



15<sup>th</sup> September, 2006.

**COMPANY ANNOUNCEMENT**

The following is a Company Announcement issued by Maltacom p.l.c. pursuant to Malta Financial Services Authority Listing Rules 8.5.5 and 8.5.20.

**QUOTE**

At a meeting held today the 15<sup>th</sup> of September, 2006, the Board of Directors of Maltacom p.l.c. considered and approved the Group's Interim Accounts for the period 1<sup>st</sup> January 2006 to 30<sup>th</sup> June 2006.

The Board of Directors also approved the payment of an ordinary interim dividend of Lm 0.01c5 per share net of tax. All shareholders on the Company's register of members as at Friday 22<sup>nd</sup> September will be paid this interim dividend on the 27<sup>th</sup> October 2006.

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

**UNQUOTE**

A handwritten signature in blue ink, appearing to read "F. Galea 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 2006 to 30 June 2006

### FINANCIAL HIGHLIGHTS

	<b>6 Months 30.06.06</b>	6 Months 30.06.05	Year 31.12.05
	<b>Lm000</b>	Lm000	Lm000
Revenue	<b>26,600</b>	26,728	54,960
Profit before tax	<b>6,280</b>	7,666	16,056
Profit for the period/year	<b>4,198</b>	5,072	11,225
Total assets	<b>114,700</b>	113,599	116,219
Total equity	<b>86,862</b>	82,455	87,226

### INCOME STATEMENT

	<b>6 Months 30.06.06</b>	6 Months 30.06.05
	<b>Lm000</b>	Lm000
Revenue	<b>26,600</b>	26,728
Cost of sales	<b>(14,072)</b>	(12,989)
<b>Gross profit</b>	<b>12,528</b>	13,739
Other operating income	<b>203</b>	451
Administrative and distribution expenses	<b>(5,769)</b>	(5,980)
Other operating expenses	<b>(821)</b>	(731)
<b>Operating profit before net financial income</b>	<b>6,141</b>	7,479
Financial income	<b>434</b>	350
Financial expenses	<b>(265)</b>	(248)
<b>Net financial income</b>	<b>169</b>	102
Net reversal of impairment losses on equity investments	-	372
Losses on realisation of equity investments	-	(308)
Share of the result of associate	<b>(30)</b>	21
<b>Profit before tax</b>	<b>6,280</b>	7,666
Income tax expense	<b>(2,082)</b>	(2,594)
<b>Profit for the period</b>	<b>4,198</b>	5,072
<b>Earnings per share</b>	<b>4c1</b>	5c0

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**BALANCE SHEET**

	<b>30.06.06</b>	<b>31.12.05</b>
	<b>Lm000</b>	Lm000
<b>Assets</b>		
Property, plant and equipment	<b>62,302</b>	64,129
Intangible assets	<b>3,088</b>	3,227
Investments in associates	<b>948</b>	978
Other investments	<b>13,662</b>	14,127
Finance lease receivables	<b>294</b>	294
Deferred tax assets	<b>1,018</b>	1,271
	-----	-----
<b>Total non-current assets</b>	<b>81,312</b>	84,026
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Inventories	<b>939</b>	819
Term deposit investment	<b>50</b>	50
Trade and other receivables	<b>14,885</b>	15,400
Tax recoverable	<b>-</b>	1,491
Cash at bank and in hand	<b>15,509</b>	12,441
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<b>Total current assets</b>	<b>31,383</b>	30,201
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<b>Non-current assets classified as held for resale</b>	<b>2,005</b>	1,992
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<b>Total assets</b>	<b>114,700</b>	116,219
	=====	=====
<b>Equity</b>		
Issued capital	<b>25,328</b>	25,328
Reserves	<b>2,751</b>	7,291
Retained earnings	<b>58,783</b>	54,607
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<b>Total equity</b>	<b>86,862</b>	87,226
	=====	=====
<b>Liabilities</b>		
Interest-bearing loans and borrowings	<b>3,546</b>	5,267
Provisions	<b>12</b>	12
	-----	-----
<b>Total non-current liabilities</b>	<b>3,558</b>	5,279
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Interest-bearing loans and borrowings	<b>7,849</b>	7,532
Current taxation	<b>821</b>	-
Derivative liability used for hedging	<b>-</b>	23
Trade and other payables	<b>15,610</b>	16,159
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<b>Total current liabilities</b>	<b>24,280</b>	23,714
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<b>Total liabilities</b>	<b>27,838</b>	28,993
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<b>Total equity and liabilities</b>	<b>114,700</b>	116,219
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## STATEMENT OF CHANGES IN EQUITY

	Total	Share capital	Other reserve	Hedging reserve	Fair value reserve	Insurance contingency reserve	Dividend payment reserve	Revaluation reserve	Retained earnings
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000
Balance at 1 January 2005	79,371	25,328	1,576	-	(21)	100	2,128	-	50,260
Changes in equity for the period ended 30 June 2005:									
Cash flow hedges - effective portion of changes in fair value	2	-	-	2	-	-	-	-	-
Change in fair value of other investments	148	-	-	-	148	-	-	-	-
Deferred taxation	(10)	-	-	(1)	(9)	-	-	-	-
Net income recognised directly in equity	140	-	-	1	139	-	-	-	-
Profit for the period	5,072	-	-	-	-	-	-	-	5,072
Total recognised income and expense for the period	5,212	-	-	1	139	-	-	-	5,072
Dividends paid	(2,128)	-	-	-	-	-	(2,128)	-	-
Transfer from retained earnings:									
Unrealised gains	-	-	206	-	-	-	-	-	(206)
Balance at 30 June 2005	82,455	25,328	1,782	1	118	100	-	-	55,126
<b>Balance at 1 January 2006</b>	<b>87,226</b>	<b>25,328</b>	<b>1,819</b>	<b>11</b>	<b>347</b>	<b>150</b>	<b>4,559</b>	<b>405</b>	<b>54,607</b>
Changes in equity for the period ended 30 June 2006:									
Cash flow hedges - effective portion of changes in fair value	(11)	-	-	(11)	-	-	-	-	-
Change in fair value of other investments	(2)	-	-	-	(2)	-	-	-	-
Deferred taxation	10	-	-	-	10	-	-	-	-
Net income recognised directly in equity	(3)	-	-	(11)	8	-	-	-	-
Profit for the period	4,198	-	-	-	-	-	-	-	4,198
Total recognised income and expense for the period	4,195	-	-	(11)	8	-	-	-	4,198
Dividends paid	(4,559)	-	-	-	-	-	(4,559)	-	-
Transfer from retained earnings:									
Unrealised gains	-	-	22	-	-	-	-	-	(22)
Balance at 30 June 2006	86,862	25,328	1,841	-	355	150	-	405	58,783

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**CASH FLOW STATEMENT**

	6 Months 30.06.06	6 Months 30.06.05
	Lm000	Lm000
<b>Cash flows from operating activities</b>		
Profit for the period	4,198	5,072
Adjustments for:		
Income tax expense	2,082	2,594
Depreciation, amortisation and write downs	4,504	4,511
Net financial income	(169)	(74)
Share of associated undertaking's results	30	(21)
Net loss arising on disposal of property, plant and equipment equipment and transactions in financial assets	416	11
Net increase in provisions and write-offs/write backs	340	164
Reversal of unclaimed liabilities written back	-	8
Loss on realisation of equity investment	-	314
Net reversal of impairment loss on equity investments	-	(372)
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	11,401	12,207
Working capital changes:		
Movement in inventories	(121)	112
Movement in debtors	1,927	7,792
Movement in creditors	(2,130)	(3,201)
Movement in associate's balances	(22)	(109)
Settlement of restructuring costs	-	(25)
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<b>Cash generated from operations</b>	11,055	16,776
Interest received	101	112
Interest paid on bank overdrafts	(8)	(4)
Net taxation refunded/(paid)	350	(1,372)
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<b>Net cash from operating activities</b>	11,498	15,512
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<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(2,798)	(2,775)
Payments to acquire investments	-	(7,537)
Receipts from disposal of property, plant and equipment	-	1
Receipts from disposal and realisation of investments	441	1,945
Amounts advanced to associate	(52)	-
Repayment of amounts advanced to associate	-	7
Investment income received	165	44
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<b>Net cash used in investing activities</b>	(2,244)	(8,315)
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<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	(1,720)	(1,717)
Dividends paid	(4,561)	(2,122)
Loan interest paid	(173)	(230)
	-----	-----
<b>Net cash used in financing activities</b>	(6,454)	(4,069)
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Net increase in cash and cash equivalents	2,800	3,128
Cash and cash equivalents at beginning of period	8,357	6,657
Effect of exchange rate fluctuations on cash held	(46)	24
Cash pledged as guarantees	-	(12)
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<b>Cash and cash equivalents at end of period</b>	11,111	9,797
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# Explanatory Notes

For the Period from 1 January 2006 to 30 June 2006

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## 1 Basis of preparation

This interim financial report has been prepared in accordance 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 - Malta Financial Services Authority.

The financial information has been extracted from Maltacom p.l.c.'s unaudited consolidated financial statements for the period 1 January 2006 to 30 June 2006, which were approved by the Board of Directors on 15 September 2006. The comparative amounts reflect the position and results of the Group for the period 1 January 2005 to 30 June 2005.

The accounting policies applied by the Group in this financial report are the same as those applied by the Group in its financial statements as at and for the year ended 31 December 2005.

## 2 Segmental information

	For the period ended 30 June 2006		For the period ended 30 June 2005	
	Revenue	Segment result	Revenue	Segment result
	Lm000	Lm000	Lm000	Lm000
Regulated Activities:				
Core Network	857	(127)	1,215	(165)
Local Access Network	3,150	(1,866)	3,364	(1,273)
Retail Business	10,760	4,303	12,177	6,247
Other Business	9,468	2,953	8,718	2,364
Non-Regulated and Other Activities	2,365	878	1,254	306
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	<u>26,600</u>	<u>6,141</u>	<u>26,728</u>	<u>7,479</u>

## 3 Changes in contingent liabilities

Local guarantees issued by the Group in favour of third parties decreased to Lm202,820 from Lm225,270.

Actual or potential claims and litigations against the Group that can be quantified increased to Lm40,922 from Lm37,787.

Following certain developments during the period, the maximum amount of a claim that the Company and its cellular provider may be requested to pay as compensation to the other local cellular provider for difference in rates being charged was revised to Lm1,090,255 (31 December 2005: Lm1,272,346).

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## 5 Capital commitments

Commitments at the balance sheet date for the acquisition of property, plant and equipment amounted to Lm2.3 million (30 June 2005: Lm8.5 million).

## 6 Dividends

By a board resolution dated 15 September 2006, the Board of Directors approved the payment of ordinary interim dividend of 1c5 per share net of tax.

## 7 Change in related parties

Following the share purchase agreement signed on 17 May 2006, the 60% Government's shareholding in Maltacom p.l.c. was acquired by Emirates International Telecommunications (Malta) Limited, a company which forms part of the same group of companies of Tecom Investments FZ-LLC (Tecom). As a result, the new ultimate controlling party of Maltacom Group is Tecom Investments.

## 8 Review of performance

### *Review of group operations*

The Maltacom Group has recorded a profit for the period before taxation amounting to Lm6.3 million (30 June 2005: Lm7.7 million). This represents an annualised return of 13.9% (30 June 2005 annualised: 18.2%) on the average shareholders' funds and of 10.9% (30 June 2005 annualised: 13.4%) on the average total assets employed. Earnings per share for the period amounted to 4c1 (30 June 2005: 5c0).

The gross margin for the period amounted to Lm12.5 million (30 June 2005: Lm13.7 million), equivalent to 47.1% (30 June 2005: 51.4%) of revenue. Net operating costs amounted to Lm20.5 million (30 June 2005: Lm19.2 million) and mainly represent interconnection charges with other operators, labour charges and depreciation. The tax expense for the period amounted to Lm2.1 million (30 June 2005: Lm2.6 million) and represents an effective tax rate of 33.2% (30 June 2005: 33.8%).

### *Balance sheet*

Group total assets at balance sheet date stood at Lm114.7 million (31 December 2005: Lm116.2 million). Loans by financial institutions amounted to Lm7.0 million (31 December 2005: Lm8.7 million) and finance 8.7% (31 December 2005: 10.5%) of the Group's non-current assets, excluding deferred tax assets. The gearing ratio, that is the ratio of loan finance to shareholders' equity, stood at 8.0% (31 December 2005: 10.0%).

Receivables, net of impairment loss, amounted to Lm14.9 million (31 December 2005: Lm15.4 million).

Shareholders' funds amounted to Lm86.9 million (31 December 2005: Lm87.2 million). They finance 75.7% (31 December 2005: 75.0%) of the Group's total assets. The Group's net asset value per share stands at Lm0.86 (31 December 2005: Lm0.86).