REPORT ON GROUP OPERATIONS FOR THE THREE MONTHS FROM JULY 1 TO SEPTEMBER 30, 2002

CONSOLIDATED INCOME STATEMENT
for the period from July 1 to September 30, 2002

(thousands of euros)	2002		2001	
	July 1-Sept. 30	July 1-Sept. 30	July 1-Sept. 30	July 1-Sept. 30
Total revenues:				
- revenues from the sale of goods and services	3,785	11,994	4,476	11,975
- changes in inventories of work in progress, semi-finished and finished goods	1	3	2	(17)
- capitalized costs and expenses	-	-	-	572
- other revenues and income	9	234	41	49
Total	**3,795**	**12,231**	**4,519**	**12,579**
Operating costs:				
- raw and ancillary materials and consumables	123	323	406	1,711
- service costs	890	3,556	1,148	3,710
- lease expense	269	897	228	494
- labor costs:	1,567	4,452	1,178	3,066
wages and salaries	*1,193*	*3,386*	*956*	*2,426*
social security contributions	*272*	*760*	*161*	*495*
employee severance indemnities	*39*	*127*	*34*	*91*
other costs	*63*	*179*	*27*	*54*
- amortization, depreciation and write-downs:	713	1,979	1,212	3,232
amortization of intangible fixed assets	*456*	*1,293*	*1,042*	*2,769*
depreciation of tangible fixed assets	*243*	*672*	*170*	*463*
provisions for doubtful accounts	*14*	*14*	-	-
- changes in raw and ancillary materials, consumables and goods for resale	1	12	6	(75)
- other operating costs	33	85	17	96
Total	**3,596**	**11,304**	**4,195**	**12,234**
Operating income	**199**	**927**	**324**	**345**
Financial income and expense:				
- income	324	1,684	851	1,956
- expense	(175)	(924)	(159)	(563)
Net financial income (expense)	**149**	**760**	**692**	**1,393**
Adjustments to financial assets	**(102)**	**(393)**	**(222)**	**(587)**
Extraordinary income and expense:				
- income	35	139	7	212
- expense	(20)	(106)	(80)	(118)
Extraordinary income (expense), net	**15**	**33**	**(73)**	**94**
Pre-tax income for the period	**261**	**1,327**	**721**	**1,245**
Minority interest in result for the period	(2)	(4)	5	4
Group income for the period before taxes	**263**	**1,331**	**716**	**1,241**

ANALYSIS OF NET DEBT

(thousands of euros)

	09.30.2002	06.30.2002	12.31.2001	09.30.2001
Short-term investments	27,776	28,632	4,200	29,241
Cash and cash equivalents	16,925	16,469	44,309	16,340
Short-term bank debt and current portions of long-term bank debt	(944)	(62)	(99)	(61)
Bonds issued falling due within 12 months	(9,128)	(9,023)	-	-
Net cash and cash equivalents (A)	**34,629**	**36,016**	**48,410**	**45,520**
Bonds issued falling due beyond 12 months	-	-	(10,212)	(10,118)
Medium- to long-term debt	(471)	(505)	(503)	(542)
Medium- to long-term indebtedness (B)	**(471)**	**(505)**	**(10,715)**	**(10,660)**
Net liquidity / (debt) (A)+(B)	**34,158**	**35,511**	**37,695**	**34,860**

GROSS INVESTMENT IN FIXED ASSETS

(thousands of euros)

	Q3 2002	Jan. 1-Sept. 30, 2002	Q3 2001	Jan. 1-Sept. 30, 2001
Intangibles	21	200	-	13,814
Tangibles	339	607	169	1,804
Financial	-	-	-	4,282
Total	**360**	**807**	**169**	**19,900**

NOTES TO THE CONSOLIDATED QUARTERLY ACCOUNTS

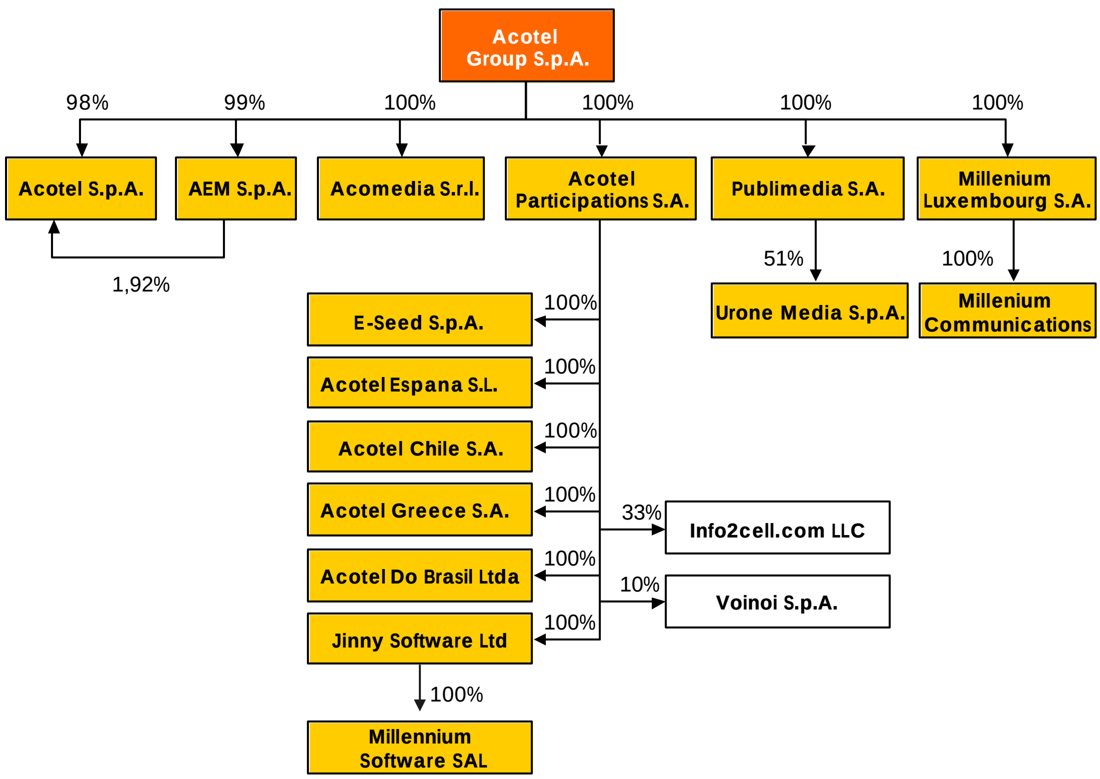
BASIS OF PRESENTATION

The consolidated accounts as of September 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 Annex 3D of resolution no. 11971 of May 14, 1999, integrated by the regulations contained in the "Regulations for the New Market organized and managed by Borsa Italiana S.p.A.".
The accounts as of March 31, 2002 used as the basis for the consolidated accounts 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 quarterly accounts include the financial statements 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 Company has availed itself of the right granted by the above CONSOB resolution, reporting the pre-tax result for the period.

The following chart shows the structure of the Acotel Group as of September 30, 2002. During the quarter under examination the Group acquired control of *E-Seed Telecommunications S.p.A*, in which it already held 50%, and of *Urone Media S.p.A*, a newly established company in which the Group has a 51% equity holding.



As a result of the Group's acquisition of the entire share capital of *E-Seed Telecommunications S.p.A.* on July 10, 2002, as of July 1, 2002 the above company's accounts are consolidated on a line-by-line basis, whilst being previously consolidated in accordance with the equity method.
This has led to the reclassification of all Balance Sheet and Income Statement items in *E-Seed.*'s accounts, with the effects backdated to cover 2002 as a whole. This was done to reflect adoption of the new method of consolidation on a line-by-line basis, with respect to the previously used method, which merely posted the Group's interest in the company's operating result to adjustments to financial assets in the Consolidated Income Statement.

The following table provides summary information on consolidated companies held, directly or indirectly, by *Acotel Group S.p.A.*, the Parent Company.

Company	Date of acquisition	Group's ownership (%)	Registered office	Share capital	
Acotel S.p.A.	April 28, 2000	99.9%	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%	Chile	USD	50,000
Acotel Espana S.L.	April 28, 2000	100%	Spain	EURO	3,000
Acotel Greece S.A.	April 28, 2000	100%	Greece	EURO	61,855
Acotel Do Brasil LTDA	August 8, 2000 (1)	100%	Brazil	BRL	50,000
Jinny Software Ltd.	April 9, 2001	100%	Ireland	EURO	2,927
Millennium Software SAL	April 9, 2001	99.9%	Lebanon	LPD	30,000,000
E-Seed Telecommunications S.p.A.	July 10, 2002 (2)	100%	Rome	EURO	400,000
Millenium Luxembourg S.A.	April 28, 2000	100%	Luxembourg	EURO	38,850
Millenium Communications S.A.	April 28, 2000	100%	Luxembourg	EURO	199,800
Publimedia S.A.	April 28, 2000	100%	Luxembourg	EURO	38,850
Urone Media S.p.A.	July 2, 2002 (1)	51%	Rome	EURO	200,000

(1) The date of entry into the Group coincides with the date of the company's incorporation
(2) Previous to this date the Group already held 50% of the company's share capital, posted to investments in associated companies.

The analysis of net debt as of September 30, 2002 is compared with the corresponding data as of June 30, 2002, December 31, 2001 and September 30, 2001.

The table showing gross investments for the third quarter of 2002 and the period January 1 – September 30, 2002 is compared with the corresponding data for the same periods of 2001.

CONSOLIDATION PRINCIPLES

Minority interest in income before taxes

The minority interest in the income of companies in which the Acotel Group does not own 100% of the share capital are recorded in specific items in the accounts.

Related party transactions

Profits and losses and revenues and costs deriving from transactions between consolidated companies and not yet realized in relation to third parties are eliminated.

Foreign currency translation

The income statements of foreign registered companies are translated into euro applying average exchange rates for the period as published by the Italian Exchange Office.

OTHER INFORMATION

With the exception of the new accounting treatment of the subsidiary, *E-Seed*, the accounting policies applied have not been modified with respect to the previous report.

The data shown is not based on estimates.

This quarterly report is unaudited.

NOTES TO THE INCOME STATEMENT

Revenues from sales and services

The following table shows segment information regarding revenues from sales and services:

(thousands of euros)

	2002		2001	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
VAS SERVICES TO NETWORK OPERATORS	2,746	7,873	1,896	5,789
CORPORATE VAS SERVICES	145	542	213	651
SOFTWARE DEVELOPMENT	258	616	-	-
DESIGN OF DATA COMMUNICATIONS EQUIPME	458	2,417	2,024	4,762
DESIGN OF SECURITY SYSTEMS	176	542	343	773
OTHER REVENUES	2	4	-	-
Total	**3,785**	**11,994**	**4,476**	**11,975**

Value added services (VAS) provided to network operators, amounting to 2,746 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.
Since July 1, 2002 the roll-out of the new MMS (Multimedia Messaging Services) system has taken place. The services, which have so far been introduced on an experimental basis and are being offered free of charge, combine sound and color pictures and animation with the usual text format. Despite the as yet limited number of MMS-capable handsets purchased, in the first four months after launch the Group's multimedia platform has transmitted over 2.4 million MMS over TIM's network.

Revenues from services to corporate customers amounted to 145 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.

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 458 thousand euros in the third quarter of 2002, and mainly regard contracts entered into with mobile phone operators in Ireland, Kuwait, Jordan, the United Arab Emirates, Egypt and Oman

Revenues from software applications development, amounting to 258 thousand euros, regard work carried out on behalf of *Voinoi S.p.A.*, an *Acea Group* subsidiary, to which the Group has supplied a data transmission platform worth around 7.7 million euros.

Revenues from the design and production of electronic security equipment, amounting to 176 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 revenues from sales and services is as follows:

(thousands of euros)

	2002		2001	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
ITALY	3,366	11,063	2,453	7,167
EUROPE	8	105	132	418
MIDDLE EAST	411	821	1,517	3,368
LATIN AMERICA	-	5	374	1,022
Total	**3,785**	**11,994**	**4,476**	**11,975**

Operating costs

Purchases of goods and services and lease expense

This item includes the following:

(thousands of euros)

	2002		2001	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
Raw and ancillary materials and consumables	123	323	406	1,711
Service costs	890	3,556	1,148	3,710
Lease expense	269	897	228	494
Total	**1,282**	**4,776**	**1,782**	**5,915**

The *costs of raw and ancillary materials and consumables* mainly relate to the purchase of the materials used in the construction of telecommunications equipment. The decrease reported in both the third quarter and the nine months to September 30, 2002 is due to reduced production activity during the year.

Service costs for the third quarter of 2002 amounted to 890 thousand euros, whilst the figure for the first nine months of 2002 totals 3,556 thousand euros.
The most significant item during the period regards consultants' fees of 360 thousand euros, including professional services of a commercial, administrative, legal and technical nature supplied to the 16 Group companies. Such services are linked to the development of new areas of business, technical and technological updates of operating systems and the development of services and equipment, with the aim of optimizing the Group's structure and the related internal processes. Consultants' fees also include the cost of outsourcing a number of administrative functions.
The cost of connection to terrestrial and satellite transmission networks, linked to the supply of value added services, totaled 146 thousand euros, whilst the cost of the information acquired from content providers amounted to 63 thousand euros, partly due to the reduction in activity normally seen during the summer season.
Directors' and Statutory Auditors' fees for the quarter amounted to 112 thousand euros.
The remaining portion relates to general overhead (utilities, management and maintenance of the buildings from which Group companies operate, insurance, etc.) incurred in the course of the Group's ordinary operations.

Lease expense includes rental costs related to the buildings from which Group companies operate.

Labor costs

Labor costs break down as follows:

(thousands of euros)

	2002		2001	
	July 1-Sept. 30	**Jan. 1-Sept. 30**	**July 1-Sept. 30**	**Jan. 1-Sept. 30**
Wages and salaries	1,193	3,386	956	2,426
Social security contributions	272	760	161	495
Employee severance indemnities	39	127	34	91
Other costs	63	179	27	54
Total	**1,567**	**4,452**	**1,178**	**3,066**

The significant increase in the Group's size, as a result of both organic growth and the acquisitions carried out, has given rise to the substantial rise in labor costs.

The following table provides a breakdown of the number of employees by category as of September 30, 2002 and a comparison of the average numbers for the years 2001 and 2002:

	9-30-2001	Average Q3 2002	Average Q3 2001	Average 9 months 2002	Average 9 months 2001
Senior managers	14	14	16	14	10
Middle managers	6	7	2	6	3
Staff	116	104	86	103	60
Total	**136**	**125**	**104**	**123**	**73**

The following table shows the geographical distribution of the Group's human resources.

	9-30-2002	9-30-2001
Italy	77	55
Ireland	21	23
Lebanon	32	21
Brazil	3	3
United Arab Emirates	3	2
Total	**136**	**104**

Amortization, depreciation and write-downs

Details of these items are provided in the following table:

(thousands of euros)

	2002		2001	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
Amortization of intangible assets	456	1,293	1,042	2,769
Depreciation of tangible assets	243	672	170	463
Provisions for doubtful accounts	14	14	-	-
Total	**713**	**1,979**	**1,212**	**3,232**

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 336 thousand euros and 12 thousand euros, respectively.
The significant reduction in this item with respect to 2001 is due to completion of amortization of the costs incurred for the Stock Exchange listing of the Parent Company, *Acotel Group S.p.A.*. Such amortization amounted to 588 thousand euros during the third quarter of 2001.

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

Other operating costs

During the third quarter of 2002, such costs amounted to 33 thousand euros and included general overhead incurred by Group companies in carrying out their ordinary operations.

Financial income and expense

Net financial income amounted to 149 thousand euros for the third quarter.
Such a result derives from short-term investment of liquidity in bonds or repurchase agreements, or deposited in the current bank accounts of Group companies. Interest income on the investment of liquidity totaled 197 thousand euros during the quarter. In keeping with the correct application of accounting principles, further unrealized interest income, totaling 141 thousand euros, has not been posted to the Income Statement. Such interest derives from existing short-term investments in money-market and bond funds, valued at the lower of cost and market value. Such interest will be recognized only on realization.

Foreign currency transactions generated net income of 18 thousand euros in the third quarter of 2002. Such income derives from foreign exchange adjustments applied to the bonds (with a value of 9 million US dollars) issued by the subsidiary, *Acotel Participations S.A.*, in part payment for its purchase of *Jinny Software*, net of the Group's outstanding foreign currency hedges.
The figure reflects the substantial stability of exchange rates during the period, whilst since the beginning of the year the net profit on foreign currency adjustments amounts to 374 thousand euros.

Other financial expense during the third quarter amounted to 66 thousand euros. It includes, in addition to bank interest, 38 thousand euros as coupon interest on the above bonds issued, which is calculated at an annual rate of 1.5%.

Adjustments to financial assets

Such adjustments amount to 102 thousand euros for the third quarter of 2002, and represent the write-down of the interest in *Info2cell* carried out to adjust the value of the holdings in accordance with application of the equity method.

FINANCIAL REVIEW

Operating performance

The most important events for the Group during the third quarter of 2002 were:

- the introduction of MMS (Multimedia Messaging Services);
- the incorporation of *Urone Media S.p.A.*;
- the receipt of an order for the supply of network equipment to the Yemen;
- the start of trials of an MMS environment for a Jordanian operator.

On July 1, 2002, the Acotel Group started providing value added information services using MMS (Multimedia Messaging Services) technology.
Despite the as yet limited number of MMS-capable handsets purchased, in the first four months after launch the Group's multimedia platform has transmitted over 2.4 million MMS over TIM's network
The Group's position as one of the world's leading suppliers of services using new technologies has both helped to strengthen its partnership with Italy's number one mobile operator, and confirmed the wisdom of its strategic decision to concentrate on services. Indeed, as all the various industry surveys have confirmed, the ability to differentiate services will play a key role in the battle to acquire new customers.

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.
Urone Media aims to be a media company specializing in the creation and marketing of advertising messages on mobile and non-mobile interactive systems.
In October *Urone Media* created two applications linked to *Nokia*'s presence at the *SMAU*, Italy's most important technology industry fair. The first application involved the virtual distribution via SMS, of invitations to attend the fair to members of *Club Nokia*, and the attribution of credits to spend on *gadgets* available on the Finish company's web site. The second, targeted at participants in the fair, managed access to the stands where visitors were able to try out new models of mobile phone and play specially developed games designed to attract customers and develop loyalty.

On August 13 *Jinny Software* signed a contract with *Sabafon*, the leading provider of GSM mobile services in the Yemen, for the supply of a Short Message Service Center (SMS-C) capable of operating over both *GSM* and *GPRS* networks. In addition to traditional SMS, the center can also supply the latest type of message such as EMS (Enhanced Messaging Service) and MMS (Multimedia Messaging Services).
The agreement has enabled the Group to establish an important business relationship with the leading mobile operator in a country expected to see rapid growth in demand for mobile information services.

On August 20, 2002 *Fastlink* became the first operator in the Middle East to offer MMS services via the platform supplied on a trial basis by *Jinny Software*. As of this date the customers of Jordan's number one GSM operator can send and receive sophisticated multimedia messages, combining pictures and sound with written text. Subscribers to the service can exchange photos as they are taken, or download voice messages and polyphonic music or melodies for ring tones from specially created archives.

Info2cell reported a positive performance during the period, reinforcing its role as the leading provider of mobile information services in the Middle East. The company attracted 120,000 subscribers for its alert service covering the results of the games in the Soccer World Cup held in Korea and Japan during the month of June, and has 100,000 customers for its breaking news service.

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.

Results of operations

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

	2002		2001	
(thousands of euros)	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
Total revenues	3,795	12,231	4,519	12,579
Materials and service costs	1,316	4,873	1,805	5,936
Gross margin	**2,479**	**7,358**	**2,714**	**6,643**
	65.32%	*60.16%*	*60.06%*	*52.81%*
Labor costs	1,567	4,452	1,178	3,066
EBITDA	**912**	**2,906**	**1,536**	**3,577**
	24.03%	*23.76%*	*34.01%*	*28.43%*
Depreciation	243	672	170	463
Amortization	456	1,293	1,042	2,769
Provisions for doubtful accounts	14	14	-	-
EBIT	**199**	**927**	**324**	**345**
	5.24%	*7.58%*	*7.19%*	*2.74%*
Net financial (expense) income	149	760	692	1,393
Income (loss) from ordinary activities	**348**	**1,687**	**1,016**	**1,738**
	9.17%	*13.79%*	*22.49%*	*13.81%*
Adjustments to financial assets	(102)	(393)	(222)	(587)
Extraordinary income (loss), net	15	33	(73)	94
Pre-tax income	**261**	**1,327**	**721**	**1,245**
	6.88%	*10.85%*	*15.97%*	*9.90%*
Minority interest	(2)	(4)	5	4
Pre-tax income attributable to the Group	**263**	**1,331**	**716**	**1,241**
	6.93%	*10.88%*	*15.84%*	*9.86%*

Whilst an analysis of the results for the third quarter reveals a downturn with respect to the same period of the previous year, a look at the first nine months shows an operating performance substantially in line with 2001. In both cases total revenues for the period January-September were in excess of 12 million euros, whilst the net profit margin was around 10%.
Revenues from sales and services for the third quarter of 2002 amounted to 3,785 thousand euros, whilst the figure for the first nine months of 2002 was 11,994 thousand euros.
The reduction in the third quarter of 2002 compared with the same period of 2001 was due to the different timing of when revenues were earne d and when the completion of contact work in progress took place. In 2002 the greatest benefits were seen in the second quarter, in contrast to what happened in 2001.
An analysis of turnover by business segment reveals differing performances of revenues over the two periods.

Revenues from sales and services by business segment

(thousands of euros)

	2002		2001	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
VAS SERVICES TO NETWORK OPERATORS	2,746	7,873	1,896	5,789
CORPORATE VAS SERVICES	145	542	213	651
SOFTWARE DEVELOPMENT	258	616	-	-
DESIGN OF DATA COMMUNICATIONS EQUIPMI	458	2,417	2,024	4,762
DESIGN OF SECURITY SYSTEMS	176	542	343	773
OTHER REVENUES	2	4	-	-
Total	**3,785**	**11,994**	**4,476**	**11,975**

Whilst the third quarter reports a reduced contribution from the “design of data communications equipment” compared with the previous year, when the corresponding period witnessed the completion of a number of large contracts, the over composition of revenues as of September 30 reveals the importance of the value added services provided to network operators, which rose 35% on the previous year.

As mentioned previously, revenues from the design and development of data communications equipment from the beginning of the year declined to 2,417 thousand euros. During 2002 this business, which supplies mobile operators and other service providers with plant and equipment used in the provision of W-VAS (*Wireless Value Added Services*), has suffered the effects of uncertainty in the sector. This is mainly linked to the general economic crisis that has hit international markets in recent months, leading the Group’s principal customers to effect significant cuts in new investment. On the other hand, the recent agreements negotiated with leading operators (*Vodafone Ireland*, *Sabafon*) appear to point to a upturn in this segment, which has an extremely important role to play in the Group’s business diversification strategy. The most significant element of turnover during 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 the relative maintenance, supplied to mobile telephone operators in the Middle East (*Fastlink, Batelco,* and *Watanya*), as well as to *Vodafone Ireland*.

Revenues from software development, totaling 228 thousand euros during the third quarter and 616 thousand euros from the beginning of the year, derive from the current contract with *Voinoi S.p.A.*.

Revenues from the provision of services to corporate customers amounted to 145 thousand euros during the third quarter, whilst the figure for the first nine months of 2002 is 542 thousand euros.

Revenues from the design of security systems amounted to 542 thousand euros during the first nine months of the year. Such revenues primarily derive from the maintenance services and technical assistance provided by the subsidiary, *AEM S.p.A.*, for remote surveillance systems installed at police headquarters in Italy.

Operating costs witnessed a reduction in expenditure on materials and external services, which were down 27% for the quarter and 18% for the first nine months of the year compared with the same periods of 2001. The decrease is due to efficiency improvements within the Group, as already mentioned in the interim report for the first half. Such improvements are due to economies of scale deriving from the decision to increasingly carry out a large number of processes in-house, rather than use external contractors as before. Whilst benefiting from this new arrangement, EBITDA amounted to 2,906 thousand euros, reflecting the rise in labor costs resulting from the significant growth in the Group's structure since last year.

Amortization, depreciation and write-downs from the beginning of the year were, on the other hand, down at 713 thousand euros and 1,979 thousand euros, following completion of the amortization of the capitalized charges relating to the Parent Company's Stock Market listing at the end of 2001.
The reduction in such charges resulted in EBIT of 927 thousand euros for the nine months, representing an improvement of 582 thousand euros on the same period of 2001.

Interest income was down on the previous year, due to the fact that, in keeping with the correct application of accounting principles, accrued but unrealized interest income, totaling 141 thousand euros for the third quarter and 317 thousand euros for the first nine months, has not been posted to the Income Statement. Such interest derives from existing short-term investments in money-market and bond funds.

As a result of the write-down of the interest in *Info2cell*, and after extraordinary items, pre-tax income for the third quarter amounted to 263 thousand euros, whilst the figure for the first nine months of the year stand at 1,331 thousand euros, therefore slightly up on the same period of 2001.

Analysis of net debt

Net cash and cash equivalents as of September 30, 2002 amount to 34,158 thousand euros, substantially unchanged with respect to the beginning of the year.
The sole significant change, mentioned previously in the interim report for the six months ended June 30, 2002, is the classification of the bonds issued by *Acotel International*, in connection with the

undertakings given at the time of the acquisition of *Jinny Software* and subscribed by the previous owners of the Irish subsidiary, under net cash and cash equivalents.
The principal characteristics of the bonds are as follows:

- date of issue: August 2, 2001;
- par value: USD 9,000,000;
- coupon interest: 1.5% per year;
- date of maturity: April 9, 2003;
- redemption: lump sum on maturity.

Gross investment in fixed assets

Gross investment carried out during the third quarter of 2002 mainly concerned ordinary operations in connection with upgrading and expansion of technological and operating infrastructures.
Acquisitions of intangible assets primarily refer to new software applications used in operations, whilst investment in tangible assets primarily regarded the upgrading of the data transmission platform installed in the Group's Rome office.

The reduction in investment activity, compared with 2001, reflects the extraordinary nature of events that took place during the previous year, when various operations were launched to acquire equity investments (*Info2cell*, *Jinny Software*, *E-Seed*, *Voinoi*).

SUBSEQUENT EVENTS

In October the Group signed a contract with *Vodafone Ireland* regarding the upgrading of the operator's Messaging Gateway platform, previously supplied to Ireland's leading mobile telecommunications company. The contract further strengthens *Jinny*'s ties with the Irish subsidiary of one of the world's largest mobile telecommunications groups.

A preliminary agreement was also signed after September 30 with the number one mobile operator in the Congo. The agreement regards the supply of SMS and Voice Mail platforms.

OPERATING OUTLOOK

The coming months should see the Group's revenues from services provided to network operators grow as a result of the increasing availability of MMS-capable handsets, which is expected to receive a boost over the Christmas period.

The Group's income from the design and development of data transmission equipment is expected to pick up during the first half of 2003. This will be due to a general recovery in demand, driven by the need for MMS and Mobile Instant Messaging platforms, and the decision to exploit market niches offering contract terms linking the Group's earnings to the commercial results of the services provided by operators, who are not obliged to purchase the equipment before introducing the related services.