



15th September, 2005

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Maltacom p.l.c. pursuant to Malta Financial Services Authority Listing Rules 8.6.1. and 8.6.19.

QUOTE

On Thursday, 15th September, 2005, The Board of Directors of Maltacom p.l.c. approved the Group's Financial Statements for the interim period ended 30th June, 2005.

An extract from the above-mentioned financial statements is attached.

UNQUOTE

A handwritten signature in blue ink, appearing to read "F. Salomone". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Dr. Francis Galea Salomone
Company Secretary**

Maltacom p.l.c.

Preliminary Statement of Group Results and State of Affairs

At and For the Period 1 January 2005 to 30 June 2005

	6 Months 30.06.05	6 Months 30.06.04	Year 31.12.04
	Lm000	Lm000	Lm000
FINANCIAL HIGHLIGHTS			
Revenue	26,728	26,947	54,676
Profit before taxation	7,666	6,178	11,998
Profit for the period	5,072	4,051	6,825
Total assets	113,599	125,343	115,658
Shareholders' funds	81,283	76,836	78,199
PROFIT AND LOSS ACCOUNT			
Revenue	26,728	26,947	54,676
Cost of sales	(12,989)	(15,007)	(29,853)
Gross profit	13,739	11,940	24,823
Other operating income	451	120	526
Administrative and distribution expenses	(5,488)	(5,235)	(9,933)
Other operating expenses	(1,223)	(331)	(977)
	(6,260)	(5,446)	(10,384)
Contributions for pensions and gratuities	-	-	(1,053)
Impairment loss on tangible assets	-	-	(175)
	-	-	(1,228)
Operating profit before financing costs	7,479	6,494	13,211
Financial income	350	113	226
Financial expenses	(248)	(356)	(891)
Net financing income/(costs)	102	(243)	(665)
Net reversal of impairment losses on equity investments	372	-	-
Losses on realisation of equity investments	(308)	-	(21)
Impairment loss on equity investments	-	-	(372)
Share of the result of associate	21	(73)	(155)
	85	(73)	(548)
Profit before tax	7,666	6,178	11,998
Income tax expense	(2,594)	(2,127)	(5,173)
Profit for the period/year	5,072	4,051	6,825
Earnings per share	5c0	4c0	6c7

BALANCE SHEET

	30.06.05	30.06.04	31.12.04
	Lm000	Lm000	Lm000
Assets			
Property, plant and equipment	64,013	70,010	67,240
Intangible assets	616	676	646
Investments in associates	933	998	906
Other investments	10,732	4,701	4,861
Finance lease receivables	270	-	-
Deferred tax assets	2,498	3,461	2,854
	-----	-----	-----
Total non-current assets	79,062	79,846	76,507
	-----	-----	-----
Inventories	900	925	902
Term deposit investment	50	-	50
Derivative asset used for hedging	2	-	-
Trade and other receivables	16,628	32,180	24,454
Cash at bank and in hand	14,736	11,127	12,480
	-----	-----	-----
Total current assets	32,316	44,232	37,886
	-----	-----	-----
Non-current assets classified as held for resale	2,221	1,265	1,265
	-----	-----	-----
Total assets	113,599	125,343	115,658
	=====	=====	=====
Equity			
Issued capital	25,328	25,328	25,328
Reserves	2,001	1,442	3,783
Retained earnings	53,954	50,066	49,088
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Total equity	81,283	76,836	78,199
	=====	=====	=====
Liabilities			
Interest-bearing loans and borrowings	6,992	10,442	8,717
Provisions	12	-	24
	-----	-----	-----
Total non-current liabilities	7,004	10,442	8,741
	-----	-----	-----
Current taxation	1,453	1,559	643
Interest-bearing loans and borrowings	8,377	12,492	9,409
Trade and other payables	15,482	24,014	18,666
	-----	-----	-----
	25,312	38,065	28,718
	=====	=====	=====
Total liabilities	32,316	48,507	37,459
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Total equity and liabilities	113,599	125,343	115,658
	=====	=====	=====

This report has been extracted from the unaudited interim financial statements of the Group which were approved by the Board of Directors on 15 September 2005. Comparative information for the year ended 31 December 2004 has been extracted from the audited financial statements for the year ended as at that date.

STATEMENT OF CHANGES IN EQUITY

	Total	Share capital	Other reserve	Hedging reserve	Fair value reserve	Insurance contingency reserve	Dividend payment reserve	Retained earnings
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000
At 1 January 2004	77,954	25,328	4,775	-	(26)	50	3,748	44,079
Profit for the period	4,051	-	-	-	-	-	-	4,051
Dividend approved by General Meeting	(3,748)	-	-	-	-	-	(3,748)	-
Interim dividend paid	(1,216)	-	-	-	-	-	-	(1,216)
Change in fair value of securities available-for-sale*	(315)	-	-	-	(315)	-	-	-
Deferred taxation	110	-	-	-	110	-	-	-
Transfer from retained earnings:								
- reversal of unrealised gains	-	-	(3,152)	-	-	-	-	3,152
At 30 June 2004	76,836	25,328	1,623	-	(231)	50	-	50,066
Profit for the period	2,774	-	-	-	-	-	-	2,774
Interim dividend paid	(1,621)	-	-	-	-	-	-	(1,621)
Changes in fair value of securities available-for-sale*	322	-	-	-	322	-	-	-
Deferred taxation*	(112)	-	-	-	(112)	-	-	-
Transfers to/from retained earnings:								
- unrealised gains	-	-	(47)	-	-	-	-	47
- transfer to insurance contingency reserve	-	-	-	-	-	50	-	(50)
- dividend proposed for approval by General Meeting	-	-	-	-	-	-	2,128	(2,128)
At 1 January 2005	78,199	25,328	1,576	-	(21)	100	2,128	49,088
Changes in fair value of securities available-for-sale*	148	-	-	-	148	-	-	-
Cash flow hedges – effective portion of changes in fair value*	2	-	-	2	-	-	-	-
Deferred taxation*	(10)	-	-	(1)	(9)	-	-	-
Dividends paid	(2,128)	-	-	-	-	-	(2,128)	-
Transfer from retained earnings:								
- unrealised gains	-	-	206	-	-	-	-	(206)
Profit for the period	5,072	-	-	-	-	-	-	5,072
At 30 June 2005	81,283	25,328	1,782	1	118	100	-	53,954

* Net income recognised directly in equity

CASH FLOW STATEMENT

	6 Months 30.06.05	6 Months 30.06.04	Year 31.12.04
	Lm000	Lm000	Lm000
Cash flows from operating activities			
Profit for the period	5,072	4,051	6,825
Adjustments for:			
Income tax expense	2,594	2,127	5,173
Depreciation, amortisation, impairment and write downs	4,511	4,923	10,043
Net financing (income)/costs	(74)	273	413
Share of the result of associates	(21)	73	155
Net (loss)/gain arising on disposal of property, plant and equipment equipment and transactions in investments	11	(13)	58
Net increase in provisions and write-offs/write backs	164	149	249
(Reversal of)/impairment loss on tangible assets and equity investments	(372)	-	547
Loss on realisation of equity investment	314	-	-
Reversal of unclaimed liabilities written back	8	-	-
Contribution for pensions and gratuities	-	-	1,053
	<u>12,207</u>	<u>11,583</u>	<u>24,516</u>
Working capital changes:			
Movement in inventories	112	(1)	(8)
Movement in debtors	7,792	(445)	8,117
Movement in creditors	(3,201)	450	(6,838)
Movement in associated undertaking's balances	(109)	187	29
Settlement of restructuring costs	(25)	(25)	(25)
	<u>16,776</u>	<u>11,749</u>	<u>25,791</u>
Cash generated from operations	16,776	11,749	25,791
Interest received	112	60	86
Interest paid on bank overdrafts	(4)	(58)	(83)
Net taxation paid	(1,372)	(86)	(3,552)
VAT paid on international interconnection revenue	-	-	(116)
Payment for pensions and gratuities	-	-	(940)
	<u>15,512</u>	<u>11,665</u>	<u>21,186</u>
Net cash from operating activities	15,512	11,665	21,186
Cash flows from investing activities			
Payments to acquire property, plant and equipment	(2,775)	(2,870)	(4,139)
Payments to acquire investments	(7,537)	(3,833)	(4,464)
Receipts from disposal of property, plant and equipment	1	10	25
Receipts from disposal and realisation of investments	1,945	-	211
Amounts advanced to associated undertakings	-	(7)	(7)
Repayment of amounts advanced to associated undertaking	7	-	-
Dividends received	-	1	1
Investment income received	44	-	144
	<u>(8,315)</u>	<u>(6,699)</u>	<u>(8,229)</u>
Net cash used in investing activities	(8,315)	(6,699)	(8,229)
Cash flows from financing activities			
Repayment of long-term borrowings	(1,717)	(2,397)	(4,624)
Dividends paid	(2,122)	(4,927)	(6,547)
Loan interest paid	(230)	(401)	(589)
	<u>(4,069)</u>	<u>(7,725)</u>	<u>(11,760)</u>
Net cash used in financing activities	(4,069)	(7,725)	(11,760)
Net increase/(decrease) in cash and cash equivalents	3,128	(2,759)	1,197
Cash and cash equivalents at 1 January	6,657	5,329	5,172
Effect of exchange rate changes in cash and cash equivalents	24	21	155
Cash pledged as guarantees	(12)	-	-
	<u>9,797</u>	<u>2,591</u>	<u>6,524</u>
Cash and cash equivalents at 30 June	9,797	2,591	6,524

Explanatory Notes

For the Period from 1 January 2005 to 30 June 2005

1 Basis of preparation

This interim financial report has been compiled in compliance with the requirements of International Accounting Standard 34 'Interim Financial Reporting' promulgated by the International Accounting Standards Board and complies with the Listing Rules published by the Listing Authority of the Malta Financial Services Authority.

The interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs as of 15 September 2005 that are effective (or available for early adoption) at 31 December 2005. Based on these IFRSs, management has applied the accounting policies that they expect to apply when the financial statements are prepared for the year ended 31 December 2005 in compliance with IFRSs effective at that date.

However, the IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 December 2005 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2005.

2 Segmental information

	Revenue	Segment result
	Lm000	Lm000
Regulated Activities:		
Core Network	1,215	(165)
Local Access Network	3,364	(1,273)
Retail Business	12,177	6,247
Other Business	8,718	2,364
Non-Regulated and Other Activities	1,254	306
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	<u>26,728</u>	<u>7,479</u>

3 Property, plant and equipment

Movements on property, plant and equipment during the period were:

	Lm000
Net Acquisitions	296
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4 Changes in contingent liabilities

Local guarantees provided by the Company and subsidiary undertakings in favour of third parties have changed from Lm20,500 and Lm7,307 to Lm80,500 and Lm5,020 respectively.

4 Changes in contingent liabilities (continued)

Furthermore, the Company and the Group's cellular provider have, with effect from 1 October 2004, and in compliance with a formal decision by the Malta Communications Authority, adopted the rates approved by that Authority for Interconnection Services in the recognition of related revenues and costs in these financial statements. Both the Company, the Group's cellular provider and the other local cellular provider have, however appealed the Authority's decision to the Telecommunications Appeals Board. During the period under review, the maximum amount payable by the Company and its cellular provider, should the appeal prove successful, increased, by an additional amount of Lm556,700 over the balance as at 31 December 2004. In addition, the amount payable by the Company to its subsidiary undertaking and the amount payable by the subsidiary to the Company increased by Lm19,130 and Lm50,404 respectively, during 2005 over the balance as at 31 December 2004.

5 Capital commitments

Commitments at the balance sheet date for the acquisition of property, plant and equipment amounted to Lm6.0 million.

In addition, the Group is committed to pay Lm2.5 million to the Malta Communications Authority following the allocation of radio frequency for the implementation of third generation mobile telephony networks by the Group's mobile operator on 29 August 2005.

Review of Group Operations

30 June 2005

Review of group operations

Introduction

The financial information has been extracted from Maltacom p.l.c.'s unaudited consolidated financial statements, for the period between 1 January 2005 and 30 June 2005. The comparative amounts reflect the position and results of the Group for the period between 1 January 2004 and 30 June 2004 and as included in the audited financial statements for the year ended 31 December 2004.

Performance

The Maltacom Group has recorded a profit for the period before taxation amounting to Lm7.7 million (2004 Six Months: Lm6.2 million; 2004 Year: Lm12.0 million). This represents an annualised return of 19.2% (2004 Six Months annualised: 16%; 2004 Year: 15.4%) on the average shareholders' funds and of 13.4% (2004 Six Months annualised: 9.7%; 2004 Year: 9.8%) on the average total assets employed. Earnings per share for the period amounted to 5c0 (2004 Six Months: 4c0; 2004 Year: 6c7).

The gross margin for the period amounted to Lm13.7 million (2004 Six Months: Lm11.9 million; 2004 Year: Lm24.8 million), equivalent to 51.4% (2004 Six Months: 44.3%; 2004 Year: 45.4%) of revenue. Net operating costs amounted to Lm19.2 million (2004 Six Months: Lm20.5 million; 2004 Year: Lm41.5 million) and mainly represent interconnection charges with other operators, labour charges and depreciation. The tax expense for the period amounted to Lm2.6 million (2004 Six Months: Lm2.1 million; 2004 Year: Lm5.2 million) and represents an effective tax rate of 33.8% (2004 Six Months: 34.4%; 2004 Year: 43.1%).

A final dividend of 2c1 per share net of taxation was declared on the 7th April 2005 and paid on the 31st May 2005.

Balance sheet

Group total assets at balance sheet date stood at Lm113.6 million (2004 Six Months: Lm125.3 million; 2004 Year: Lm115.7 million). Loans by financial institutions amounted to Lm10.4 million (2004 Six Months: Lm14.4 million; 2004 Year: Lm12.2 million) and finance 13.6% (2004 Six Months: 18.8%; 2004 Year: 16.5%) of the Group's non-current assets, excluding deferred tax assets.

Debtors, net of provisions for doubtful debts, amounted to Lm16.6 million (2004 Six Months: Lm32.2 million; 2004 Year: Lm24.5 million). Of these, 68.9% (2004 Six Months: 75.7%; 2004 Year: 72.1%) represent invoiced amounts receivable in respect of services rendered and goods sold by the Group. The Group's trade and capital creditors at the end of the period amounted to Lm7.5 million (2004 Six Months: Lm16.6 million; 2004 Year: Lm13.2 million).

Shareholders' funds amounted to Lm81.3 million (2004 Six Months: Lm76.8 million; 2004 Year: Lm78.2 million). They finance 71.6% (2004 Six Months: 61.3%; 2004 Year: 67.6%) of the Group's total assets. The Group's net asset value per share stands at Lm0.80 (2004 Six Months: Lm0.76; 2004 Year: Lm0.77).