with high-tech ITC equipment and is able to offer multiple personalized versions based on the requirements of the client company.
The most significant element of turnover for the first half of the year, totaling 1,454 million euros, derives from completion of the multimedia platform commissioned by *Voinoi S.p.A.* (*Acea Group*), while the remainder regards design and upgrading of ITC equipment, and relative maintenance, supplied to mobile telephone operators in the Middle East (*Fastlink*, *Batelco*, and *Watanya*), as well as to *Vodafone Ireland* (formerly *Eircell*).

Revenues from the design and production of electronic security equipment relates mainly to the activities of design, construction and installation of peripheral security stations and of the supply, installation and maintenance of hardware and software for remote surveillance. This activity, carried out via the subsidiary, AEM S.p.A., primarily covers technical assistance and maintenance services regarding remote surveillance systems installed at police headquarters in Italy. This segment generated revenues of 366 thousand euros during the first half of 2002, slightly down on the same period of 2001.

Revenues from software development derive from the current contract with *Voinoi S.p.A.*.

The geographical distribution of revenues from sales and services is as follows:

(migliaia di euro)	**1 gen -30 giu 2002**	**%**	**1 gen -30 giu 2001**	**%**
ITALIA	7.697	93,7%	4.715	62,9%
EUROPA	97	1,2%	286	3,8%
MEDIO-ORIENTE	410	5,0%	1.851	24,7%
AMERICA LATINA	5	0,1%	647	8,6%
	8.209	**100%**	**7.499**	**100%**

Operating costs fell to 5,804 thousand euros, compared with 6,020 thousand euros in the first half of 2001.
However, the most significant change regards their composition. Materials and service costs decreased sharply to 2,960 thousand euros, compared with the 4,131 thousand euros registered in the same period of 2001, while labor costs rose to 1,889 from 2,844 thousand euros, due to new companies joining the Group (in the previous six-month period the subsidiary, *Jinny Software*, impacted on costs for only one quarter as it was acquired in April 2001), and also as a result of recruitment by other Group companies.
The revised cost structure reflects Acotel's strategic decision to carry out the majority of functions in-house, including the creation of products and services and the Group's administration, previously contracted out to external suppliers and consultants.

This innovation is symbolized by the decrease in costs sustained in acquiring content from content providers, which totaled 137 thousand euros at June 30, 2002, subsequent to *Acomedia* becoming

fully operational. Since the end of 2001, this subsidiary has provided content for value added services and carried out customer care activities via its own service center. Indeed, the savings achieved by producing information content in-house hinge on the reduction of this cost item, which fell by 69% with respect to the first half of 2001 (441 thousand euros) and by 76% with respect to the first half of 2000 (574 thousand euro, pro-forma), as opposed to the higher labor costs incurred by *Acomedia*. These rose to 180 thousand euros compared with 124 thousand euros in the first half of 2001.
A further reflection of the expansion of the organizational structure is the decrease in consultancy costs - relating to administrative, fiscal, legal and commercial consultants, general consulting and technical services -, which fell to 352 thousand euros in the first half of 2002 from 442 thousand euros in the same period of the previous year. The cost of land and satellite telephone connections, used to provide value added services, fell to 353 thousand euros (against 561 thousand euros at June 30, 2001).

In addition, overall and widespread cuts in management costs are taking place through application of the principle that profitability is not only achieved by increasing turnover. In fact, the Group has worked to minimize its cost structure, by drastically reducing its reliance on external suppliers and consultants and increasing investment in human resources in order to create a suitable structure of its own to sustain future expansion.

As a result of such management of operations, EBITDA amounted to 2,655 thousand euros, up 30% with respect to the same figure in the previous year.

EBIT for the first six months of 2002 totaled 1,395 thousand euros compared with the 20 thousand euros reported for the same period in the previous year. In addition to improved performance in the management of operations, this increase is also due to lower charges for amortization of intangible assets during the first half of 2002. This reflects completion of the two-year amortization period for the charges relating to the Stock Market listing on August 9, 2000. The relevant charge for the first half of 2001 was 1,176 thousand euros.

Treasury management reported a profit of 642 thousand euros, slightly down with respect to the same period in 2001, due to a lower amount of net average liquidity invested with respect to the first half of 2001. This was a result of the various acquisitions that took place during the previous year (*Jinny Software*, *Info2cell*, *Voinoi* and *E-seed*), and also to lower net yields on short-term investment of the Group's liquidity following the marked decline in the interest rates available on the financial markets over the last year.

Following write-downs of the value of the holdings in the associated companies, *Info2cell* and *E-Seed*, totaling 1,030 thousand euros, explained in greater detail in the following Notes, and after extraordinary items and minority interests in the results of associated companies and subsidiaries, net income for the first half of 2002 (before income taxes) amounted to 1,068 thousand euros, an increase of 104% with respect to the first half of 2001.

FINANCIAL POSITION

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(thousands of euros)	**June 30, 2002**	**December 31, 2001**	**change**	**% change**
ASSETS				
Unpaid, called-up share capital due from shareholders	-	-	-	-
Fixed assets	**20,419**	**22,367**	**(1,948)**	**-8.71%**
Intangible assets	12,638	13,374	(736)	-5.50%
Tangible assets	1,913	2,221	(308)	-13.87%
Investments	5,868	6,772	(904)	-
Current assets	**55,449**	**57,492**	**(2,043)**	**-3.55%**
Inventories	258	268	(10)	-3.73%
Accounts receivable	10,090	8,715	1,375	15.78%
Marketable securities	28,632	4,200	24,432	581.71%
Cash and cash equivalents	16,469	44,309	(27,840)	-62.83%
Accrued income and prepaid expenses	**93**	**107**	**(14)**	**-13.08%**
Total assets	**75,961**	**79,966**	**(4,005)**	**-5.01%**
LIABILITIES				
Shareholders' equity	**62,370**	**63,136**	**(766)**	**-1.21%**
Group shareholders' equity	**62,333**	**63,097**	**(764)**	**-1.21%**
Share capital	1,084	1,084		0.00%
Share premium reserve	55,106	55,106		0.00%
Legal reserve	158	61	97	159.02%
Other reserves	691	855	(164)	-19.18%
Retained earnings (accumulated losses)	4,226	797	3,429	430.24%
Group net income (loss) for the period	1,068 (*)	5,194	(4,126)	-79.44%
Minority interest	**37**	**39**	**(2)**	**-5.13%**
Allowances for risks and charges	**394**	**-**	**394**	**-**
Employee severance indemnities	**314**	**248**	**66**	**26.61%**
Accounts payable	**12,517**	**15,697**	**(3,180)**	**-20.26%**
Bonds	9,023	10,212	(1,189)	-
Debt	567	602	(35)	-5.81%
Advances	143	620	(477)	-76.94%
Trade payables	1,351	2,472	(1,121)	-45.35%
Taxes due	588	381	207	54.33%
Due to social security agencies	154	265	(111)	-41.89%
Other	691	1,145	(454)	-39.65%
Accrued expenses and deferred income	**366**	**885**	**(519)**	**-58.64%**
Total liabilities	**75,961**	**79,966**	**(4,005)**	**-5.01%**

(*) As of June 30, 2002, the Company exercised the option to report pre-tax data

The financial position as of June 30, 2002 was substantially in line with the corresponding data as of December 31, 2001.

Fixed assets, amounting to 20,419 thousand euros, registered a net decrease of 1,948 thousand euros, mainly due to amortization and depreciation for the period and write-downs of the value of holdings in associated companies to bring them into line with the that of the Group's interest in shareholders' equity.

Net liquidity amounted to 36,016 thousand euros, a decrease of 12,394 thousand euros with respect to December 31, 2001, primarily due to reclassification of the debenture loan issued, totaling 9,023 thousand euros, which is now recorded among short-term financial payables as it falls due on April 9, 2003.

The principal changes among liabilities regard the decrease in shareholders' equity following the distribution of dividends approved by the General Meeting of the Parent Company's shareholders held in May 2002, represented by an amount totaling 1,668 thousand euros. The decrease also reflects the reduction in the value of the debt relating to the debenture loan in US dollars (with a nominal value of 9 million US dollars), which falls due in April 2003. This was due to an adjustment of its book value to reflect closing exchange rates.

The above movements in the Balance Sheet are also reflected in the net debt position and the cash flows shown in the following statement of cash flows. The relevant tables follow.

ANALYSIS OF NET DEBT

(in thousands of euros)

	06.30.2002	12.31.2001
Short-term investments	28,632	4,200
Cash and cash equivalents	16,469	44,309
Short-term bank debt and current portions of long-term bank debt	(62)	(99)
Bonds issued falling due within 12 months	(9,023)	-
Net cash and cash equivalents (A)	**36,016**	**48,410**
Bonds issued falling due beyond 12 months	-	(10,212)
Medium- to long-term debt	(505)	(503)
Medium- to long-term indebtedness (B)	**(505)**	**(10,715)**
Net debt (A)+(B)	**35,511**	**37,695**

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of euros)	1st half 2002	2001
A. NET CASH AT THE BEGINNING OF THE PERIOD	**48,410**	**51,470**
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	**(1,039)**	**9,237**
Cash flows from operating activities before changes in working capital	**2,788**	**9,677**
Net income for the period (pre-tax)*	1,068	5,194
Amortization and depreciation	1,260	4,440
Net change in employee severance indemnities	66	98
Net changes in allowances for risks and charges	394	(55)
(Increase) / decrease in accounts receivable	(1,375)	(895)
(Increase) / decrease in inventories	10	180
Increase / (decrease) in accounts payable	(1,479)	528
Changes in other items of working capital	(983)	(253)
C. CASH FLOWS FROM (FOR) INVESTING ACTIVITIES	**688**	**(22,663)**
(Investments) / disposals of fixed assets:		
- Intangibles	(100)	(13,811)
- Tangibles	(116)	(2,080)
- Financial	904	(6,772)
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES	**(12,043)**	**10,366**
Increase / (decrease) in medium- to long-term debt	(10,209)	10,209
Dividends distributed	(1,668)	-
Other changes in shareholders' equity	(164)	160
Change in minority interest	(2)	(3)
E. CASH FLOW FOR THE PERIOD (B+C+D)	**(12,394)**	**(3,060)**
F. NET CASH AT THE END OF THE PERIOD (A+E)	**36,016**	**48,410**

(*) As of June 30, 2002 the Company exercised the option to report pre-tax data

GROSS INVESTMENT IN FIXED ASSETS

(thousands of euros)

	1st half 2002	2001	1st half 2001
Intangibles	179	13,818	13,814
Tangibles	268	2,099	1,635
Financial	-	3,328	2,211
Total	**447**	**19,245**	**17,660**

Gross investment carried out during the first half of 2002 mainly concerned ordinary operations in connection with upgrading and expansion of technological and operating infrastructures. Acquisitions of intangible assets included new software applications primarily relating to updating of the Group's internal information system, amounting to 136 thousand euros. Investment in tangible assets primarily regarded the upgrading of the data transmission platform owned by the Group, totaling 89 thousand euros.

Comparison with the corresponding data relating to the full year of 2001 and the first half of 2001, respectively, reveals a substantial reduction in the Group's investment activity, which may be attributed to extraordinary events that occurred during the previous period when various operations were launched to acquire equity investments (*Info2cell, Jinny Software, E-Seed,* and *Voinoi*).

RELATED PARTY TRANSACTIONS

Relations with associated companies

During the first six months of 2002, Acotel Group S.p.A. earned revenues of 62 thousand euros from *E-Seed S.p.A.*, a company in which it has a 50% interest via the subsidiary, *Acotel Participations S.A.* Such revenues regard charges for rentals and administrative services relating to part of the building sub-let, at market prices, to this company. During the period under consideration, no operations were reported concerning the other associated company, *Info2cell*.

Shareholdings of Directors and Statutory Auditors

The following table shows a breakdown of Directors' shareholdings in the Group:

NOME	SOCIETA' PARTECIPATA	N.AZIONI POSSEDUTE AL 1-1-2002	N.AZIONI ACQUISTATE	N.AZIONI VENDUTE	N.AZIONI POSSEDUTE AL 30-6-2002
Claudio Carnevale (a)	Acotel Group S.p.A.	691.730	-	-	691.730
Andrea Morante	Acotel Group S.p.A.	109.827	-	-	109.827
Claudio Carnevale	Acotel S.p.A.	20.000	-	-	20.000
Claudio Carnevale	AEM S.p.A.	16.500	-	-	16.500

(a) Il possesso è esercitato attraverso la società Clama S.A. di cui Claudio Carnevale detiene il 99,9% del capitale sociale

Claudio Carnevale, Chairman and Managing Director of Acotel Group S.p.A., and Margherita Argenziano, Director of Acotel Group S.p.A., each hold 25% of the share capital of Clama S.r.l., which, in turn, holds 1,800,000 shares (equal to 43.17 % of the share capital) in Acotel Group S.p.A.

No shareholdings are owned by Statutory Auditors.

Fees paid to shareholders for membership of corporate bodies

Claudio Carnevale earned the following fees during the first half of 2002:
- 103 thousand euros as Chairman of the Board of Directors of Acotel Group S.p.A.;
- 25 thousand euros as Chairman of the Board of Directors of Acotel S.p.A.;
- 26 thousand euros as Chairman of the Board of Directors of AEM S.p.A.

Margherita Argenziano earned the following fees during the first half of 2002:
- 25 thousand euros as Managing Director of Acotel S.p.A.;
- 21 thousand euros as Managing Director of AEM S.p.A.

OTHER INFORMATION

As of June 30, 2002, Acotel Group S.p.A. did not own, buy or sell any treasury shares, or shares or holdings in parent companies, either directly or through a trust company or proxy.

As of June 30, 2002, no branch offices of the Company had been set up.

CONSOLIDATED ACCOUNTS

CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of euros)	June 30, 2002	December 31, 2001	June 30, 2001
Unpaid, called-up share capital due from shareholde	**-**	**-**	**-**
Fixed assets			
Intangible assets:			
- Incorporation and expansion costs	35	41	1,201
- Research, development and advertising costs	92	136	242
- Industrial patents and intellectual property rights	234	179	168
-Concessions, licenses, trademarks and similar rights	52	53	58
- Goodwill arising from consolidation	12,153	12,850	13,757
- Intangibles in process and advances	17	84	5
- Other	55	31	36
Total	***12,638***	***13,374***	***15,467***
Tangible assets:			
- Plant and machinery	609	811	1,556
- Industrial and commercial equipment	1,132	1,244	342
Other	172	166	188
- Work in progress and advances	-		573
Total	***1,913***	***2,221***	***2,659***
Long-term financial assets:			
- Investments in:			
associated companies	3,286	4,190	3,917
other companies	2,582	2,582	-
Total	***5,868***	***6,772***	***3,917***
Total fixed assets	**20,419**	**22,367**	**22,043**
Current assets:			
Inventories:			
- Raw and ancillary materials and consumables	179	180	207
- Work in progress and semi-finished goods	44	55	252
- Finished goods and goods for resale	35	33	51
Total	***258***	***268***	***510***
Accounts receivable:			
- Trade:			
receivable within 12 months	8,320	7,622	6,603
- Associated companies:			
receivable within 12 months	35	-	-
- Other:			
receivable within 12 months	6,990	1,024	25,362
receivable beyond 12 months	67	69	98
Total	***15,412***	***8,715***	***32,063***
Marketable securities:			
- other securities	23,310	4,200	4,231
Total	***23,310***	***4,200***	***4,231***
Cash at bank and on hand:			
- Bank and post office deposits	16,331	44,271	15,799
- Cash and notes on hand	138	38	12
Total	***16,469***	***44,309***	***15,811***
Total current assets	**55,449**	**57,492**	**52,615**
Accrued income and prepaid expenses			
- other	93	107	101
TOTAL ASSETS	**75,961**	**79,966**	**74,759**

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

(thousands of euros)	June 30, 2002	December 31, 2001	June 30, 2001
Shareholders' equity:			
Share capital	1,084	1,084	1,077
Share premium reserve	55,106	55,106	55,113
Revaluation reserve	-	-	-
Legal reserve	158	61	61
Reserve for treasury stock	-	-	-
Statutory reserves	-	-	-
Other reserves:			
- *Consolidation reserve*	909	909	909
- *Reserve for exchange rate differences*	(218)	(54)	(35)
Retained earnings (accumulated losses)	4,226	797	784
Net income (loss) for the period	1,068 (*)	5,194	524 (*)
Total	**62,333**	**63,097**	**58,433**
Minority interest:			
Minority interest in shareholders' equity	39	42	42
Minority interest in net income (loss) for the period (a)	(2)	(3)	(1)
Total	**37**	**39**	**41**
Total shareholders' equity	**62,370**	**63,136**	**58,474**
Allowances for risks and charges:			
Other	394	-	-
Total	**394**	**-**	**-**
Employee severance indemnities	**314**	**248**	**186**
Accounts payable:			
- Bonds	9,023	10,212	-
- Banks:			
payable within 12 months	62	99	98
payable beyond 12 months	204	202	241
- Other lenders			
payable within 12 months			
payable beyond 12 months	301	301	301
- Advances			
payable within 12 months	143	620	1,362
- Trade:			
payable within 12 months	1,351	2,472	2,374
- Taxes:			
payable within 12 months	588	381	147
- Social security agencies:			
payable within 12 months	154	265	165
payable beyond 12 months	-	-	2
- Other:			
payable within 12 months	691	1,145	11,409
Total	**12,517**	**15,697**	**16,099**
Accrued expenses and deferred income			
- other	366	885	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**75,961**	**79,966**	**74,759**

(*) As of June 30, 2002 and June 30, 2001 the Company exercised the option to report pre-tax data

MEMORANDUM ACCOUNTS

(thousands of euros)	**June 30, 2002**	**December 31, 2001**	**June 30, 2001**
General guarantees granted			
- Guarantees in favor of others	141	141	102
Other			
- Third-party assets used by the Group	6,234	5,201	37
TOTAL MEMORANDUM ACCOUNTS	**6,375**	**5,342**	**146**

CONSOLIDATED INCOME STATEMENT

(thousands of euros)	Jan.1 - Jun. 30, 2002	Jan.1 - Dec. 31, 2001	Jan.1 - Jun. 30, 2001
Total revenues:			
- Revenues from the sale of goods and services	8,209	21,779	7,499
- Work in progress, semi-finished and finished goods	2	(128)	(20)
-Capitalized costs and expenses	-	-	572
- Other revenues and income	248	33	8
Total	**8,459**	**21,684**	**8,059**
Operating costs:			
- Raw and ancillary materials and consumables	198	1,420	1,305
- Service costs	2,264	5,482	2,562
- Lease expense	436	781	266
- Labor costs:	2,844	4,664	1,889
wages and salaries	*2,166*	*3,750*	*1,470*
social security contributions	*482*	*666*	*334*
employee severance indemnities	*80*	*129*	*58*
other costs	*116*	*119*	*27*
- Amortization, depreciation and write-downs:	1,260	4,463	2,020
amortization of intangible fixed assets	*836*	*3,817*	*1,726*
depreciation of tangible fixed assets	*424*	*623*	*294*
provisions for doubtful accounts	-	*23*	-
- Changes in raw and ancillary materials, consumables and goods for resale	11	51	(82)
- Allowances for risks and charges			
- Other operating costs	51	151	79
Total	**7,064**	**17,012**	**8,039**
Operating income	**1,395**	**4,672**	**20**
Financial income and expense:			
- Other financial income:			
marketable securities	125	196	42
others	1,466	2,252	1,427
- Expense			
others	(949)	(521)	(768)
Net financial income (expense)	**642**	**1,927**	**701**
Adjustments to financial assets:			
- write-downs of equity investments	(1,030)	(837)	(365)
Adjustments to financial assets	**(1,030)**	**(837)**	**(365)**
Extraordinary income and expense:			
- Income	104	307	205
- Expense	(45)	(121)	(38)
Extraordinary income (expense), net	**59**	**186**	**167**
Pre-tax income	**1,066**	**5,948**	**523**
- Income taxes for the year	**(*)**	(757)	**(*)**
Net income (loss) for the period	**1,066**	**5,191**	**523**
Minority interest net income (loss) for the period	(2)	(3)	(1)
Group net income (loss) for the period	**1,068**	**5,194**	**524**

(*) As of June 30, 2002 and June 30, 2001 the Company exercised the option to report pre-tax data

NOTES TO THE CONSOLIDATED ACCOUNTS

The consolidated accounts as of June 30, 2002 have been prepared on the basis of the accounting policies established by the Italian Regulatory Commission for Companies and the Stock Market (CONSOB) in resolution no. 11971 of May 14, 1999, and in accordance with the "Regulations of the New Market Organized and Managed by Borsa Italiana S.p.A.".

The Company has adopted the faculty granted by the above resolution of the CONSOB, reporting net income before taxes.

The accounts as of June 30, 2002 used as the basis for the consolidated financial statements were prepared on the basis of the accounting records at such date, integrated by the adjustments necessary to comply with the accruals principle.

The consolidated six-monthly accounts include the accounts of Acotel Group S.p.A. and those of the Italian and foreign registered companies over which Acotel Group S.p.A. exercises direct or indirect control via control of a majority of the voting rights or of sufficient voting rights to have significant influence at ordinary general meetings.

The following companies have been consolidated as of June 30, 2002:

Company	Date of acquisition (1)	Group's ownership (%)	Registered office	Share capital
Acotel S.p.A.	April 28, 2000	99.9% (2)	Rome	EURO 13,000,000
AEM Advanced Electronic Microsystems S.p.A.	April 28, 2000	99%	Rome	EURO 858,000
Acomedia S.r.l.	April 28, 2000	100%	Rome	EURO 15,600
Acotel Participations S.A..	April 28, 2000	100%	Luxembourg	EURO 1,200,000
Acotel Chile S.A.	April 28, 2000	100% (3)	Chile	USD 50,000
Acotel ES.p.A.na S.L.	April 28, 2000	100% (3)	Spain	EURO 3,000
Acotel Greece S.A.	April 28, 2000	100% (3)	Greece	EURO 61,855
Acotel Do Brasil LTDA	August 8, 2000	100% (3)	Brazil	BRL 50,000
Jinny Software Ltd.	April 9, 2001	100% (3)	Ireland	EURO 2,927
Millennium Software SAL	April 9, 2001	99.9% (5)	Lebanon	LPD 30,000,000
Millenium Luxembourg S.A.	April 28, 2000	100%	Luxembourg	EURO 38,850
Millenium Communications S.A.	April 28, 2000	100% (4)	Luxembourg	EURO 199,800
Publimedia S.A.	April 28, 2000	100%	Luxembourg	EURO 38,850

(1) All the subsidiaries were acquired on April 28, 2000. They already existed, with the exception of Acotel Do Brasil acquired on August 8, 2000, the date of its incorpration.
(2) AEM owns 1.92% of the share capital.
(3) Controled via Acotel International S.A.
(4) Controled via Millenium Luxembourg S.A.
(5) Controled via Jinny Software Ltd.

CONSOLIDATION PRINCIPLES

The assets and liabilities of consolidated companies are recorded on a line-by-line basis, eliminating the book value of the shareholdings consolidated in relation to the shareholders' equity of subsidiaries.

The difference between the cost of acquisition and the fair value of the shareholders' equity of subsidiaries on the date of acquisition is recorded as "Goodwill arising from consolidation" under intangible assets and amortized, or under shareholders' equity at "Consolidation reserve", if the cost of acquisition is lower than the value of the adjusted value of shareholders' equity.

The Consolidated Balance Sheet and Income Statement also reflect the elimination of all inter-company payables, receivables, costs and revenues, in addition to the elimination of inter-company profits.

The minority interest in shareholders' equity and in net income for the period is shown under the specific items in the Consolidated Balance Sheet and Income Statement.

ACCOUNTING POLICIES

Intangible assets

These are stated at purchase price or production cost, including incidental expenses. They are systematically amortized over their estimated useful lives. In the event of a permanent impairment in value, the asset is written down accordingly, regardless of the amortization already charged.

The incorporation and expansion costs of the companies and the related subsequent expenses, concessions, licenses and trademarks and similar rights are amortized on a straight-line basis over five years.

Research and development costs are capitalized, if identifiable and measurable, after assessing their recoverability as a result of the economic benefits expected from the projects to which they refer, and which are expected to be completed. These costs are amortized in five years.

Industrial patents and intellectual property rights, related to software acquired or developed by the Company, are capitalized after assessing their recoverability as a result of the economic benefits expected from the projects to which they refer, and which are expected to be completed. These costs are amortized over three years, in view of the rapid technological deterioration to which they may be subject.

Leasehold improvements are amortized on the basis of the duration of the related rental contracts.

Goodwill arising from consolidation is amortized on a straight-line basis over a period of 10 years, taking into account future cash flows deriving from the investment.

Tangible assets

These are stated at purchase price or production cost, including incidental expenses.

They are systematically depreciated on a straight-line basis at a rate reflecting the estimated useful life of the relevant asset. Depreciation starts when the asset comes into operation and is reduced to half for the first year, in accordance with Italian law.

Ordinary maintenance and repair costs are expensed as incurred.

No monetary or economic revaluations or capitalization of interest expense was carried out.

The rates of depreciation applied for the different categories of asset are as follows:

Specific plant	10-20%
Technological platform	50%
Other plant and machinery	15-20%
Computers	20%
Other equipment	15-25%
Vehicles	25%
Furniture, fixtures and fittings	12%

In the event of a permanent impairment in value, the asset is written down accordingly, regardless of the depreciation already charged. If, in subsequent periods, the reasons for the write down are no longer valid, the original value is reinstated.

Long-term investments

Investments in associated companies are valued in accordance with the equity method.
Investments in other companies are valued at cost, and may be reduced for any lasting loss in value.

Inventories

Inventories are stated at the lower of purchase or production cost using the LIFO method and the estimated realizable value based on market prices.

Accounts receivable

Accounts receivable are entered at nominal value, reduced by provisions for doubtful accounts in order to reflect their estimated realizable value.

Marketable securities

Such assets are stated at the lower of purchase cost and market value.

Cash at bank and on hand

Such items are stated at nominal value.

Accruals and deferrals

Accruals and deferrals include the portion of revenues and expenses covering two or more periods, allocated on an accruals basis.

Employee severance indemnities

Severance indemnities are stated in accordance with the provisions of the national collective labor contract for the category, with supplementary company agreements and in compliance with the regulations in force. It corresponds to the effective commitment to each employee at June 30, 2002, net of any advances paid.

Accounts payable

These are stated at nominal value.

Receivables and payables in foreign currency

Receivables and payables denominated in foreign currency are translated into lire at exchange rates on the date of the original transaction. They are adjusted on the basis of the exchange rates at the end of the accounting period. The exchange rate differences resulting from the adjustment are charged to the Income Statement.

Revenues

These are recognized in accordance with the prudence and matching principles.

Revenue relating to the services rendered to Network Operators and Corporate Customers is recognized on the basis of the services effectively performed during the period.
Revenue relating to the granting of software licenses to third parties is recognized at the time of sale.
Revenue relating to the design, production and installation of electronic equipment is recognized at the moment of completion or at the time of delivery.

Memorandum accounts

These are stated at nominal value, including the existing commitments and risks at the end of the period.

NOTES TO THE BALANCE SHEET

ASSETS

FIXED ASSETS

Intangible assets

Net intangible assets as of June 30, 2002 amounted to 12,638 thousand euros.

The item “Incorporation and expansion costs” includes the incorporation cost of Acotel Group S.p.A., and costs related to amendments to the subsidiaries’ articles of association.

The costs of research and development include the costs incurred by *AEM* for two different research projects, aimed at the development of a domestic automation system (called ARGO) and the creation of a remote automatic monitoring system. The Group has received subsidized loans in order to finance both projects.

Industrial patents and intellectual property rights consist of the specific software purchased from third parties and used by the Group in the provision of computerized services and for its internal operating system.

The item “Concessions, licenses, trademarks and similar rights” includes the license held by the subsidiary, *Millenium Communication S.A.*, for the operation of fixed telephony services.

The item “Goodwill arising from consolidation” is composed of the differences arising between the price paid by the Parent Company for the purchase of the shareholdings in *AEM S.p.A.* and *Jinny Software Ltd.* and the corresponding values of the subsidiaries’ shareholders’ equity on the date of acquisition. The two sums, gross of amortization, amount to 463 thousand euros and 13,433 thousand euros, respectively.

The item “Other” essentially includes leasehold improvements, consisting of the costs incurred during recent years in order to renovate the building located in Rome, which is rented from third parties and used as the registered offices and operational headquarters of the Group’s Italian companies. The relevant lease expires in 2006.

Movements in intangible assets during the period are shown in an annex.

Tangible assets

Net tangible assets as of June 30, 2002 amounted to 1,913 thousand euros.

Plant and machinery mainly consists of the data transmission platform used by the Group to provided value added services and equipment for the production of security equipment.

Industrial and commercial equipment includes the computers used by the Group for development and maintenance of hardware and software products, for use by the Company or for sale to third parties, relating to the development and management of value added services and internal operating activities.

The item "Other" primarily regards furniture, fixtures and fittings and company vehicles.

Movements in tangible assets during the period are shown in an annex.

Long-term financial assets

Details of equity investments in associated companies are as follows:

(thousands of euros)

			Shareholders' equity at 06/30 [pursuant to art.2426 CC, 4, (		Net income (loss) at 06/30/2002			
name	registered office	share capital	total amount	Group's interest	total amount	Group's interest	Group's holding	**Book value**
Info2cell.com LLC	Dubai Internet City	5,013	2,702	892	(391)	(129)	33%	**3,286**
E-seed S.p.A.	Roma - Via Valle dei Fontanili 29	414	(343)	(172)	(740)	(370)	50%	**-**
					Total as of 06-30-2002			**3,286**

Equity investments in associated companies reflect the adjustments made in compliance with the equity method, and included in the Income Statement.
On July 10, 2002, the General Meeting of the associated company, *E-Seed*, convened under the provisions of arts. 2446, 2447 and 2448 of the Italian Civil Code, approved settlement of the accumulated losses as of May 31, 2002, partly by writing off the share capital and recapitalizing the company at a value of 400 thousand euros. The new shares were wholly subscribed by *Acotel Participations S.A.*, following the withdrawal of the other shareholders.
As the value of the Group's share of the losses, net of the portion already posted in the Balance Sheet as of December 31, 2001, amounted to 762 thousand euros, as of June 30, 2002. In accordance with the principle of prudence, such losses were entirely recorded among adjustments to financial assets, by writing off the value of the interest, which totaled 367 thousand euros, and allocating the remainder, amounting to 394 thousand euros, to an allowance for risks connected to the write-down of equity investments.

Equity investments in other companies, totaling 2,582 thousand euros, regard the 10% shareholding acquired in *Voinoi*, a service company controlled by the *Acea Group.*

All the above equity investments are held by the subsidiary, *Acotel Participations S.A.*

CURRENT ASSETS

Inventories

Inventories, equal to 258 thousand euros, relate to the subsidiaries, *Acotel S.p.A.* and *AEM S.p.A.*, and are stated net of the allowance for stock write-downs of 442 thousand euros, provided to adjust them to their estimated market value. In detail:

(thousands of euros)

	Gross value	Write-downs	Net value at 06-30-2002	Net value at 12-31-2001	Net value at 06-30-2001
Raw and ancillary materials, and consumables	239	(60)	179	180	207
Work in progress and semi-finished goods	279	(235)	44	55	252
Finished goods and goods for resale	182	(147)	35	33	51
Total	**700**	**(442)**	**258**	**268**	**510**

Accounts receivable

These consist of trade payables net of write-downs carried out to bring them into line with their estimated value, as follows:

(thousands of euros)

	06-30-2002	12-31-2001	06-30-2001
Trade receivables	8,437	7,732	6,680
Provisions for doubtful accounts	(117)	(110)	(77)
Total	**8,320**	**7,622**	**6,603**

All trade receivables fall due within 12 months.

Due from associated companies

This amounts to 35 thousand euros and includes receivables due to the Acotel Group from the associated company, *E-Seed*, regarding rental fees and ancillary services supplied to them.

Other

Other accounts receivable amount to 7,057 thousand euros and mainly consist of the investment of liquidity awaiting investment in the Group's development in repurchase agreements. These transactions involve various banks and earn rates of return of between 2.5% and 3%.

The part receivable beyond 12 months, amounting to 67 thousand euros, includes guarantee deposits given to third parties in relation to rental and utility contracts entered into by Group companies.

This item breaks down as follows:

(thousands of euros)

	06-30-2002	12-31-2001	06-30-2001
Banks for repurchase agreements	5,321	-	24,122
VAT credits	31	42	30
Income tax credits	1,045	628	902
Deferred tax assets	224	224	195
Other	369	130	113
Total other receivables falling due within 12 months	**6,990**	**1,024**	**25,362**
Guarantee deposits paid to suppliers receivable beyond	67	69	98
Total other receivables	**7,057**	**1,093**	**25,460**

Marketable securities

This item, amounting to 23,310 thousand euros, includes part of the Group's liquidity invested short-term in securities and shares of mutual funds. Investments in bonds issued by Banca Nazionale del Lavoro total 8,840 thousand euros, while investments in shares in money market mutual funds issued by the Banca di Roma amount to 14,470 thousand euros. In compliance with accounting principles, the latter are recorded at cost, which is lower than their market value of 14,646 thousand euros at June 30. The related interest income, totaling176 thousand euros, will be recorded when they are sold.

Cash at bank and on hand

This item includes bank deposits of 16,331 thousand euros and cash and notes on hand totaling 138 thousand euros.
Bank deposits represent the balances held at various institutes as of June 30, 2002.

ACCRUED INCOME AND PREPAID EXPENSES

The balance of 93 thousand euros as of June 30, 2002 refers to accrued income deriving from coupon interest on bonds, and the prepaid expenses on service contracts, insurance and other costs not accruing during the first half.

LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

Group interest

As of June 30, 2002 this item was as follows:

(thousands of euros)	Share capital	Share premium reserve	Legal reserve	Consolidation reserve	Reserve for exchange rate differences	Retained earnings	Net income for the period	TOTAL
Balances at December 31, 2001	**1,084**	**55,106**	**61**	**909**	**(54)**	**797**	**5,194**	**63,097**
Distribution of net income for 2001			97			5,097	(5,194)	**0**
Distribution of dividends on 05-13-2002						(1,668)		**(1,668)**
Other changes					(164)			**(164)**
Net income for the period (pre-tax)*							1,068	**1,068**
Balances at June 30, 2002	**1,084**	**55,106**	**158**	**909**	**(218)**	**4,226**	**1,068**	**62,333**

(*) as of June 30, 2002 the Company exercised the option to report pre-tax net income

As of June 30, 2001 the paid-up share capital of Acotel Group S.p.A. consisted of 4,170,000 ordinary shares with a nominal value of 0.26 euros each.
In application of the resolution approved by the General Meeting of Acotel Group S.p.A.'s shareholders on April 24, 2002, a dividend of 0.40 euros per share was distributed on May 13, 2002, for an amount totaling 1,668 thousand euros.

Minority interest

As of June 30, 2002, this item amounts to 37 thousand euros, net of the result for the first half of 2002, and represents the share of shareholders' equity attributable to minority shareholders in subsidiaries and associated companies.

Reconciliation of the Parent Company's net income and shareholders' equity with consolidated net income and shareholders' equity

The reconciliation of the shareholders' equity of Acotel Group S.p.A. and the corresponding consolidated items is as follows:

(thousands of euros)	Shareholders' equity positive/(negative)	Result for the period income / (loss)
Parent Company's shareholders' equity and result for the period	**58,141**	**467**
Effect of consolidation of Group companies	7,192	2,277
Consolidation reserve	909	-
Reserve for exchange rate differences	(218)	-
Valuation of associated companies according to the equity method	(1,868)	(1,031)
Amortization of goodwill arising from consolidation	(1,780)	(695)
Reinstatement of intercompany transfers of tangible assets	31	78
Elimination of intercompany profits	(74)	(28)
Group shareholders' equity and result for the period	**62,333**	**1,068**
Minority interest in shareholders' equity and result for the period	37	(2)
Consolidated shareholders' equity and result for the period	**62,370**	**1,066**

ALLOWANCES FOR RISKS AND CHARGES

This item includes provisions for risk regarding losses reported by the associated company, *E-Seed*, coverage of which was approved by the General Meeting held on July 10, 2002.
As the value of the Acotel Group's share of the losses at June 30, 2002, totaling 762 thousand euros, was greater than the book value of the equity investment, provisions of 394 thousand euros were made to cover the excess.
For further information on this operation, see the section regarding equity investments in associated companies.

EMPLOYEE SEVERANCE INDEMNITIES

The total balance includes the amounts due as severance indemnities, net of advances already paid to employees.

The followign table shows movements during the first half of 2002:

(thousands of euros)	Jan.1 - Jun. 30, 2002	Jan.1 - Dec.31, 2001	Jan.1 - Jun. 30, 2001
Opening balance	**248**	**150**	**150**
Provisions	80	129	66
Releases	(14)	(31)	(30)
Closing balance	**314**	**248**	**186**

ACCOUNTS PAYABLE

Bonds

This item, totaling 9,023 thousand euros, includes the bonds issued by *Acotel Participations* on August 2, 2001 in relation to the commitments assumed on acquisition of *Jinny Software*. Such bonds were subscribed by the previous owners of the Irish company. The nominal value of the loan is 9 million US dollars, and the bonds pay annual coupon interest of 1.5%. The bonds are redeemable as a lump sum on maturity on April 9, 2003.

The decrease of 1,189 thousand euros with respect to December 31, 2001 derives from the adjustment of the nominal value of the bonds issued to bring it in line with exchange rates at the end of the first half of 2002.

Banks

Short-term bank liabilities as of June 30, 2002 amount to 62 thousand euros, whilst bank liabilities due for repayment beyond 12 months total 204 thousand euros.

Both amounts relate to the loan granted by S.Paolo-IMI to the subsidiary, *AEM S.p.A.*, to finance the research and development costs incurred by the company for two products aimed at creating remote surveillance and household automation systems.
The above loan is subject to interest at 3.7%, is not secured by any form of guarantee and will be wound up at the end of 2005.

Other lenders

A similar loan granted by the Ministry of Industry, amounting to 301 thousand euros, is classified under this item. The repayment schedule established by the contract starts in 2003 and will be completed by the end of 2012.
The portion falling due in over 5 years totals 148 thousand euros.
This loan is subject to interest at 3.625% and is not secured by any form of guarantee.

Advances

This item includes amounts invoiced to customers for services to be rendered, totaling 143 thousand euros at June 30, 2002.

Trade

This item, which amounts to 1,351 thousand euros, is entirely made up of trade payables due within 12 months.

Taxes due

Taxes due as of June 30, 2002 break down as follows:

(thousands of euros)

	30-6-2002	31-12-2001	30-6-2001
Debiti per imposte sul reddito	299	190	-
IVA a debito	186	100	74
Debiti per sostituto d'imposta	103	91	73
Totale	**588**	**381**	**147**

Social security agencies

As of June 30, 2000, this item amounts to 154 thousand euros and includes social security contributions to be paid.

Other

This item, totaling 691 thousand euros, is made up as follows:

(thousands of euros)

	06-30-2002	12-31-2001	06-30-2001
Due to employees	445	428	396
Due to Directors	38	248	30
Other	208	469	10,983
Total	**691**	**1,145**	**11,409**

Amounts payable to employees relate to wages and salaries, bonuses and outstanding vacation pay. Amounts due to Directors regard fees accrued during the year and yet to be paid, while the other payables include among other items the the interest accrued and yet to be paid, amounting to 128 thousand euros, on the bonds issued by *Acotel Participations* in relation to the acquisition of *Jinny Software*.

ACCRUED EXPENSES AND DEFERRED INCOME

Deferred income, amounting to 366 thousand euros, primarily regards fees for periodic maintenance and technical assistance of ITC equipment sold by the subsidiary, *Jinny Software*.

MEMORANDUM ACCOUNTS

As of June 30, 2002, the memorandum accounts primarily regard the guarantee relating to the lease contract, signed by the Parent Company, given to the owner of the building where the Group's Italian companies have their headquarters, amounting to 141 thousand euros. Third party assets include 6,197 thousand euros relating to the ITC equipment supplied to *Voinoi*, but which the customer has requested initially be installed on the premises of *Acotel Group S.p.A.* whilst the customer's own facilities designed to house the equipment are being prepared.
The residual amount, totaling 37 thousand euros, regards equipment granted free of charge to Acotel S.p.A. by various providers (*Reuters*, *Sole 24 ore, etc.*) for connection to their information networks.

NOTES TO THE INCOME STATEMENT

TOTAL REVENUES

Total revenues for the period amounted to 8,459 thousand euros.

Revenues from goods sold and services rendered break down as follows by segment:

(thousands of euros)

	Jan. 1 - Jun. 30, 2002	Jan. 1 - Dec. 31, 2001	Jan. 1 - Jun. 30, 2001
Services to network operators	5,224	7,660	3,894
Services to corporate customers	397	949	435
Software development	357	303	-
Design of data communications equipment	1,863	12,017	2,739
Design of electronic security equipment	366	847	430
Other	2	3	1
Total	**8,209**	**21,779**	**7,499**

Value added services (VAS) provided to network operators, amounting to 5,224 thousand euros, mainly regard revenues deriving from provision of services to *Telecom Italia Mobile*.
Acotel provides various types of information services to Italy's leading mobile phone operator, which vary according to the communication standard they are supplied with. Such services consist of *Scriptim*, in SMS format for the GSM standard, *Voicetim*, in voice format and also for the TACS standard and the most recent *Waptim*, for WAP mobile phones.
During the first half of 2002, 140 million messages were sent via the *Scriptim* service against 67 million at June 30, 2001, while the number of access minutes to WAP services (*Waptim*) exceeded 13 million in the first six months of 2002 compared with 9 million during the same period in the previous year.

The results achieved served to strengthen the longstanding partnership with *TIM* and led to extension of the contract until December 2004, which since 2001 has been based on a guaranteed minimum, and an additional, variable portion on reaching certain pre-established volumes of traffic, to which is added a separate tariff based on quantity for some types of information content.

Revenues of 97 thousand euros derive from *Eircell-Vodafone Ireland*, to whom the subsidiary, *Jinny Software*, provided services regarding the re-branding campaign conducted by the Irish telephone operator on adopting the name *Vodafone*.

The Acotel Group also supplies ITC equipment, tailor-made to customer requirements, and also develops the related software applications. In addition to sales of equipment and concession of user licenses, the Group also provides ongoing technical assistance and upgrading of the equipment, remotely and on-site, in return for annual fees.
Revenues from ITC equipment, which stem from the activities carried out by *Jinny Software*, amounted to 1,863 thousand euros and mainly regard completion of the data communications platform commissioned by the Italian company *Voinoi* (*Acea Group*), with the remainder deriving

from contracts entered into with mobile phone operators in Ireland, Kuwait, Jordan, the United Arab Emirates, Egypt and Oman.

Additional revenues relating to the *Voinoi* contract, totaling 357 thousand euros, regard software applications commissioned by the *Acea Group* subsidiary.

Revenues from services to corporate customers amounted to 397 thousand euros.
These are information services regarding access to interactive services relating to a corporate customer's business division (e.g. mobile banking) and also m-commerce.

Revenues from the design and production of electronic security equipment, amounting to 366 thousand euros, regard the design, construction and installation of peripheral security systems and the supply, installation and maintenance of remote surveillance hardware and software.

The geographical distribution of reve nues from sales and services is as follows:

(thousands of euros)

	Jan. 1 - Jun. 30, 2002	Jan. 1 - Dec. 31, 2001	Jan. 1 - Jun. 30, 2001
Italy	7,697	14,430	4,714
Europe	97	516	287
Middle East	410	5,837	1,851
Latin America	5	996	647
Total	**8,209**	**21,779**	**7,499**

Other revenues, amounting to 248 thousand euros, primarily concern sundry expenses, mostly adminstrative, charged to third parties.

OPERATING COSTS

Materials, service costs and lease expense

This item includes the following costs:

(thousands of euros)

	Jan. 1 - Jun. 30, 2002	Jan.1 - Dec. 31, 2001	Jan. 1 - Jun. 30, 2001
Raw and ancillary materials and consumables	198	1,420	1,305
Service costs	2,264	5,482	2,562
Lease expense	436	781	266
Total	**2,898**	**7,683**	**4,133**

The *costs of raw and ancillary materials and consumables*, totaling 198 thousand euros, mainly relate to the purchase of the materia ls used in the construction of telecommunications and electronic equipment. The significant decrease with the respect to the first half of 2001 is mainly due to reduced operations in the ITC and electronic security equipment sectors.

Service costs, amounting to 2,264 thousand euros, showed considerable improvement in terms of impact on revenues with respect to the first half of 2001 and were substantially in line with the full year of 2001. The main cost item is represented by the cost of connection to the land and satellite transmission network used in the provision of value added services, totaling 353 thousand euros, while, as mentioned in the Notes on Operations, costs sustained for acquisition of information from content providers are significantly reduced, as a result of the service provider activities carried out by the Group. Such costs amounted to 137 thousand euros, around a third of the corresponding figure for the first half of 2001 (441 thousand euros).
Other significant items are: consultancy fees, amounting to 352 thousand euros, which include both professional services related to the implementation of services and equipment and management consultancy linked to the development of new lines of business and new markets; promotional and advertising costs of 190 thousand euros relating to initiatives undertaken to boost sales and raise Group visibility in the marketplace; Directors' and Statutory Auditors' fees amounting 233 thousand euros; and the costs of managing buildings rented by Group companies regarding use, surveillance and maintenance, totaling 155 thousand euros.
The remaining amount regards general overhead incurred by Group companies.

Lease expense, totaling 436 thousand euros, includes rental costs related to the buildings in which Group companies operate. The increase with respect to 2001 is due to greater costs arising from the subsidiary, *Jinny Software*, joining the Group.

Labor costs

Labor costs break down as follows:

(thousands of euros)

	Jan. 1 - Jun. 30, 2002	**Jan. 1 - Dec. 31, 2001**	**Jan. 1 - Jun. 30, 2001**
Wages and salaries	2,166	3,750	1,470
Social security contributions	482	666	334
Employee severance indemnities	80	129	58
Other costs	116	119	27
Total	**2,844**	**4,664**	**1,889**

The following table shows the number of staff by category as of June 30, 2002 and the average for the period compared with the full year of 2001 and the first half of 2001:

	June 30, 2002	average for 1st half 2002	average for 2001	average for 1st half 2001
Managers	14	14	11	8
Junior managers	5	6	4	2
Clerks	107	99	71	61
Total	**126**	**119**	**86**	**71**

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs relate to:

(thousands of euros)

	Jan.1 - Jun. 30, 2002	Jan.1 - Dec. 31, 2001	Jan.1 - Jun. 30, 2001
Amortization of intangible assets	836	3,817	1,726
Depreciaton of tangible assets	424	623	294
Provisions for doubtful accounts	-	23	-
Total	**1,260**	**4,463**	**2,020**

The amortization of intangible assets mainly relate to amortization of goodwill arising from consolidation regarding the holdings in the subsidiaries, *Jinny Software* and *AEM*. The relevant sums for the period amount to 672 thousand euros and 24 thousand euros, respectively.
The signficant reduction in this item with respect to the full year of 2001 and the first half of 2001 is due to completion of amortization of costs incurred for the Stock Exchange listing of the Parent Company, Acotel Group S.p.A., with a value amounting to 2,352 thousand euros for the full year of 2001 (1,176 thousand euros in the first half of 2001).

Depreciation of tangible assets mainly relates to telecommunications equipment, as well as to capital assets.

There were no write-downs of current assets as the existing provisions were held to be adequate.

Other operating costs

At June 30, 2002, such costs amounted to 51 thousand euros, and included general Group overhead.

FINANCIAL INCOME AND EXPENSE

Net financial income amounts to 642 thousand euros, mainly deriving from short-term investment of liquidity in repurchase agreements and bonds or deposited in the current bank accounts of Group companies. Income from such investment totaled 409 thousand euros. Foreign currency transactions generated net income of 349 thousand euros, while interest expense and bank commissions totaled 116 thousand euros, including accrued interest on bonds issued, loans and financing.

ADJUSTMENTS TO FINANCIAL ASSETS

Write-downs of equity investments in associated companies amounted to 1,030 thousand euros, of which 268 thousand euros relates to the write-down of the interest in *Info2cell*, and 762 thousand euros to the write-down of the interest in *E-Seed*, which was carried out to cover the Acotel Group's share of the company' losses following write-off of the share capital approved by its General Meeting held on July 10, 2002. For further information, see the section regarding equity investments in associated companies.

This item includes write-downs of the equity investments in the associated companies, *Info2cell* and *E-seed*, totaling 837 thousand euros. The write-downs were carried out to adjust the value of the holdings in accordance with application of the equity method. In 2000 this item amounted to zero.

EXTRAORDINARYINCOME AND EXPENSE

Extraordinary items include income of 104 thousand euros and expense of 45 thousand euros.

SUBSEQUENT EVENTS

The launch of important activites and new initiatives gave rise to an exceptionally large number of events subsequent to June 30, 2002. The former include the launch of Multimedia Messaging Services (MMS) and the order for SMS-C equipment from *Sabafon*. The latter include the incorporation of *Urone Media S.p.A.* and the preliminary agreement for marketing a new system for monitoring access points to aircraft.

As widely reported in the media, on July 1, 2002, the Acotel Group started providing value added information services using Multimedia Mobile Services (MMS) technology, one of the first companies in the world to do so.

Despite limited distribution of mobile phones as yet equipped with the new standard, Acotel's MMS was a great success on launch day, with over 5,000 messages delivered from the Group's multimedia platform via the *TIM* network.

New services on the MMS standard will very shortly be available to *TIM* customers in Italy.

The launch of MMS bears out the Acotel Group's commitment and leadership in developing value added services for new technologies. Such efforts are backed by continuous investment in research and development, which is partly sustained by revenues earned from services based on more mature technologies.

On July 30, *Jinny Software Ltd* concluded the sale of SMS-C equipment to *Sabafon*, a mobile phone operator in the Yemen. Even though the order is only worth US$ 350 thousand, the value of this contract lies in having beaten the competition, *CMG*, one of the world's largest suppliers, and established a link with the leading mobile phone operator in a country that is just beginning to equip itself with the network structures needed for value added mobile services. This customer could well request additional services from the Acotel Group in the future regarding outsourcing and hardware equipment.

On July 2, 2002, *Urone Media S.p.A.* was incorporated, with the Group subscribing 51% of the share capital, equal to 102 thousand euros, via the subsidiary, *Publimedia S.A.* The remaining 49% stake in the company is held by operators who have built up years of proven experience in sales of advertising.
Indeed, *Urone Media* aims to be a media company specialized in creating and marketing advertising messages on mobile and non-mobile interactive systems. By integrating various communication technologies and developing purpose-built applications, the new company aims to set up new channels for publicizing brands to the public, thereby bringing companies and end users closer together.

On July 25, 2002, the subsidiary, *AEM S.p.A.*, signed a preliminary agreement with representatives in Italy of a US group regarding the marketing of a new system that would increase the safety of air travel by rapidly registering the particulars of all passengers during routine boarding procedures. This system complies with US regulations, which, as of January 1, 2003, will not allow aircraft to land at American airports unless the particulars of all passengers have been communicated to the relevant authorities beforehand, subject to a penalty of US$ 5,000 for each passenger whose details have not been registered or are incorrectly recorded.
The agreement foresees implementation of the system in major Italian airports, but is also likely to be extended to other European countries in the Mediterranean area.

Finally, it should be noted that on July 10, 2002, *E-Seed S.p.A.,* in which the Group already had a 50% stake, became wholly owned by the Acotel Group following refusal by the other shareholders to participate in the coverage of losses and in the company's subsequent recapitalization. The share capital is now fully paid-in by the Group via *Acotel Participations S.A.*. The new paid-in share capital amounts to 400 thousand euros.

OPERATING OUTLOOK

The opportunity to export the Group's know-how regarding the MMS standard, including to other mobile telephone operators with whom the Group has already signed commercial and technological partnership agreements, the expected conclusion - on the basis of current negotiations - of further agreements to supply network equipment produced by *Jinny*, and the market launch of the system for registering passengers on aircraft, all point towards further expansion of the Group's activities during the second half of the year.

ANNEX 1

Statement of movements in intangible assets and related amortization

(thousands of euros)

Item	Historical cost				Accumulated amortization			Total
	Balance at 12/31/2001	*Increases due to purchases*	*Decreases*	*Balance at 06/30/2002*	*Balance at 12/31/2001*	*Amortization for the period*	*Balance at 06/30/2002*	
Incorporation and expansion cost	4,769	-	-	4,769	(4,728)	(6)	(4,734)	**35**
Research, development and advertising costs	1,057	-	-	1,057	(921)	(44)	(965)	**92**
Industrial patents and intellectual property rights	486	136	-	622	(307)	(81)	(388)	**234**
Concessions, licences, trademarks and similar rights	60	-	-	60	(7)	(1)	(8)	**52**
Goodwill arising from consolidation	13,944	-	-	13,944	(1,094)	(697)	(1,791)	**12,153**
Intangibles in process and advances	84	12	(79)	17	-	-	-	**17**
Other	127	31	-	158	(96)	(7)	(103)	**55**
Total	**20,527**	**179**	**(79)**	**20,627**	**(7,153)**	**(836)**	**(7,989)**	**12,638**

ANNEX 2

Statement of movements in tangible assets and related allowances for depreciation

(thousands of euros)

Item	Historical cost				Allowances for depreciation				Total
	Balance at 12/31/2000	*Increases due to purchases*	*Decreases*	*Balance at 12/31/2001*	*Balance at 12/31/2000*	*Depreciation for the year*	*Releases for the year*	*Balance at 12/31/2001*	
Plant and machinery	1,569	89	(198)	1,460	(758)	(139)	46	(851)	**609**
Industrial and commercial equipment	2,155	144	-	2,299	(911)	(256)	-	(1,167)	**1,132**
Other	423	35	-	458	(257)	(29)	-	(286)	**172**
Total	**4,147**	**268**	**(198)**	**4,217**	**(1,926)**	**(424)**	**46**	**(2,304)**	**1,913**

PARENT COMPANY'S ACCOUNTS

BALANCE SHEET

ASSETS

(Euros)	June 30, 2002	December 31, 2001	June 30, 2001
Unpaid called-up share capital due from shareholders	-	-	-
Fixed assets:			
Intangible assets:			
- Incorporation and expansion costs	7,996	9,595	1,186,010
- Industrial patents and intellectual property rights	82,944	28,126	33,853
- Intangibles in progress and advances	12,660	79,105	-
- Other	50,921	26,620	308
Total	***154,521***	***143,446***	***1,220,171***
Tangible assets:			
- Plant and machinery	141,738	184,335	242,912
- Industrial and commercial equipment	164,128	160,109	92,998
- Other	86,744	87,335	94,764
- Tangibles in progress and advances	-	-	1,072,423
Total	***392,610***	***431,779***	***1,503,097***
Long-term financial assets:			
- Investments:			
subsidiaries	14,585,917	14,585,917	14,501,056
- Accounts receivable:			
subsidiaries:			
receivable beyond 12 months	9,234,832	10,318,181	-
Total	***23,820,749***	***24,904,098***	***14,501,056***
Total fixed assets	**24,367,880**	**25,479,323**	**17,224,324**
Current assets:			
Accounts receivable:			
- Trade:			
receivable within 12 months	699,146	320,626	15,024
- Subsidiaries:			
financial:			
receivable within 12 months	792,265	865,114	11,442,310
other:			
receivable within 12 months	8,544,528	6,786,991	5,951,958
- Associated companies:			
receivable within 12 months	35,119	-	-
- Other:			
receivable within 12 months	4,413,421	516,521	20,489,767
receivable beyond 12 months	1,448	1,448	1,448
Total	***14,485,927***	***8,490,700***	***37,900,507***
Marketable securities:			
- other securities	18,184,999	2,065,000	2,080,166
Total	***18,184,999***	***2,065,000***	***2,080,166***
Cash at bank and on hand:			
- Bank and post office deposits	11,828,996	34,115,554	12,859,994
- Cash and notes on hand	1,398	4,360	6,142
Total	***11,830,394***	***34,119,914***	***12,866,136***
Total current assets	**44,501,320**	**44,675,614**	**52,846,809**
Accrued income and prepaid expenses			
- other	27,747	16,691	403
TOTAL ASSETS	**68,896,947**	**70,171,628**	**70,071,536**

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

(Euros)	June 30, 2002	December 31, 2001	June 30, 2001
Shareholders' equity:			
Share capital	1,084,200	1,084,200	1,076,813
Share premium reserve	55,106,013	55,106,013	55,113,400
Revaluation reserve	-	-	-
Legal reserve	157,606	60,778	60,778
Reserve for treasury stock	-	-	-
Statutory reserves	-	-	-
Retained earnings (accumulated losses)	1,326,517	1,154,785	1,154,785
Net income (loss) for the period	466,828 (*)	1,936,560	2,445,588 (*)
Total	**58,141,164**	**59,342,336**	**59,851,364**
Allowances for risks and charges	**-**	**-**	**-**
Employee severance indemnities	**108,834**	**78,221**	**42,657**
Accounts payable:			
- Advances			
payable within12 months	-	-	437,336
- Suppliers:			
payable within12 months	870,724	1,043,547	589,164
- Subsidiaries:			
payable within12 months	8,994,958	8,901,912	8,795,705
- Taxes:			
payable within12 months	455,028	144,059	62,421
- Social security agencies:			
payable within12 months	89,321	159,070	100,605
- Other:			
payable within12 months	236,918	502,483	192,284
Total	**10,646,949**	**10,751,071**	**10,177,515**
Accrued expenses and deferred income	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUIT	**68,896,947**	**70,171,628**	**70,071,536**

(*) For the six months to June 30, 2002 and June 30 , 2001 the company exercised the option to report pre-tax data

MEMORANDUM ACCOUNTS

(Euros)	**June 30, 2002**	**December 31, 2001**	**June 30, 2001**
General guarantees granted			
- Guarantees granted in favor of others	141,107	141,107	102,310
Other			
- Third-party assets used by the Company	6,197,483	5,164,569	-
TOTAL MEMORANDUM ACCOUNTS	**6,338,590**	**5,305,676**	**102,310**

INCOME STATEMENT

(Euros)	**Jan. 1 - Jun. 30, 2002**	**Jan. 1 - Dec. 31, 2001**	**Jan. 1 - Jun. 30, 2001**
Total revenues:			
- Revenues from the sale of goods and services	4,141,447	7,163,413	3,702,253
- Other revenues and income	201,181	815,118	7,820
Total	**4,342,628**	**7,978,531**	**3,710,073**
Operating costs:			
- Raw and ancillary materials and consumables	24,799	524,186	411,211
- Service costs	1,038,119	1,968,681	658,497
- Lease expense	240,729	412,667	205,165
- Labor costs:	828,760	1,637,299	708,947
wages and salaries	*583,438*	*1,117,181*	*483,839*
social security contributions	*197,926*	*417,591*	*185,257*
employee severance indemnities	*41,278*	*70,049*	*29,797*
other costs	*6,118*	*32,478*	*10,054*
- Amortization, depreciation and write-downs:	193,226	2,679,471	1,306,145
amortization of intangible fixed assets	*28,206*	*2,374,802*	*1,184,247*
amortization of tangible assets	*165,020*	*269,989*	*121,898*
provisions for doubtful accounts	-	*34,680*	-
- Other operating costs	14,207	6,683	1,241
Total	**2,339,840**	**7,228,987**	**3,291,206**
Operating income	**2,002,788**	**749,544**	**418,867**
Financial income and expense:			
- Other financial income:			
from long-term receivables:			
subsidiaries	87,311	230,896	-
from marketatable securities:	62,730	96,595	15,166
subsidiaries	9,249	11,862	124,976
others	196,275	2,263,601	1,863,552
- Expense			
others	(1,920,611)	(33,945)	(21,716)
Net financial income (expense)	**(1,565,046)**	**2,569,009**	**1,981,978**
Adjustments to financial assets:			
- write-downs of equity investments	-	(1,122,085)	-
Adjustments to financial assets	**-**	**(1,122,085)**	**-**
Extraordinary income and expense:			
- Income	34,193	74,399	67,746
- Expense	(5,107)	(23,003)	(23,003)
Extraordinary income (expense), net	**29,086**	**51,396**	**44,743**
Pre-tax income for the period	**466,828**	**2,247,864**	**2,445,588**
- Income taxes for the year	**(*)**	(311,304)	**(*)**
Net income (loss) for the period	**466,828**	**1,936,560**	**2,445,588**

(*) For the six months to June 30, 2002 and to June 30, 2001 the Company exercised the option to report pre-tax data