



22nd August, 2003

COMPANY ANNOUNCEMENT

QUOTE

The Board of Directors of Maltacom p.l.c. duly convened for Meeting Number 103 of the Company, held on the 21st of August, 2003, met, discussed and approved the Financial Statements for the period ended 30th of June, 2003.

UNQUOTE

A handwritten signature in cursive script that reads "Ray Fava".

**Raymond Fava
Company Secretary**

Maltacom p.l.c.

Preliminary Statement of Group Results and State of Affairs

At and For the Period Ended 30 June 2003

	6 Months 30.06.03	6 Months 30.06.02	Year 31.12.02
	Lm000	Lm000	Lm000
FINANCIAL HIGHLIGHTS			
Turnover	27,014	25,953	54,580
Profit before Taxation	4,927	5,745	13,484
Profit for the Period	3,266	3,754	9,633
Total Assets	125,736	118,867	126,667
Shareholders' Funds	68,170	62,773	68,652
PROFIT AND LOSS ACCOUNT			
Turnover	27,014	25,953	54,580
Cost of Sales	(13,952)	(14,534)	(29,271)
Gross Margin	13,062	11,419	25,309
Administrative and Distribution Expenses	(5,094)	(5,940)	(11,284)
Other Operating Income	101	564	719
Other Operating Charges	(362)	(387)	(1,066)
	(261)	177	(347)
Operating Profit before Exceptional Items	7,707	5,656	13,678
Exceptional Items	(2,279)	180	635
Operating Profit	5,428	5,836	14,313
Investment and Similar Income	320	629	781
Interest and Similar Charges	(742)	(632)	(1,471)
Equity Share of Associated Undertakings' Results	(79)	(88)	(139)
	(501)	(91)	(829)
Profit before Taxation	4,927	5,745	13,484
Taxation	(1,661)	(1,991)	(3,851)
Profit for the Period	3,266	3,754	9,633
Earnings per Share	3c2	3c7	9c5

BALANCE SHEET

	30.06.03	30.06.02	31.12.02
	Lm000	Lm000	Lm000
Fixed Assets			
Intangible Assets	738	742	768
Tangible Assets	76,674	75,649	75,684
Financial Assets	2,879	2,949	2,934
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	80,291	79,340	79,386
Other Long-Term Assets			
Deferred Taxation	3,435	2,282	3,083
Debtors	-	1,157	1,157
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	83,726	82,779	83,626
Current Assets			
Stocks	2,066	1,938	1,700
Debtors	34,023	29,923	35,095
Current Investment	2,626	2,626	2,626
Cash in Hand and at Bank	3,295	1,601	3,620
	-----	-----	-----
	42,010	36,088	43,041
Creditors: Amounts falling due within One Year			
Bank Loans	4,794	2,394	2,394
Other Bank Borrowings	8,743	9,053	13,462
Creditors	28,093	22,556	24,103
Taxation	1,541	2,002	67
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	43,171	36,005	40,026
Net Current (Liabilities)/Assets	(1,161)	83	3,015
Total Assets less Current Liabilities	82,565	82,862	86,641
Creditors: Amounts falling due after more than One Year			
Bank Loans	14,395	19,114	17,989
Provisions for Liabilities and Charges			
Provision for Restructuring	-	975	-
	-----	-----	-----
	68,170	62,773	68,652
Capital and Reserves			
Called Up Issued Share Capital	25,328	25,328	25,328
Profit and Loss Account	38,912	34,957	36,425
Other Reserves	3,930	2,488	6,899
	-----	-----	-----
	68,170	62,773	68,652
	=====	=====	=====

This report has been extracted from the unaudited interim financial statements of the company which were approved by the Board of Directors on 21 August 2003. Comparative information for the year ended 31 December 2002 has been extracted from the audited financial statements for the year ended as at that date.

STATEMENT OF CHANGES IN EQUITY

	Total	Called Up Issued Share Capital	Profit and Loss Account	Other Reserve	Dividend Payment Reserve
	Lm000	Lm000	Lm000	Lm000	Lm000
At 1 January 2002	62,261	25,328	31,385	2,306	3,242
Profit for the Period	3,754	-	3,754	-	-
Dividend approved by General Meeting	(3,242)	-	-	-	(3,242)
Transfer from Profit and Loss Account:					
■ unrealised gains	-	-	(182)	182	-
	-----	-----	-----	-----	-----
At 30.06.02	62,773	25,328	34,957	2,488	-
Profit for the Period	5,879	-	5,879	-	-
Dividend proposed for approval by General Meeting	-	-	(3,748)	-	3,748
Transfer from Profit and Loss Account:					
■ unrealised gains	-	-	(663)	663	-
	-----	-----	-----	-----	-----
At 1 January 2003	68,652	25,328	36,425	3,151	3,748
Profit for the Period	3,266	-	3,266	-	-
Dividend approved by General Meeting	(3,748)	-	-	-	(3,748)
Transfer from Profit and Loss Account:					
■ unrealised gains	-	-	(779)	779	-
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At 30 June 2003	68,170	25,328	38,912	3,930	-
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CASH FLOW STATEMENT

	6 Months 30.06.03	6 Months 30.06.02	Year 31.12.02
	Lm000	Lm000	Lm000
Cash Flows from Operating Activities			
Profit before Taxation	4,927	5,745	13,484
Adjustments for:			
Depreciation, Amortisation and Write Downs	4,577	4,292	8,529
Interest Expense	623	570	1,303
Investment Income and Interest Receivable	(320)	(628)	(641)
Share of Associated Undertakings' Results	79	88	139
Net Gain Arising on Decommissioning or Disposal of Tangible Fixed Assets and Transactions in Financial Fixed Assets	(1)	(1)	1
Net Increase in Provisions	249	169	1,447
Exceptional Loss/(Gain)	2,279	(180)	(635)
	-----	-----	-----
Operating Profit before Working Capital Changes	12,413	10,055	23,627
Increase in Stocks	(452)	(137)	(150)
Decrease/(Increase) in Debtors	1,211	(4,037)	(11,558)
Increase in Creditors	2,401	681	1,263
Movement in Associated Undertakings' Balances	2	(220)	1,386
Settlement of Restructuring Costs	(919)	(563)	(785)
	-----	-----	-----
Cash Generated from Operations	14,656	5,779	13,783
Interest Received	10	9	20
Interest Paid on Bank Overdrafts	(238)	(13)	(191)
Net Taxation Paid	(531)	(666)	(5,061)
Input VAT Credit Received	351	-	200
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Net Cash from Operating Activities	14,248	5,109	8,751
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Cash Flows from Investing Activities			
Payment to Acquire Intangible Fixed Assets	-	-	(21)
Payments to Acquire Tangible Fixed Assets	(5,685)	(9,143)	(13,955)
Receipts from Disposal of Tangible Fixed Assets	2	3	4
Dividends Received	-	-	400
	-----	-----	-----
Net Cash used in Investing Activities	(5,683)	(9,140)	(13,572)
	-----	-----	-----
Cash Flows from Financing Activities			
Proceeds from Long Term Borrowings	-	-	210
Repayments of Long Term Borrowings	(1,172)	(1,199)	(2,391)
Dividends Paid	(2,624)	(2,269)	(2,269)
Loan Interest Paid	(555)	(612)	(1,168)
	-----	-----	-----
Net Cash used in Financing Activities	(4,351)	(4,080)	(5,618)
	-----	-----	-----
Effect of Exchange Rate Changes in Cash and Cash Equivalents	22	9	(18)
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Net Increase/(Decrease) in Cash and Cash Equivalents	4,236	(8,102)	(10,457)
Cash and Cash Equivalents at Beginning of Period/Year	(9,684)	650	615
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Cash and Cash Equivalents at End of Period/Year	(5,448)	(7,452)	(9,842)
	=====	=====	=====

Explanatory Notes

For the Period Ended 30 June 2003

1 Basis of Preparation

This interim financial report has been compiled in compliance with the requirements of International Accounting Standard 34 'Interim Financial Reporting' and complies with the continuing listing obligations of the Malta Stock Exchange.

The accounting policies adopted in the preparation of these interim financial statements are the same as those that had been adopted in the preparation of the audited financial statements for the year ended 31 December 2002.

2 Segmental Information

	Turnover	Operating Profit/(Loss)
	Lm000	Lm000
Regulated Activities:		
Core Network	3,085	(4,582)
Local Access Network	1,430	(3,497)
Retail Business	16,788	14,061
Non-Regulated and Other Activities	5,711	1,725
	<u>27,014</u>	<u>7,707</u>

3 Exceptional Item

	Lm000
Provision for Value Added Tax (VAT) on International Incoming Interconnection Traffic covering period between 1 January 2000 and 31 December 2002 (including related penalties and interest payable)	<u>(2,279)</u>

During 2002, the Department of Value Added Tax raised provisional assessments in respect of VAT claimed by the Department on international incoming interconnection traffic covering the period between 1 January 2000 and 30 June 2002. The Company objected to these provisional assessments on several bases, including the fact that the Republic of Malta is a signatory to an international agreement that excludes the imposition of VAT on such traffic. The Department had notified the Company that its objection to these provisional assessments had been rejected and has also raised a final assessment. The Company appealed against these assessments to the Value Added Tax Appeals Board, which appeal is still ongoing. The amount of VAT claimed up till 30 June 2002 and the estimate for the period 1 July 2002 to 30 June 2003 together with penalties and interest, have been accrued for in the financial statements for the six-month period ended 30 June 2003.

4 Property, Plant and Equipment

Movements on property, plant and equipment during the period were:	Lm000
Net Acquisitions	<u>5,451</u>

Explanatory Notes

For the Period Ended 30 June 2003

5 Changes in Contingent Liabilities

In addition to the fact that the amount disclosed as contingent liability in the audited financial statements for the year ended 31 December 2002 in respect of the VAT on the international interconnection traffic has now been accrued for, the following contingent liability is also being disclosed in the current period:

The Company and two of its subsidiary undertakings may incur further costs in connection with certain services received and provided, which total exposure amounts to Lm212,268 and Lm122,632 respectively.

6 Capital Commitments

Commitments at the balance sheet date for the acquisition of property, plant and equipment and financial assets amounted to Lm10.7 million.

Review of Group Operations

30 June 2003

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 2003 and 30 June 2003. The comparative amounts reflect the position and results of the Group for the period between 1 January 2002 and 30 June 2002 and as included in the audited financial statements for the year ended 31 December 2002.

Performance

The Maltacom Group has recorded a profit for the period before taxation amounting to Lm4.9 million (2002 Six months: Lm5.7 million; 2002 Year: Lm13.5 million). This represents an annualised return of 14.4% (2002 Six months annualised: 18.4%; 2002 Year: 20.6%) on the average shareholders' funds and of 7.8% (2002 Six months annualised: 9.9%; 2002 Year: 11.2%) on the average total assets employed. Earnings per share for the period amounted to 3c2 (2002 Six Months: 3c7; 2002 Year: 9c5).

The gross margin for the period amounted to Lm13.1 million (2002 Six Months: Lm11.4 million; 2002 Year: Lm25.3 million), equivalent to 48.4% (2002 Six Months: 44.0%; 2002 Year: 46.4%) of turnover. Net operating costs amounted to Lm21.6 million (2002 Six Months: Lm20.1 million; 2002 Year: Lm40.3 million) and mainly represent the provision for VAT on international incoming interconnection revenue, interconnection charges with other operators, labour and depreciation. The tax expense for the period amounted to Lm1.7 million (2002 Six Months: Lm2.0 million; 2002 Year: Lm3.9 million) and represents an effective tax rate of 33.7% (2002 Six Months: 34.7%; 2002 Year: Lm28.6%).

No interim dividend is being declared.

Balance Sheet

Group total assets at balance sheet date stood at Lm125.7 million (2002 Six Months: Lm118.9 million; 2002 Year: Lm126.7 million). Loans by financial institutions amounted to Lm19.2 million (2002 Six Months: Lm21.5 million; 2002 Year: Lm20.4 million) and finance 23.9% (2002 Six Months: 27.1%; 2002 Year: 25.7%) of the Group's fixed assets.

Debtors, net of provisions for doubtful debts, amounted to Lm34.0 million (2002 Six Months: Lm31.1 million; 2002 Year: Lm36.3 million). Of these, 71.8% (2002 Six Months: 50.1%; 2002 Year: 67.5%) represent 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 Lm14.7 million (2002 Six Months: Lm16.0 million; 2002 Year: Lm14.5 million).

Shareholders' funds amounted to Lm68.2 million (2002 Six Months: Lm62.8 million; 2002 Year: Lm68.7 million). They finance 54.2% (2002 Six Months: 52.8%; 2002 Year: 54.2%) of the Group's total assets. The Group's net asset value per share stands at Lm0.673 (2002 Six Months: Lm0.620; 2002 Year: Lm0.678).