

Maltacom p.l.c.

**Condensed Consolidated
Interim Financial Statements**

**For the Period 1 January 2007 to
30 June 2007**

Maltacom p.l.c.

Condensed Consolidated Interim Financial Statements

For the Period 1 January 2007 to 30 June 2007

Contents

	Page(s)
Directors' report pursuant to Listing Rule 9.44.2	1 - 2
Condensed Consolidated Interim Financial Statements:	
<i>Consolidated Income Statement</i>	3
<i>Consolidated Balance Sheet</i>	4 - 5
<i>Consolidated Statement of Changes in Equity</i>	6 - 7
<i>Consolidated Cash Flow Statement</i>	8 - 9
<i>Notes to the Condensed Consolidated Interim Financial Statements</i>	10 - 16
Statement pursuant to Listing Rule 9.44.3 issued by the Listing Authority	17

Maltacom p.l.c.

Directors' Report pursuant to Listing Rule 9.44.2

For the Period 1 January 2007 to 30 June 2007

This Half-Yearly Report is being published in terms of Chapters 8 and 9 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act 2005. The condensed consolidated financial statements included in this report have been extracted from Maltacom p.l.c.'s unaudited consolidated financial statements for the six months ended 30 June 2007 prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34, *Interim Financial Reporting*). In terms of Listing Rule 9.44.5, this Half-Yearly Report has not been audited or reviewed by the Group's independent auditors.

Review of Financial Performance

- Profit before tax amounted to Lm5.4 million for the period under review. Although profit is Lm0.9 million below that registered in the same period last year, results include an amount of Lm0.7 million representing charges incurred as a result of the ongoing restructuring of the Group's fixed line operations. Furthermore, during the period the Group incurred various one-time charges aimed at improving efficiency and maximising Group synergies that will deliver reduced costs in future periods.
- Group turnover amounted to Lm27.1 million, an increase of 2% over the comparable period in 2006. Turnover is characterised by the continued decline in traditional fixed-line voice services which is however being mitigated by revenues from broadband, mobile and new business which now also includes TV.
- The Group continues to enjoy a significant and large client base. The client base of the Group's newly acquired TV operations stood at almost 16,000 at period-end representing a growth in excess of 90% over December. Furthermore, broadband client base increased by 5.2% whilst that of mobile increased by 2.8%. These positive results compensate for a net decline of 3,000 fixed-line connections.
- Traditional fixed-line voice services continued with their downward trend, which is however mitigated by growth in broadband services and a general reduction in costs that includes a reduction in headcount through voluntary retirement schemes. Mobile operations have continued to grow and today represent a major source of profitability and cash flow to the Group.
- Net finance income during the period amounted to Lm359,000, an increase of over 112% over the corresponding period.
- The Group continues to generate significant free cash flow from its operations, which allows it to enjoy a healthy liquidity position.

Commentary on Performance

During the period under review, Maltacom p.l.c. ('the Company') carried out a rebranding exercise and implemented changes in its structures. Two subsidiaries, namely DataStream Limited and Monitoring Services Limited, were merged into the Company, thereby increasing the effectiveness of the convergence programme sanctioned by the Board and improving the efficiencies of the operation.

Our mobile telephony operations have continued to register growth in the customer base and in revenues resulting in a consistent improvement in the contribution to our consolidated results. During the period under review this subsidiary launched 3G services on a nationwide basis and will be enhancing coverage during the third quarter of the year. Take-up of this new service by clients is expected to impact positively on the results of the Group during the next reporting periods.

Maltacom p.l.c.

Directors' Report pursuant to Listing Rule 9.44.2

For the Period 1 January 2007 to 30 June 2007

The relentless onset of new regulations has continued throughout the reporting period. Following the opening up to (unregulated) competition in the fixed-line business in 2006, this year the Group's mobile business unit started to absorb the negative impact of new regulations by the EU on roaming tariffs. Eventually, during 2008, the Group will also have to adjust its expectations in view of new entrants into the mobile market. These emerging realities, together with other threats looming in the form of new disruptive technologies in the mobile market, may dampen the continued bullish growth in this activity.

To mitigate the negative impact of these disruptive technologies, the Group will continue to lobby decision-makers at both the local and EU levels to take due regard of the specificities of the local market environment. We continue to believe that our position merits a positive consideration.

During the period under review the Group finalized the acquisition of Multiplus Limited, a digital terrestrial TV operator, thereby making the Group Malta's only 'Quadruple Play' provider. The Board has mandated the deployment of the necessary human and financial resources to ensure that this new acquisition rapidly assumes a leading position in this particular market segment.

To ensure a continuation of the Group's positive results, the Board has mandated new efficiencies into the Group's operations to ensure reductions in our costs, most notably but not solely, further improvements in our head count levels through voluntary retirement schemes. We shall be persevering in these and similar initiatives.

Consequently, we are reasonably optimistic that despite the adversities encountered during the period under review, and undoubtedly during successive periods, the Group shall continue to generate free cash flow and to report a robust balance sheet as it is doing at the end of this reporting period.

Related Party Transactions

Due to a change in the majority shareholder of the Group, last year's results included related party transactions with the Government of Malta and its related entities until 19 May 2006. In the period under review, the Group acquired services amounting to Lm115,360 from entities controlled by Dubai Holdings LLC, the ultimate parent company.

Dividends

The Board of Directors does not propose to pay an interim dividend for the six months ended 30 June 2007.

Approved by the Board on 30 August 2007 and signed on its behalf by:

Mr Sonny Portelli
Chairman

Mr Michael Warrington
Director

Maltacom p.l.c.

Consolidated Income Statement

For the Period 1 January 2007 to 30 June 2007

	Note	30.06.07 Lm000	30.06.06 Lm000
Revenue		27,126	26,600
Cost of sales		(14,424)	(14,705)
Gross profit		12,702	11,895
Other operating income		56	203
Administrative and distribution expenses		(6,742)	(5,863)
Other operating expenses		(119)	(94)
Operating profit before net financial income		5,897	6,141
Financial income		500	434
Financing expenses		(141)	(265)
Net financial income		359	169
Restructuring costs	6	(721)	-
Impairment of goodwill		(150)	-
Share of the result of associate		(17)	(30)
Profit before tax		5,368	6,280
Income tax expense	7	(1,826)	(2,082)
Profit for the period		3,542	4,198
Earnings per share		3c5	4c1

Maltacom p.l.c.

Consolidated Balance Sheet

As at 30 June 2007

	Note	30.06.07 Lm000	31.12.06 Lm000
Assets			
Property, plant and equipment	8	60,659	59,855
Intangible assets	9	5,498	5,338
Investments in associate		918	935
Other investments	11	14,570	13,702
Finance lease receivables		294	262
Deferred tax assets		827	574
		-----	-----
Total non-current assets		82,766	80,666
		-----	-----
Inventories		1,132	1,028
Trade and other receivables		15,120	13,925
Tax recoverable		690	2,314
Cash at bank and in hand		14,326	16,694
		-----	-----
Total current assets		31,268	33,961
		-----	-----
Non-current assets classified as held for sale		2,014	2,014
		-----	-----
Total assets		116,048	116,641
		=====	=====
Equity			
Issued capital		25,328	25,328
Reserves		1,808	7,664
Retained earnings		59,582	55,901
		-----	-----
Total equity		86,718	88,893
		-----	-----
Liabilities			
Interest-bearing loans and borrowings		1,354	1,903
Provisions		14	16
		-----	-----
Total non-current liabilities		1,368	1,919
		-----	-----

Maltacom p.l.c.

Consolidated Balance Sheet

As at 30 June 2007

	30.06.07	31.12.06
	Lm000	Lm000
Interest-bearing loans and borrowings	7,265	8,252
Trade and other payables	20,697	17,577
	-----	-----
Total current liabilities	27,962	25,829
	-----	-----
Total liabilities	29,330	27,748
	-----	-----
Total equity and liabilities	116,048	116,641
	=====	=====

The condensed consolidated interim financial statements on pages 3 to 16 were approved by the Board of Directors on 30 August 2007 and were signed on its behalf by:

Mr Sonny Portelli
Chairman

Mr Michael Warrington
Director

Maltacom p.l.c.

Consolidated Statement of Changes in Equity

For the Period 1 January 2006 to 30 June 2006

	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 2006	87,226	25,328	1,819	11	347	150	4,559	405	54,607
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

Maltacom p.l.c.

Consolidated Statement of Changes in Equity

For the Period 1 January 2007 to 30 June 2007

	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 2007	88,893	25,328	2,032	-	367	200	5,066	-	55,900
Changes in equity for the period ended 30 June 2007:									
Change in fair value of other investments	(659)	-	-	-	(659)	-	-	-	-
Deferred taxation	8	-	-	-	8	-	-	-	-
Net income recognised directly in equity	(651)	-	-	-	(651)	-	-	-	-
Profit for the period	3,542	-	-	-	-	-	-	-	3,542
Total recognised income and expense for the period	2,891	-	-	-	(651)	-	-	-	3,542
Dividends paid	(5,066)	-	-	-	-	-	(5,066)	-	-
Transfer from retained earnings:									
Unrealised gains	-	-	(140)	-	-	-	-	-	140
Balance at 30 June 2007	86,718	25,328	1,892	-	(284)	200	-	-	59,582

Maltacom p.l.c.

Consolidated Cash Flow Statement

For the Period 1 January 2007 to 30 June 2007

	30.06.07	30.06.06
	Lm000	Lm000
Cash flows from operating activities		
Profit for the period	3,542	4,198
Adjustments for:		
Income tax expense	1,826	2,082
Depreciation, amortisation and write downs	4,565	4,504
Net financial income	(359)	(169)
Share of associated undertaking's results	17	30
Impairment of goodwill	150	-
Net loss arising on disposal of property, plant and equipment and transactions in financial assets	-	416
Net increase in provisions and write offs/write backs	460	340
Liabilities written back	(17)	-
Restructuring costs	721	-
	-----	-----
	10,905	11,401
Working capital changes:		
Movement in inventories	(83)	(121)
Movement in debtors	(1,243)	1,927
Movement in creditors	3,056	(2,130)
Movement in associate's balance	(3)	(22)
	-----	-----
Cash generated from operations	12,632	11,055
Interest received	135	101
Interest paid on bank overdrafts	(13)	(8)
Net taxation (paid)/refunded	(561)	350
Payment of restructuring costs	(578)	-
	-----	-----
Net cash from operating activities	11,615	11,498
	-----	-----
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(4,060)	(2,798)
Payments to acquire investments	(2,524)	-
Receipts from disposal and realisation of investments	-	441
Amounts advanced to associate	-	(52)
Investment income received	158	165
	-----	-----
Net cash used in investing activities	(6,426)	(2,244)
	-----	-----
carried forward	5,189	9,254

Maltacom p.l.c.

Consolidated Cash Flow Statement

For the Period 1 January 2007 to 30 June 2007

	30.06.07	30.06.06
	Lm000	Lm000
brought forward	5,189	9,254
	-----	-----
Cash flows from financing activities		
Repayments of long term borrowings	(1,798)	(1,720)
Dividends paid	(5,060)	(4,561)
Loan interest paid	(121)	(173)
Proceeds from bank loans	1,953	-
	-----	-----
Net cash used in financing activities	(5,026)	(6,454)
	-----	-----
Net increase in cash and cash equivalents	163	2,800
Cash and cash equivalents at beginning of period	11,733	8,357
Effect of exchange rate fluctuations on cash held	(20)	(46)
Cash pledged as guarantees	(5)	-
Overdrawn bank balance acquired on acquisition of subsidiary	(519)	-
	-----	-----
Cash and cash equivalents at end of period	11,352	11,111
	=====	=====

Maltacom p.l.c.

Notes to the Condensed Consolidated Interim Financial Statements

For the Period 1 January 2007 to 30 June 2007

1 Reporting entity

Maltacom p.l.c. (“the Company”) was incorporated in Malta under the Companies Act on 31 December 1997, and holds a licence for the provision of fixed line telecommunications services in Malta. The subsidiaries provide communications and ancillary services.

The condensed consolidated interim financial statements of the Group as at 30 June 2007 and for the six months then ended comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

The consolidated financial statements of the Group as at and for the year ended 31 December 2006 are available upon request from the Company’s registered office at Spencer Hill, Marsa.

2 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34 *Interim Financial Reporting*).

There are no incompatibilities between the provisions of the Companies Act, 1995 and the requirements of EU Regulations in relation to the preparation of the interim financial statements.

The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2006.

The condensed consolidated interim financial statements were approved by the Board of Directors on 30 August 2007.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2006.

4 Estimates

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the year ended 31 December 2006.

Maltacom p.l.c.

Notes to the Condensed Consolidated Interim Financial Statements

For the Period 1 January 2007 to 30 June 2007

5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2006.

6 Restructuring costs

The restructuring costs represent the costs payable to employees that retired voluntarily during the period.

7 Income tax expense

The Group's consolidated effective tax rate for the six months ended 30 June 2007 was 33.1% (for the year ended 31 December 2006: 32.6 %; for the six months ended 30 June 2006: 33.2 %).

8 Property, plant and equipment

8.1 Acquisitions and disposals

During the six months ended 30 June 2007, the Group acquired assets with a cost of Lm3,781,649 (six months ended 30 June 2006: Lm3,021,630). During the same period, the Group wrote-off assets with a carrying amount of Lm65,767 (six months ended 30 June 2006: Lm65,257).

8.2 Impairment

During the six months ended 30 June 2007, the Group recognised an impairment loss of Lm294,845 following management's decision to decommission plant and equipment.

8.3 Capital commitments

	30.06.07	30.06.06
	Lm000	Lm000
Contracted for	3,097	2,101
Authorised but not yet contracted for	5,485	202
	-----	-----
	8,582	2,303
	=====	=====

Maltacom p.l.c.

Notes to the Condensed Consolidated Interim Financial Statements

For the Period 1 January 2007 to 30 June 2007

9 Intangible assets

During the month of February 2007, the Company acquired 100% of the voting equity of Multiplus Limited. The cost of combination, including professional fees, amounted to Lm1,020,002. The assets and liabilities acquired by the Company, as reflected below, were taken from the financial statements of Multiplus Limited for the year ended 31 December 2006. These figures are not significantly different from those as at the date of acquisition.

	Lm
Assets	
Plant and equipment	1,147,436
Investments in subsidiary	632
Inventories	105,996
Deferred taxation	167,502
Receivables	273,620
Cash at bank and in hand	3,002

	1,698,188
	=====
Liabilities	
Payables	463,159
Borrowings	807,861

	1,271,020
	=====

Upon acquisition of the above assets and liabilities, a goodwill of Lm592,834 was created. During the current period, an assessment of the recoverability of this investment was performed that resulted in an impairment loss of Lm150,000.

10 Investment in subsidiaries

Merger of subsidiaries

As from 1 January 2007, two subsidiaries, namely DataStream Limited and Monitoring Services Limited, were merged with the Company following directors' resolutions taken in 2006 and the earlier part of 2007.

Maltacom p.l.c.

Notes to the Condensed Consolidated Interim Financial Statements

For the Period 1 January 2007 to 30 June 2007

11 Other investments

	30.06.07	31.12.06
	Lm000	Lm000
Non-current investments		
Listed debt securities	2,660	1,296
Units in listed funds	11,910	12,406
	<u>14,570</u>	<u>13,702</u>
	<u><u>14,570</u></u>	<u><u>13,702</u></u>

During the six-month period ended 30 June 2007 the Group acquired listed debt securities amounting to Lm1,503,600. The fair value of listed debt securities and funds decreased by Lm636,000 during the current period.

12 Related parties

12.1 Parent and ultimate controlling party

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 ('the parent'), a company which forms part of the same group of companies of Dubai Holding LLC ('the ultimate controlling party').

12.2 Related party transactions

Consistent with what was reported in the 2006 Annual Report and Audited Financial Statements, the Group maintained a related party relationship with its ultimate controlling party and entities controlled by it (see below), key management personnel, close members of their family, entities controlled by them and entities in which they have a significant influence.

There were no loans to directors during the current and comparative period.

Maltacom p.l.c.

Notes to the Condensed Consolidated Interim Financial Statements

For the Period 1 January 2007 to 30 June 2007

12 Related parties (continued)

12.2 Related party transactions (continued)

	Six months ended	
	30.06.07	30.06.06
	Lm000	Lm000
Ultimate controlling parties and the entities controlled by them		
Services provided to	10	2,474
Services provided by	115	1,728
Dividends payable	3,039	2,735
Dividends paid	3,039	2,735
Set-offs	-	34
Finance interest payable to	-	4
Finance interest receivable from	-	94
Repayment of loans advanced by	-	7
	=====	=====

12.3 Related party balances

	30.06.07	31.12.06
	Lm000	Lm000
Ultimate controlling parties and the entities controlled by them		
Amount receivable from	2	1
Amount payable to	210	118
	=====	=====

13 Contingencies

There were no significant changes in the contingencies of the Company and its subsidiaries from those disclosed in the consolidated financial statements of the Group for the year ended 31 December 2006.

14 Segmental information

The Group identifies its business lines as its basis for primary segment reporting in accordance with IAS 14, Segment Reporting.

Maltacom p.l.c.

Notes to the Condensed Consolidated Interim Financial Statements

For the Period 1 January 2007 to 30 June 2007

14 Segmental information (continued)

14.1 Analysis by business segment

During the current period, management reorganised its business into three major business lines, namely 'Fixed', 'Mobile' and 'Other' and defined these business lines as follows:

Fixed Communication Services (Fixed) comprise the Group's fixed-line telephony services, digital television services, sale of broadband, Internet services and other business communication solutions.

Mobile Communication Services (Mobile) comprise the Group's mobile telephony services.

Other Services (Other) comprise the Group's call centre operation.

Further to the above reorganisation, the Group's internal reporting to the Board of Directors and senior executives was analysed according to the above segments. The comparative information has been restated to reflect the financial effect to the above change.

	Fixed Line Lm000	Mobile Lm000	Other Lm000	Eliminations Lm000	Consolidated Lm000
Period 1 January 2007 to 30 June 2007					
Revenue	17,385	10,238	1,180	(1,677)	27,126
	=====	=====	=====	=====	=====
Segment profit	2,747	3,057	15	78	5,897
	=====	=====	=====	=====	=====
Unallocated items:					
Financial income					500
Financial expenses					(141)
Restructuring costs					(721)
Impairment of goodwill					(150)
Share of associate's results					(17)
Taxation					(1,826)

Profit for the period					3,542
					=====

Maltacom p.l.c.

Notes to the Condensed Consolidated Interim Financial Statements

For the Period 1 January 2007 to 30 June 2007

14 Segmental information (continued)

14.1 Analysis by business segment (continued)

	Fixed Line Lm000	Mobile Lm000	Other Lm000	Eliminations Lm000	Consolidated Lm000
Period 1 January 2006 to 30 June 2006					
Revenue	17,494	9,858	610	(1,362)	26,600
	=====	=====	=====	=====	=====
Segment result: profit/(loss)	3,453	2,772	73	(157)	6,141
	=====	=====	=====	=====	=====
Unallocated items:					
Financial income					434
Financial expenses					(265)
Share of associate's results					(30)
Taxation					(2,082)

Profit for the period					4,198
					=====

14.2 Analysis by geographical segment

The Group considers all its services including the termination of international incoming calls and the provision of roaming services to foreign network subscribers as being provided locally.

Maltacom p.l.c.

Statement pursuant to Listing Rule 9.44.3 issued by the Listing Authority

I hereby confirm that to the best of my knowledge:

- the condensed consolidated interim financial statements give a true and fair view of the financial position of the Group as at 30 June 2007, as well as of the financial performance and cash flows for the said period, fully in compliance with the accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34, *Interim Financial Reporting*);
- the Interim Directors' report includes a fair review of the information required in terms of Listing Rule 9.44.2.

Mr Sonny Portelli
Chairman