



12th January, 2004

**COMPANY ANNOUNCEMENT**

**QUOTE**

With a view to maintain a fair market, the Board of Directors of Maltacom p.l.c. has authorised the publication of the Company's Reviewed Financial Statements as at the 30<sup>th</sup> of September, 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 September 2003

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	9 Months 30.09.03	9 Months 30.09.02	Year 31.12.02
	Lm000	Lm000	Lm000
<b>FINANCIAL HIGHLIGHTS</b>			
Turnover	<b>41,827</b>	40,454	54,580
Profit before Taxation	<b>19,381</b>	9,842	13,484
Profit for the Period	<b>12,422</b>	6,481	9,633
Total Assets	<b>134,547</b>	124,063	126,667
Shareholders' Funds	<b>77,326</b>	65,500	68,652
<b>PROFIT AND LOSS ACCOUNT</b>			
<b>Turnover</b>	<b>41,827</b>	40,454	54,580
Cost of Sales	<b>(21,100)</b>	(21,575)	(29,271)
<b>Gross Margin</b>	<b>20,727</b>	18,879	25,309
Administrative and Distribution Expenses	<b>(7,730)</b>	(8,813)	(11,284)
Other Operating Income	<b>181</b>	714	719
Other Operating Charges	<b>(562)</b>	(656)	(1,066)
	<b>(381)</b>	58	(347)
<b>Operating Profit before Exceptional Items</b>	<b>12,616</b>	10,124	13,678
Exceptional Items	<b>7,538</b>	215	635
<b>Operating Profit</b>	<b>20,154</b>	10,339	14,313
Investment and Similar Income	<b>365</b>	627	781
Interest and Similar Charges	<b>(1,014)</b>	(988)	(1,471)
Equity Share of Associated Undertakings' Results	<b>(124)</b>	(136)	(139)
	<b>(773)</b>	(497)	(829)
<b>Profit before Taxation</b>	<b>19,381</b>	9,842	13,484
Taxation	<b>(6,959)</b>	(3,361)	(3,851)
<b>Profit for the Period</b>	<b>12,422</b>	6,481	9,633
<b>Earnings per Share</b>	<b>12c3</b>	6c4	9c5

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**BALANCE SHEET**

	<b>30.09.03</b>	<b>30.09.02</b>	<b>31.12.02</b>
	Lm000	Lm000	Lm000
<b>Fixed Assets</b>			
Intangible Assets	721	782	768
Tangible Assets	75,217	75,402	75,684
Financial Assets	2,835	2,891	2,934
	-----	-----	-----
	78,773	79,075	79,386
<b>Other Long-Term Assets</b>			
Deferred Taxation	3,617	2,657	3,083
Debtors	-	1,157	1,157
	-----	-----	-----
	82,390	82,889	83,626
<b>Current Assets</b>			
Stocks	1,999	1,918	1,700
Debtors	34,108	34,773	35,095
Current Investment	-	2,626	2,626
Cash in Hand and at Bank	16,050	1,857	3,620
	-----	-----	-----
	52,157	41,174	43,041
<b>Creditors: Amounts falling due within One Year</b>			
Bank Loans	5,002	2,394	2,394
Other Bank Borrowings	6,912	12,472	13,462
Creditors	27,927	22,120	24,103
Taxation	4,250	2,265	67
	-----	-----	-----
	44,091	39,251	40,026
<b>Net Current Assets</b>	<b>8,066</b>	1,923	3,015
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<b>Total Assets less Current Liabilities</b>	<b>90,456</b>	84,812	86,641
<b>Creditors: Amounts falling due after more than One Year</b>			
Bank Loans	13,130	18,352	17,989
<b>Provisions for Liabilities and Charges</b>			
Provision for Restructuring	-	960	-
	-----	-----	-----
	77,326	65,500	68,652
	=====	=====	=====
<b>Capital and Reserves</b>			
Called Up Issued Share Capital	25,328	25,328	25,328
Profit and Loss Account	47,936	37,438	36,425
Other Reserves	4,062	2,734	6,899
	-----	-----	-----
	77,326	65,500	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 26 November 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.

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## STATEMENT OF CHANGES IN EQUITY

	<b>Total</b>	<b>Called Up Issued Share Capital</b>	<b>Profit and Loss Account</b>	<b>Other Reserve</b>	<b>Dividend Payment Reserve</b>
	Lm000	Lm000	Lm000	Lm000	Lm000
At 1 January 2002	62,261	25,328	31,385	2,306	3,242
Profit for the Period	6,481	-	6,481	-	-
Dividends approved by General Meeting	(3,242)	-	-	-	(3,242)
Transfer from Profit and Loss Account:					
■ unrealised gains	-	-	(428)	428	-
	-----	-----	-----	-----	-----
At 30 September 2002	65,500	25,328	37,438	2,734	-
Profit for the Period	3,152	-	3,152	-	-
Dividends proposed for approval by General Meeting	-	-	(3,748)	-	3,748
Transfer from Profit and Loss Account:					
■ unrealised gains	-	-	(417)	417	-
	-----	-----	-----	-----	-----
At 1 January 2003	68,652	25,328	36,425	3,151	3,748
Profit for the Period	12,422	-	12,422	-	-
Dividends approved by General Meeting	(3,748)	-	-	-	(3,748)
Transfer from Profit and Loss Account:					
■ unrealised gains	-	-	(911)	911	-
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<b>At 30 September 2003</b>	<b>77,326</b>	<b>25,328</b>	<b>47,936</b>	<b>4,062</b>	<b>-</b>
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**CASH FLOW STATEMENT**

	<b>9 Months 30.09.03</b>	<b>9 Months 30.09.02</b>	<b>Year 31.12.02</b>
	Lm000	Lm000	Lm000
<b>Cash Flows from Operating Activities</b>			
Profit before Taxation	<b>19,381</b>	9,842	13,484
Adjustments for:			
Depreciation, Amortisation and Write Downs	<b>7,031</b>	6,605	8,529
Interest Expense	<b>864</b>	921	1,303
Investment Income and Interest Receivable	<b>(365)</b>	(622)	(641)
Share of Associated Undertakings' Results	<b>124</b>	136	139
Net Gain Arising on Decommissioning or Disposal of Tangible Fixed Assets and Transactions in Financial Fixed Assets	<b>(1)</b>	(1)	1
Net Increase in Provisions and Write Offs	<b>172</b>	539	1,447
Exceptional Gains	<b>(7,538)</b>	(215)	(635)
Unclaimed Liabilities Written Back	<b>(67)</b>	-	-
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Operating Profit before Working Capital Changes	<b>19,601</b>	17,205	23,627
Increase in Stocks	<b>(459)</b>	(136)	(150)
Decrease/(Increase) in Debtors	<b>917</b>	(7,397)	(11,558)
Increase/(Decrease) in Creditors	<b>3,461</b>	(309)	1,263
Movement in Associated Undertakings' Balances 1,386		<b>20</b>	(1,279)
Settlement of Restructuring Costs	<b>(919)</b>	(733)	(785)
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Cash Generated from Operations	<b>22,621</b>	7,351	13,783
Interest Received	<b>43</b>	12	20
Interest Paid on Bank Overdrafts	<b>(382)</b>	(177)	(191)
Net Taxation Paid	<b>(3,164)</b>	(1,934)	(5,061)
Input VAT Credit Received	<b>351</b>	-	200
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<b>Net Cash from Operating Activities</b>	<b>19,469</b>	5,252	8,751
	-----	-----	-----
<b>Cash Flows from Investing Activities</b>			
Payment to Acquire Intangible Fixed Assets	-	(56)	(21)
Payments to Acquire Tangible Fixed Assets	<b>(7,808)</b>	(11,726)	(13,955)
Receipts from Disposal of Tangible Fixed Assets	<b>2</b>	10	4
Receipts from Disposal of Financial Fixed Assets	<b>12,796</b>	-	-
Income from Investments	<b>200</b>	400	400
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<b>Net Cash from/(used in) Investing Activities</b>	<b>5,190</b>	(11,372)	(13,572)
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<b>Cash Flows from Financing Activities</b>			
Proceeds from Long Term Borrowings	-	210	210
Repayments of Long Term Borrowings	<b>(2,217)</b>	(2,034)	(2,391)
Dividends Paid	<b>(2,624)</b>	(2,269)	(2,269)
Loan Interest Paid	<b>(992)</b>	(926)	(1,168)
	-----	-----	-----
<b>Net Cash used in Financing Activities</b>	<b>(5,833)</b>	(5,019)	(5,618)
	-----	-----	-----
Effect of Exchange Rate Changes in Cash and Cash Equivalents	<b>10</b>	(125)	(18)
	-----	-----	-----
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>18,836</b>	(11,264)	(10,457)
	-----	-----	-----
Cash and Cash Equivalents at Beginning of Period/Year	<b>(9,698)</b>	649	615
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<b>Cash and Cash Equivalents at End of Period/Year</b>	<b>9,138</b>	(10,615)	(9,842)
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# Explanatory Notes

For the Period Ended 30 September 2003

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## 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

	<b>Turnover</b>	<b>Operating Profit/(Loss)</b>
	Lm000	Lm000
Regulated Activities:		
Core Network	5,251	(6,513)
Local Access Network	2,190	(4,882)
Retail Business	25,369	21,516
Non-Regulated and Other Activities	9,017	2,495
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	<u>41,827</u>	<u>12,616</u>

## 3 Exceptional Items

	Lm000
Profit on Disposal of Shares in Vodafone Malta Limited Net of Related Professional Fees	9,866
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)	(2,328)
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	<u>7,538</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. The amount of VAT claimed up till 30 June 2002 and the estimate for the period 1 July 2002 to 30 September 2003 together with penalties and interest, have been accrued for in the financial statements for the nine-month period ended 30 September 2003.

# Explanatory Notes

*For the Period Ended 30 September 2003*

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## **4 Property, Plant and Equipment**

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

	Lm000
Net Acquisitions	<u><u>6,352</u></u>

## **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 Lm208,425 and Lm129,823 respectively.

In addition, the Company has reduced the guarantee on the banking facilities to Telepage Limited from Lm366,060 to Lm273,057. Local guarantees by the Company and subsidiary undertakings in favour of third parties have been reduced from Lm30,000 and Lm105,250 to Lm15,000 and Lm500 respectively.

## **6 Capital Commitments**

Commitments at the balance sheet date for the acquisition of property, plant and equipment and financial assets amounted to Lm8.2 million.

# Review of Group Operations

30 September 2003

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## 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 September 2003. The comparative amounts reflect the position and results of the Group for the period between 1 January 2002 and 30 September 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 Lm19.4 million (2002 Nine months: Lm9.8 million; 2002 Year: Lm13.5 million). This represents an annualised return of 35.4% (2002 Nine months annualised: 20.5%; 2002 Year: 20.6%) on the average shareholders' funds and of 19.8% (2002 Nine months annualised: 11.1%; 2002 Year: 11.2%) on the average total assets employed. Earnings per share for the period amounted to 12c3 (2002 Nine Months: 6c4; 2002 Year: 9c5).

The gross margin for the period amounted to Lm20.7 million (2002 Nine Months: Lm18.9 million; 2002 Year: Lm25.3 million), equivalent to 49.6% (2002 Nine Months: 46.6%; 2002 Year: 46.4%) of turnover. Net operating costs amounted to Lm21.7 million (2002 Nine Months: Lm30.1 million; 2002 Year: Lm40.3 million) and mainly represent the provision for VAT on international incoming interconnection revenue, interconnection charges by other operators, labour and depreciation charges. These costs were netted by the profit realised on disposal of the investment in Vodafone Malta Limited. The tax expense for the period amounted to Lm7.0 million (2002 Nine Months: Lm3.4 million; 2002 Year: Lm3.9 million) and represents an effective tax rate of 35.9% (2002 Nine Months: 34.1%; 2002 Year: Lm28.6%).

No interim dividend is being declared.

### Balance Sheet

Group total assets at balance sheet date stood at Lm134.5 million (2002 Nine Months: Lm124.1 million; 2002 Year: Lm126.7 million). Loans by financial institutions amounted to Lm18.1 million (2002 Nine Months: Lm20.7 million; 2002 Year: Lm20.4 million) and finance 23.0% (2002 Nine Months: 26.2%; 2002 Year: 25.7%) of the Group's fixed assets.

Debtors, net of provisions for doubtful debts, amounted to Lm34.1 million (2002 Nine Months: Lm35.9 million; 2002 Year: Lm36.3 million). Of these, 70.3% (2002 Nine Months: 54.2%; 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 Lm16.0 million (2002 Nine Months: Lm14.9 million; 2002 Year: Lm14.5 million).

Shareholders' funds amounted to Lm77.3 million (2002 Nine Months: Lm65.5 million; 2002 Year: Lm68.7 million). They finance 57.5% (2002 Nine Months: 52.8%; 2002 Year: 54.2%) of the Group's total assets. The Group's net asset value per share stands at Lm0.763 (2002 Nine Months: Lm0.647; 2002 Year: Lm0.678).