REPORT ON GROUP OPERATIONS
FOR THE THREE MONTHS FROM JANUARY 1 TO MARCH 31, 2003

CONSOLIDATED QUARTERLY ACCOUNTS

CONSOLIDATED INCOME STATEMENT
for the period from January 1 to March 31, 2003

- lease expense	321	207
- labor costs	1.631	1.482
- amortization, depreciation and write-downs	775	618
- change in raw and ancillary materials and consumables	(4)	(6)
- other expenses	77	32
Total	**4.966**	**3.442**
Operating income	**73**	**70**
Financial income (expense), net	**49**	**322**
Adjustments to financial assets	**(102)**	**(326)**
Extraordinary income (expense), net	**40**	**17**
Income (loss) for the period	**60**	**83**
Minority interest	2	1
Group interest in income (loss) for the period	**58**	**82**

ANALYSIS OF CONSOLIDATED FINANCIAL POSITION

(thousands of euros)

	03.31.2003	03.31.2002
Short-term investments	31.694	21.660
Cash and cash equivalents	7.065	15.600
Short-term bank debt and current portions of long-term bank debt	(118)	(62)
Bonds maturing within 12 months	(890)	(925)
Cash and cash equivalents (short-term indebtedness), net (A)	**37.751**	**36.273**
Bonds maturing beyond 12 months	-	-
Medium- to long-term portion of debt and other loans	(445)	(445)
Medium- to long-term indebtedness (B)	**(445)**	**(445)**
Net liquidity (A)+(B)	**37.306**	**35.828**

GROSS INVESTMENTS IN FIXED ASSETS

(thousands of euros)

	1Q2003	1Q2002
Intangible assets	1,852	33
Tangible assets	1,290	215
Long-term financial assets	-	-
Total	**3,142**	**248**

NOTES TO THE CONSOLIDATED QUARTERLY ACCOUNTS

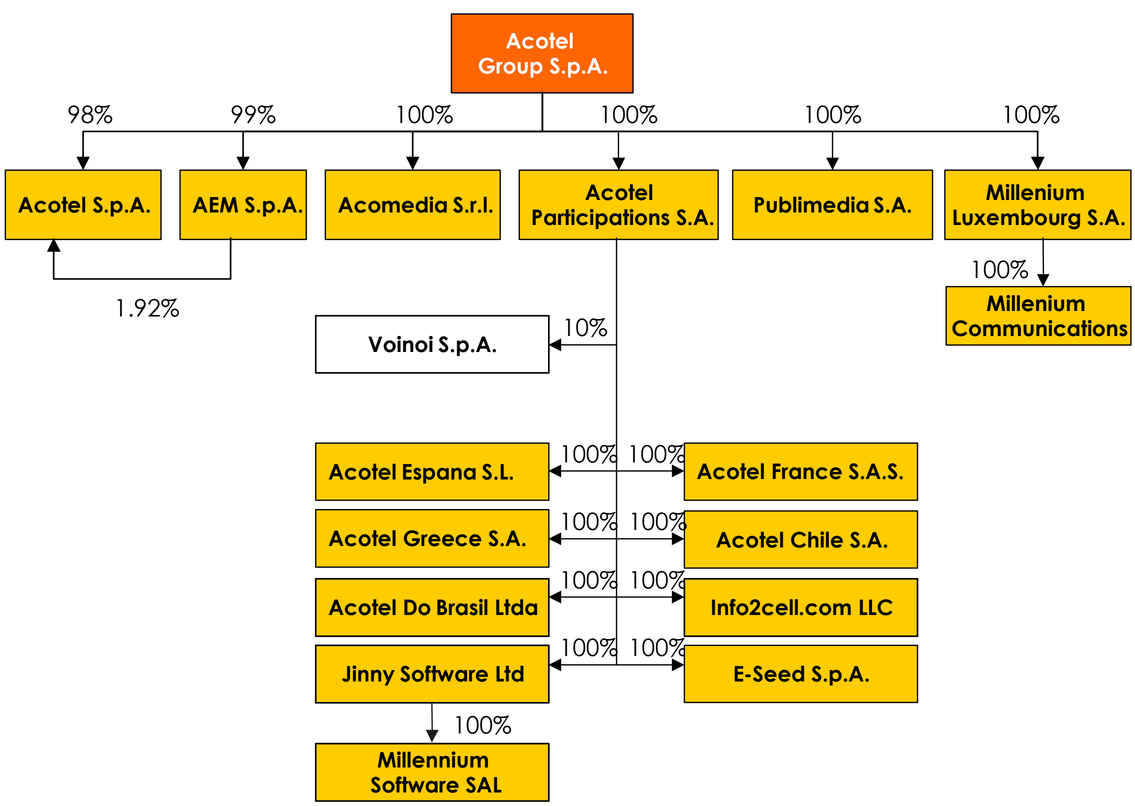
BASIS OF PRESENTATION

The consolidated accounts as of March 31, 2003 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, 2003 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 result for the period before income taxes.

The following chart shows the structure of the Acotel Group as of March 31, 2003.



On April 10, 2003 the Group sold its entire 51% holding in *Urone Media S.p.A.* to a third party. However, on the basis of agreements entered into with the buyer, who has acquired title to all the assets, liabilities, revenues and costs attributable to the interest sold, *Urone Media* has been deconsolidated with effect from this Report.

On January 29, 2003 the Group become the owner of 100% of the share capital of *Info2cell.com LLC-FZ* (United Arab Emirates), in which it already held 33%. On the basis of the sales agreement, however, the company has been consolidated with effect from January 1, 2003.

The following table shows key data regarding consolidated companies directly or indirectly controlled by the Parent Company, *Acotel Group S.p.A.*.

Company	Date of acquisition	Group's interest (%)	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 17,310
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
Acotel France S.A.S.	October 22, 2002 (1)	100%	France	EURO 40,000
Jinny Software Ltd.	April 9, 2001	100%	Ireland	EURO 2,927
Millennium Software SAL	April 9, 2001	99.9%	Lebanon	LPD 30,000,000
Info2cell.com LLC-FZ	January 29, 2003 (3)	100%	United Arab Emirates	USD 5,000,000
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

(1) The date of the company's entry into the Group coincides with its incorporation
(2) Prior to such date the Group already held 50% of the company's share capital, posted to equity investments in associated companies.
(3) Prior to such date the Group already held 33% of the company's share capital, posted to equity investments in associated companies.

The analysis of net debt as of March 31, 2003 is compared with the corresponding data as of December 31, 2002.

The table showing gross investments for the period January 1 – March 31, 2003 is compared with the corresponding data for the same period of 2002.

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

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 of goods and services

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

(thousands of euros)	1Q2003	%	1Q2002	%
VAS SERVICES TO NETWORK OPERATOI	3,745	74.4%	2,501	71.7%
CORPORATE VAS SERVICES	81	1.6%	278	8.0%
DESIGN OF ICT EQUIPMENT	873	17.3%	528	15.1%
DEVELOPMENT OF SOFTWARE APPLICATIONS	129	2.6%	111	3.2%
SECURITY SYSTEMS	203	4.0%	71	2.0%
OTHER	4	0.1%	-	0.0%
	5,035	100%	**3,489**	100%

Value added services provided to Network Operators generated revenues of 3,745 thousand euros during the first quarter, registering growth of 50% with respect to the same period of 2002.

This amount includes revenues earned by the subsidiary, *Acotel S.p.A.*, on the services provided to *Telecom Italia Mobile,* amounting to 3,254 thousand euros, revenues earned by the subsidiary, *Info2cell* (United Arab Emirates), from leading Middle-eastern mobile operators, totaling 287 thousand euros, and revenues generated by *Jinny Software* (Dublin) from *Vodafone Ireland*, amounting to 204 thousand euros. Revenues during the same period of 2002 derived exclusively from the relationship with *TIM.*

The services offered to *TIM*, which saw a 30% increase in revenues during the first quarter of 2003, have different names according to the access mode and operating standard used - *Scriptim* (GSM), *Voicetim* (voice) and *Waptim* (WAP). The services enable customers to receive information or services and entertainment via a number of thematic channels (news, sport, finance, weather, horoscope, transport, cinema, theater, games, etc.). *Scriptim* services also include the new MMS (Multimedia Message Services) and EMS (Enhanced Message Services) launched in 2002. The new services allow users equipped with an appropriate handset to receive not only text but messages containing pictures and sound.

The revenues from services provided to corporate customers totaled 81 thousand euros.

Via its Irish subsidiary, *Jinny Software,* the Acotel Group supplies ICT equipment designed to meet the specific needs of customers. In addition to the sale of such equipment and the related licenses, the

Group provides ongoing remote or on site technical assistance and technology upgrades in return for an annual fee.
ICT revenues in the first quarter of 2003 totaled 873 thousand euros, representing an increase of 65% on the same period of 2002. Sales in this segment primarily regard contracts with mobile operators in Ireland, Kuwait, Jordan, the United Arab Emirates, Egypt, Bahrain, Sudan and Oman.

Revenues from the design and production of electronic security systems amounted to 203 thousand euros and refer to the design, production and installation of alarm control systems and the supply, installation and maintenance of remote surveillance hardware and software.

Revenues from the development of software applications totaled 129 thousand euros and regard the contract with *Voinoi S.p.A.*.

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

(thousands of euros)	1Q2003	%	1Q2002	%
ITALY	3.709	73,7%	2.961	84,9%
EUROPE (Outside Italy)	323	6,4%	150	4,3%
MIDDLE EAST	1.003	19,9%	373	10,7%
LATIN AMERICA	-	0,0%	5	0,1%
	5.035	100%	**3.489**	100%

Operating costs

Purchases of goods and services and lease expense

This item includes the following:

(thousands of euros)	1Q2003	1Q2002
Raw and ancillary materials and consumables	175	114
Service costs	1,991	995
Lease expense	321	207
	2,487	**1,316**

The *cost of raw and ancillary materials, consumables and goods for resale* refers primarily to materials used in the production of telecommunications equipment.

Service costs during the first quarter of 2003 amounted to 1,991 thousand euros, compared with 995 thousand euros during the same period of 2002.
The main component of this item consists of the cost of the information acquired from content providers, amounting to 719 thousand euros and representing 36% of total service costs. The next most significant item is consultants' fees, which totaled 497 thousand euros. Such fees relate to the cost of commercial, administrative, legal and technical services supplied to the Group's 17 companies as support for their activities, in relation to technical and technological upgrades of their operating systems and to develop services and equipment. This component also regards the cost of outsourcing certain administrative functions.
Other components of service costs are the cost of connection to land-based and satellite transmission networks used in the supply of valued added services, amounting to 96 thousand euros, the cost of promotional initiatives undertaken by the Group in order to enhance its market visibility, amounting to 106 thousand euros, and remuneration due to directors and statutory auditors for the period, totaling 116 thousand euros.
The residue relates to general expenses (utilities, management and maintenance of the properties in which the Group's companies operate, insurance, and travel expenses, etc.) linked to ordinary operations.

Lease expense primarily regards rentals on the buildings in which Group companies operate.

Labor costs

Labor costs break down as follows:

(thousands of euros)	**1Q2003**	**1Q2002**
Wages and salaries	1,255	1,140
Social security contributions	263	259
Employee severance indemnities	46	39
Other costs	67	44
	1,631	**1,482**

The following table provides a breakdown of the average number of employees by category for the third quarters of 2002 and 2003:

	Average 1Q2003	Average 1Q2002
Senior managers	17	14
Middle managers	7	7
White-collar	133	92
Blue-collar	2	2
Total	**159**	**115**

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

	03-31-2003	03-31-2002
Italy	77	62
Ireland	21	21
Lebanon	33	30
Brazil	2	3
United Arab Emirates	16	2
Jordan	36	-
Total	**185**	**118**

The significant increase during the first quarter of 2003 compared with the same period of 2002 is due to the consolidation of the subsidiary, *Info2cell* (United Arab Emirates), whose employees number 49 and are located in Dubai (UAE) and Amman (Jordan).

Amortization, depreciation and write-downs

Details of these items are provided in the following table:

(thousands of euros)	**1Q2003**	**1Q2002**
Amortization of intangible assets	450	408
Depreciation of tangible assets	314	210
Provisions for doubtful accounts	11	-
	775	**618**

Amortization of intangible assets relates to amortization of goodwill arising from consolidation following the acquisition of the holdings in the subsidiaries, *AEM*, *Jinny Software* and *Info2cell*. The relevant sums amount to 12 thousand euros, 336 thousand euros and 61 thousand euros, respectively.

Depreciation of tangible assets relates primarily to telecommunications equipment and infrastructure used by Group companies.

Provisions for doubtful accounts regard trade receivables prudently held to be of uncertain recoverability.

Other expenses

This item amounted to 77 thousand euros during the first quarter of 2003 and includes other general expenses incurred by Group companies in the course of ordinary operations.

Financial income and expense

Net financial income amounted to 108 thousand euros for the first quarter.

This result includes interest income of 140 thousand euros earned on the short-term investment of liquidity in bonds or repurchase agreements, or on deposits in the current accounts of Group companies. Financial expense includes net losses on foreign exchange transactions (61 thousand euros), interest expense and bank charges (27 thousand euros) and interest expense on bonds issued (3 thousand euros).
In accordance with the correct application of accounting principles, further unrealized interest income of 59 thousand euros on existing short-term investments in money market funds, valued at the lower of cost and market value, has not been posted to the Income Statement.

The average rate of interest earned on short-term investments of liquidity during the first quarter of 2003 was approximately 2.45%.

Adjustments to financial assets

Such adjustments amounted to 102 thousand euros for the first quarter of 2003, and regard the loss generated by the sale of the majority holding in *Urone Media S.p.A.*, in which the Group held 51% of the share capital via the subsidiary, *Publimedia S.A.*.
The sale was completed on April 10, 2003 but, on the basis of agreements entered into with the buyer, who has acquired title to all the assets, liabilities, revenues and costs attributable to the interest sold, *Urone Media* has been deconsolidated with effect from this Report.

Extraordinary income and expense

Net extraordinary income totaled 40 thousand euros for the first quarter of 2003, deriving from non-recurring revenues and liabilities that were partly linked to income and costs accruing in 2002.

FINANCIAL REVIEW

Operating performance

The first quarter of 2003 saw the acquisition of a controlling interest in *Info2cell*, an agreement entered into with the "Holy See" regarding the supply of value added services with religious content and contracts signed by the subsidiary, *Jinny Software*, with a number of mobile operators.

On January 29, 2003 the Group completed the acquisition of 67% of the share capital of *Info2cell.com*, in which *Acotel Participations S.A*. already held the other 33%. The company, which is based in Dubai, operates as a Wireless Information Provider in partnership with the leading GSM operators in six Middle-eastern countries.
The acquisition has enabled *Acotel* to reinforce its presence in the Middle East, which is one of the fastest growing markets for value added mobile services in the world.
The transaction was completed at a cost to the Group of approximately 2 million US dollars, 1.8 million in cash and the remainder in the form of interest-free bonds maturing after 24 months, and subscribed by the subsidiary's strategic managers.

On the basis of a direct agreement with the Holy See, on January 15, 2003 the Group began supplying services with religious content and backup to the Vatican Press Office.
One service in particular, involving the transmission of the Pope's thought for the day, has had wide coverage in the national and international press. At noon each day subscribers to the service are sent an SMS containing a religious message from the Pope direct to their mobile phone.
This service, which is currently only available in Italian and only for *TIM* customers, generated more than 400,000 messages during the first quarter of 2003, and will soon be made available in other languages, thus making this prestigious content accessible to an even wider audience.

Jinny Software was awarded important contracts in Sudan and Belgium in early 2003.
The first regards the supply of an SMS-C platform to *Mobitel*, Sudan's leading mobile operator.
The second relates to the supply of a platform denominated MMS-Studio to the Belgian mobile operator, *Mobistar*. The new platform is a network environment that enables users to create and send MMS.

In the security sector, *AEM* has won orders for video surveillance equipment and the development and personalization of operating software for access control.

Results of operations

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(thousands of euros)	1Q2003	1Q2002
Total revenues	5,039	3,512
Materials and service costs	2,560	1,342
Gross margin	**2,479**	**2,170**
Labor costs	1,631	1,482
EBITDA	**848**	**688**
Depreciation	314	210
Amortization	450	408
Provisions for doubtful accounts	11	-
EBIT	**73**	**70**
Net financial income (expense)	49	322
Adjustments to financial assets	(102)	(326)
Income (loss) from ordinary activities	**20**	**66**
Extraordinary income (loss), net	40	17
Income (loss) for the period	**60**	**83**
Minority interest	2	1
Group interest in income (loss) for the period	**58**	**82**

The Acotel Group's performance during the first quarter of 2003 reports a significant increase in revenues compared with the same period of 2002 (up 43%) and EBITDA of 848 thousand euros, equal to an EBITDA margin of 17%. EBIT amounted to 73 thousand euros, substantially in line with the figure for the first quarter of 2002, whilst the Group's interest in income for the period stands at 58 thousand euros compared with the 82 thousand euros of the same period of the previous year.

As already noted in the annual report for 2002, the downturn in overall earnings, which continued into the first quarter of 2003, does not reflect the Group's true commercial potential, as borne out by a cost structure more suited to higher business volumes.

Business segment analysis

(thousands of euros)	1Q2003	%	1Q2002	%
VAS SERVICES TO NETWORK OPERATOI	3,745	74.4%	2,501	71.7%
CORPORATE VAS SERVICES	81	1.6%	278	8.0%
DESIGN OF ICT EQUIPMENT	873	17.3%	528	15.1%
DEVELOPMENT OF SOFTWARE APPLICATIONS	129	2.6%	111	3.2%
SECURITY SYSTEMS	203	4.0%	71	2.0%
OTHER	4	0.1%	-	0.0%
	5,035	100%	**3,489**	100%

The above analysis of revenues during the first quarter of 2003, compared with the same period of 2002, reveals growth across all segments, with the exception of corporate VAS services.

Value added services for network operators continued to represent the Group's most important area of business, with revenues of 3,745 thousand euros, equal to 74% of the total.
The increase of over 1.2 million euros with respect to the same period of 2002 reflects not only greater revenues from *Telecom Italia Mobile*, which remains the Group's principal customer with 3,254 thousand euros, but also the revenues earned by *Jinny Software* from the services provided to *Vodafone Ireland*, which totaled 204 thousand euros, and the consolidation of the subsidiary, *Info2cell*, whose revenues amounted to 287 thousand euros. The latter refer to value added services supplied to leading Middle-eastern telecommunications operators in Jordan, United Arab Emirates, Saudi Arabia, Egypt, Kuwait, Bahrain and Qatar.
Revenues from *TIM* rose by over 750 thousand euros due to greater demand for information services during the first three months of 2003, compared with the same period of 2002. This trend is borne out by the performance of *Scriptim*, the most important of the services offered and aimed at the GSM users served by Italy's leading mobile operator. This service registered over 82 million messages compared with 69 million in the first quarter of 2002. This included more than one million MMS (Multimedia Message Services), which, having been launched during 2002, are restricted by the limited number of handsets which support MMS.

The first quarter of 2003 witnessed a turnaround in revenues from the design and development of ICT equipment, which amounted to 873 thousand euros. This business, which aims to meet the demand from mobile operators and other service providers for plants and equipment used in the provision of W-VAS (*Wireless Value Added Services*), was hit by uncertainty in the sector during 2002. This was primarily linked to the general economic crisis that has struck international markets in recent months, leading the Group's major customers to cut back investment. The trend during the first quarter of 2003 would appear to provide some evidence of a recovery in this segment, which is key to the success of the Group's diversification strategy. During the period the largest part of the revenues earned by this segment, which relates entirely to the activities of the subsidiary, *Jinny Software,* came from the contract for the production of SMS-C equipment, which produced revenues of 492 thousand euros. The remaining portion is represented by fees for technical assistance supplied to some of the Group's major mobile telecommunications customers in the Middle East (*Fastlink, Batelco, Watanya*), *Vodafone Ireland* and *Voinoi* (*Acea Group*) in relation to previously installed equipment.

Revenues from the development of software applications totaled 129 thousand euros and derive from the contract with *Voinoi S.p.A.*.

Revenues from corporate VAS during the period amounted to 81 thousand euros, down compared with the 278 thousand euros of the first quarter of 2002.

Revenues from security systems during the period totaled 203 thousand euros and derive primarily from maintenance and assistance carried out by the subsidiary, *AEM S.p.A.* for remote surveillance systems installed at police headquarters around Italy.

Operating costs report a significant increase in the cost of materials and external services, which rose from 1,342 thousand euros to 2,560 thousand euros. The main factor behind this change was the increase in the cost of purchasing content from providers outside the Group, which amounted to 719 thousand euros during the first three months of 2003, compared with the 75 thousand euros of the same period of the previous year. This increase is due to the different form of contract with the provider, *ANSA,* over the two periods. Until August 2002 the cost of the content was met directly by *TIM* and *Acotel*'s role was limited to that of service provider. Subsequently, *Acotel* became *ANSA*'s direct customer, bearing the cost of the content, in common with other content providers.
There were no other changes of note, given that the remaining increase in such costs was essentially due to the Group's growth in size between the first quarters of 2002 and 2003, with three new consolidated companies (*E-Seed, Info2cell* and *Acotel France*), and to the business development initiatives undertaken.

The increase in amortization and depreciation, which rose from 618 to 775 thousand euros, was a direct consequence of the increase in fixed assets, partly due to the Group's enlargement.

Financial income was down compared with the same period of 2002, due to the fall in interest rates from one period to another and the reduced volume of liquidity invested. Net liquidity as of March 31, 2002 amounted to over 48.2 million euros, compared with the approximately 37.7 million euros of March 31, 2003.

After the adjustment to financial assets, to take account of the loss made on the sale of the equity investment in *Urone Media S.p.A.,* and after extraordinary items and the minority interest, pre-tax income for the period amounts to 58 thousand euros.

Analysis of net debt

Net liquidity as of March 31, 2002 amounts to 37,306 thousand euros and reports an increase of approximately 1.5 million euros compared with December 31, 2002.

The value of the bonds referred to in the above table regard the debt securities issued by *Acotel Partcipations S.A.* in connection with the undertakings given at the time of the acquisition of *Jinny Software*.
The bonds, which have a residual value of 970 thousand US dollars as of March 31, 2003, were fully redeemed on April 9, 2003.

Gross investments in fixed assets

The significant value of the Group's gross investments during the first quarter, represented by 1,852 thousand euros in intangible fixed assets and 1,290 thousand euros in tangibles, reflects the consolidation of the subsidiary, *Info2cell*, which became a part of the Group as of January 29, 2003.
As of March 31, 2003 the subsidiary reports gross intangible fixed assets of 1,837 thousand euros, essentially represented by software licenses, and gross tangible fixed assets of 1,264 thousand euros, including the ICT platform, with a gross value of 918 thousand euros, used in the supply of value added services.
The Group's other companies do not report significant investments during the period, partly due to the substantial structural stability witnessed during the first quarter of 2003.

SUBSEQUENT EVENTS

In May the Group signed a cooperation agreement with *Ericsson* to jointly promote the use of *Acotel*'s value added MMS services by mobile operators, as well as games specially developed in the Java programming language specifically designed for mobile applications (J2ME), and other services enabling users to download polyphonic ringtones and animated images.
The agreement gives Acotel an excellent opportunity to market itself as the valued partner of one of the leading suppliers of telecommunications infrastructures, and to have a privileged channel through which to promote its applications to the global operators served by *Ericsson*.

May 7 witnessed the launch of the commercial phase of the agreement formerly entered into with *Libertel* regarding the supply of *MMS* on a *revenue sharing* basis to customers of Holland's number one mobile operator, and a member of the *Vodafone* Group.

Tests of the instant messaging platform to be operated by the Group under an outsourcing contract entered into with the Dutch company, *Trees*, were successfully completed. The company was established with the aim of developing multimedia chat lines for the general public in Holland, and creating communities of users linked to television or radio programs or events designed to bring together people with the same interests.

OPERATING OUTLOOK

The Group expects to see an improved *performance* from the services provided to network operators, in addition to an increase in the volume of traffic using the *TIM network*, and the consolidation of revenues from contracts with overseas mobile operators entered into, in Europe, by *Jinny Software* and, in the Middle East, by *Info2cell*.

With the aim of developing sales of its ICT equipment to mid-sized and large telecommunications operators, the Group intends to forge a business cooperation agreement with at least one major global vendor.

The Group aims to expand its presence in the electronic security systems market by leveraging its experience in fixed and mobile telephony, in order to create products integrating the latest technologies for transmitting images via the internet or via mobile networks with the requirements of control and surveillance systems.