

# Roadshow Presentation

November 2004



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# Presentation of the Management

## Team Blue

**Abdeslam Ahizoune**  
Chief Executive Officer



Chairman of the  
Management Board

**Mohammed El Hajji**  
Director  
Central Finance Division



**François Lucas**  
Managing Director  
Fixed Line and Internet Division  
Member of the  
Management Board



**Karim Regragui**  
Director Regulation Division



## Team Red

**Mikael Tiano**  
Managing Director  
Chief Financial Officer  
Member of the  
Management Board



**Janie Letrot**  
Director  
Regulation and Communication



**Larbi Guedira**  
Managing Director  
Mobile Division  
Member of the  
Management Board



# Overview of the Offering

- ❖ **Issue:** Up to 130,985,210 shares
- ❖ **Selling Shareholder:** Kingdom of Morocco
- ❖ **Distribution:** Moroccan retail  
Moroccan and international institutions
- ❖ **Listings:** Casablanca and Paris Stock Exchanges
- ❖ **Over-allotment Option:** Up to 17,085,027 shares (15% of shares sold pre-greenhoe)
- ❖ **Lock-up:** 270 days (Kingdom of Morocco, Vivendi Universal)
- ❖ **Joint Global Co-ordinators:** BNP Paribas, Merrill Lynch, Attijari



# Timetable

❖ Roadshows	22 November - 7 December
❖ Pricing	8 December
❖ First day of trading	13 December
❖ Closing	16 December

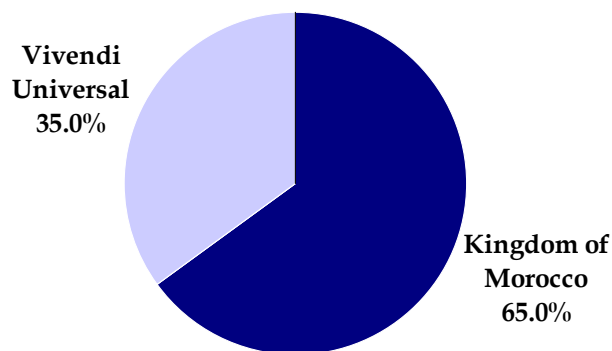


# Introduction to Maroc Telecom

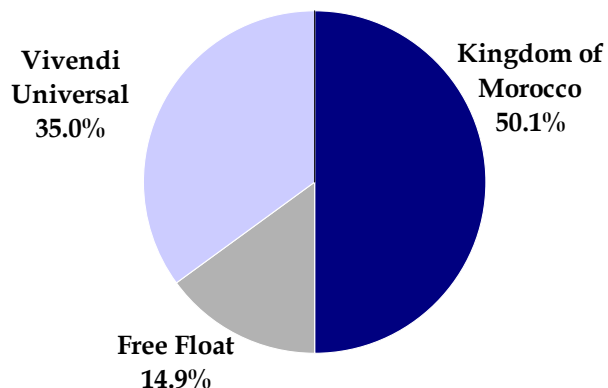


# Shareholding Structure

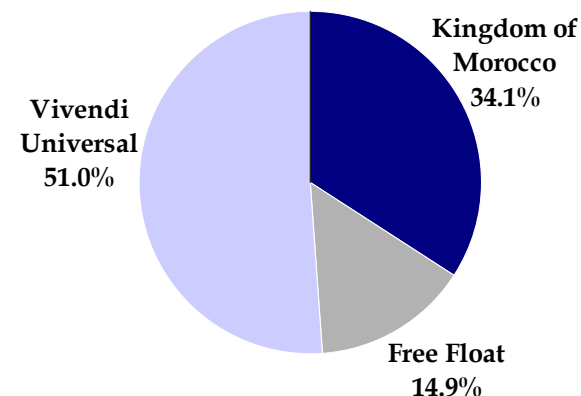
Pre-Offering



Post-Offering<sup>(1)</sup>



After sale of 16% to VU<sup>(1)</sup>



- ❖ Support of Vivendi Universal, a strategic partner since 2001
- ❖ The Kingdom of Morocco will sell 16% of the share capital to Vivendi Universal for a consideration of MAD12.4 billion in January 2005

(1) Including the exercise of the greenshoe



# The Moroccan Telecommunications Market

## *A Country with Strong Potential*

### A Favorable Environment

- ❖ **Favorable demographics**
  - ◆ ~ 30 million, +1.6% growth p.a.
  - ◆ Young population: ~ 51% under 25<sup>(1)</sup>
- ❖ **Infrastructure development** (airports, motorways, harbor facilities, rural electrification program...)
- ❖ **Tourism development (Azur Plan)**
  - ◆ Creation of 6 new seaside resorts
  - ◆ 10 million targeted visitors in 2010<sup>(2)</sup>

### Liberalizing and Improving Economy

- ❖ **Improving the investment framework**
- ❖ **Free trade agreements: United States, Arab countries, WTO, European Union**
- ❖ **Stable and improving economy**
  - ◆ GDP per capita ~ US\$1,500
  - ◆ GDP per capita Growth of ~ 5%<sup>(2)</sup> over 2001-2003
  - ◆ Low inflation rate (<2.8%)<sup>(2)</sup>
  - ◆ Dirham is ~ 80% indexed to the euro<sup>(2)</sup>

(1) Source: Haut Commissariat au Plan

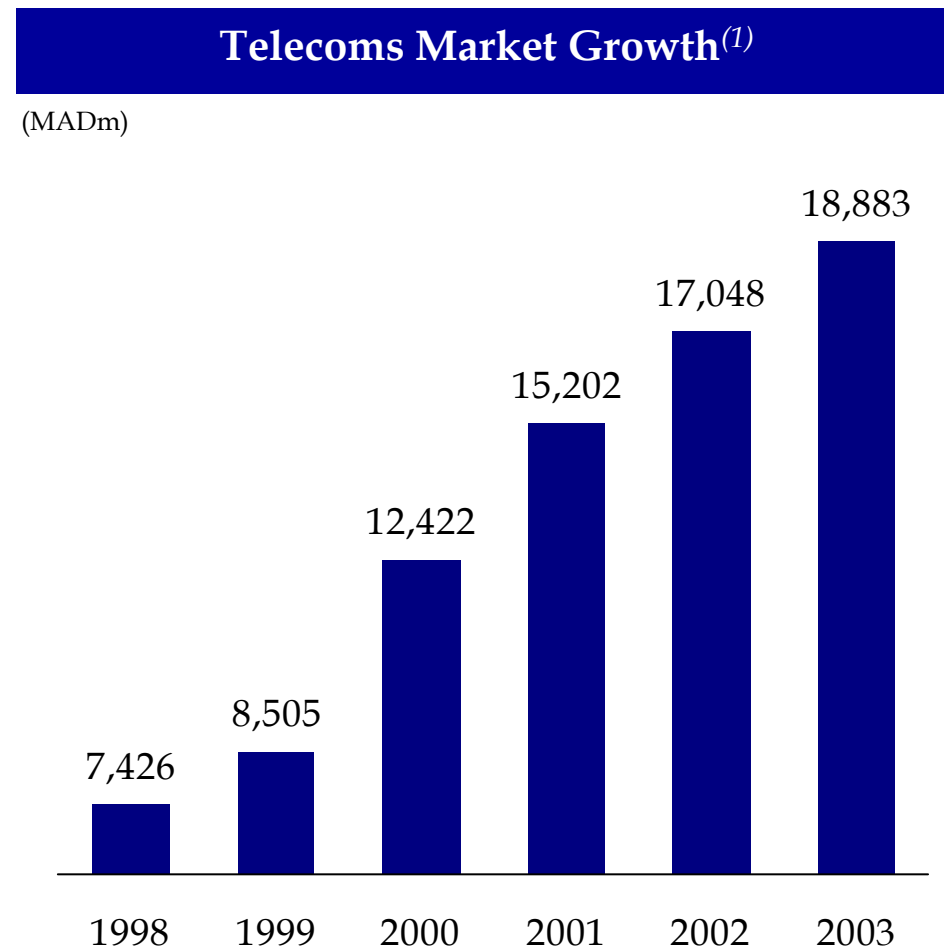
(2) Source: Bank Al Maghrib



# The Moroccan Telecommunications Market

## *A Fast Growing Industry*

- ❖ A MAD19 billion telecom market ...
- ❖ ... growing at a fast pace of 11.5% CAGR (2001-2003)
- ❖ Market penetration as of June 30, 2004
  - ◆ Fixed line: 4%<sup>(2)</sup>
  - ◆ Mobile: 27% (including Méditel)



(1) Source : ANRT

(2) 15% of households

# Market Leadership

	Mobile Communication Services	Fixed Line and Internet
Position	<ul style="list-style-type: none"> <li>❖ Leader in Morocco</li> <li>❖ 70% market share <sup>(1)</sup></li> <li>❖ Coverage of almost the entire population</li> </ul>	<ul style="list-style-type: none"> <li>❖ Sole holder of a fixed line operator license in Morocco</li> <li>❖ 94% ADSL <sup>(1)</sup> market share</li> <li>❖ Limited competition in value added data services</li> </ul>
Clients / Subscribers <sup>(2)</sup>	<ul style="list-style-type: none"> <li>❖ 6.0 million clients</li> <li>❖ 96.0% prepaid</li> </ul>	<ul style="list-style-type: none"> <li>❖ Fixed line: 1.3 million subscribers</li> <li>❖ 9,000 data lines</li> <li>❖ 93,000 active Internet accesses (including 42,200 ADSL lines growing rapidly)</li> </ul>
Revenues	<ul style="list-style-type: none"> <li>❖ MAD8.4 bn <sup>(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>❖ MAD11.2 bn <sup>(3)</sup></li> </ul>

(1) Source ANRT; mobile market share as of June 30, 2004; ADSL market share as of April 30, 2004

(2) September 30, 2004 figures except for data lines (June 30, 2004)

(3) December 31, 2003 revenues including intercompany revenues



# Consolidated Key Financials

(in MADm)	31-Dec-01	31-Dec-02	31-Dec-03	30-Jun-04	30-Sep-04
Consolidated sales	14,268	15,411	15,894	8,464	13,304
Operating profit	3,770	5,922	6,949	3,633	5,843
<i>% sales</i>	26%	38%	44%	43%	44%
Dividends payment <sup>(1)</sup>	824	730	2,500	5,124	
(Net debt) / Net cash	(1,400)	3,514	6,093	3,452	

- ❖ Consolidated sales amounting MAD 15.9bn (approx. EUR 1.4bn)
- ❖ High operating margins
- ❖ Strong payout capacity

(1) Dividend paid the year *n* as regards the fiscal year *n-1*

# Our strategy: Retaining Our Leadership Position on the Moroccan Telecoms Market

## Three Main Axes

- ❖ Stimulate growth in the mobile market
- ❖ Reinforce its competitiveness on fixed-line with a view to the forthcoming opening of this segment to competition
- ❖ Remain the main mover and player for the Internet's development in Morocco

## Three Strategic Assets

- ❖ Capitalize on Maroc Telecom's notoriety
- ❖ Rely on network infrastructure complying with the most recent technological standards
- ❖ Strong strategic partner (Vivendi Universal)

## One Cardinal Rule

- ❖ Maintain rigorous financial management and a sound financial structure

# Regulatory Framework



# Key Regulatory Issues

### Tariffs

- ❖ Freedom to set prices, except for Universal Service rates and Interconnection rates

### Interconnection

- ❖ Specific obligations for operators with significant market power (market share > 20%)
- ❖ Mobile termination rates set by ANRT as of March 2000

### Obligation of Universal Service

- ❖ Contribution amounting to 2% of sales (net of taxes and interconnection costs)
- ❖ "Pay or play" system, allowing a choice between payment of the contribution and provision of a universal service

### Contribution to Research and Education

- ❖ Contribution amounting to 1% of sales (net of taxes and interconnection costs)

# Ongoing Liberalization of the Moroccan Telecommunications Market

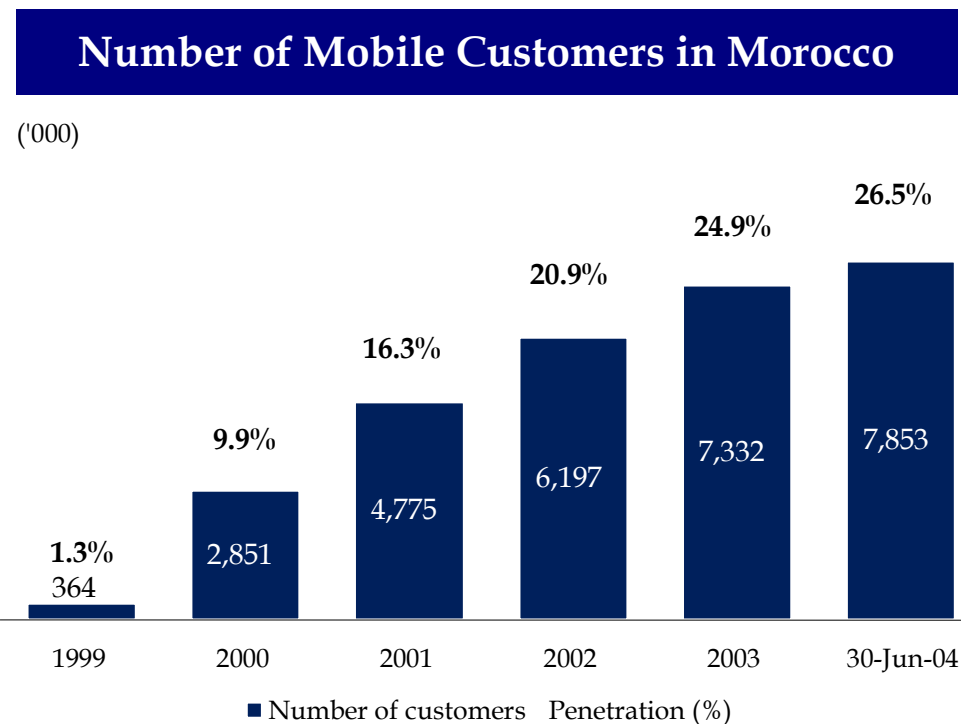
Fixed Line and Internet	Allocation of New Fixed Line Licenses	<ul style="list-style-type: none"> <li>❖ Invitation to tender for fixed-line licenses in Q1 2005                             <ul style="list-style-type: none"> <li>◆ 2 international licenses</li> <li>◆ 2 backbones licenses</li> <li>◆ 2 local loop licenses</li> </ul> </li> </ul> <p>The international licenses will be coupled with any of the 2 other licences</p>
	Carrier Pre-selection	<ul style="list-style-type: none"> <li>❖ Pre-selection to be made possible 12 months after allocation of licenses</li> </ul>
	Unbundling	<ul style="list-style-type: none"> <li>❖ Partial/total unbundling possible between 18 months and 3 years after allocation of local loop licenses</li> </ul>
Mobile	Allocation of New Wireless Licenses	<ul style="list-style-type: none"> <li>❖ UMTS licenses allocation possible in 2005 with priority given to owners of terrestrial licences</li> <li>❖ Allocation of a 3rd wireless license in 2007, operational in 2008</li> </ul>

# Mobile Division



# A Strong Growing Market

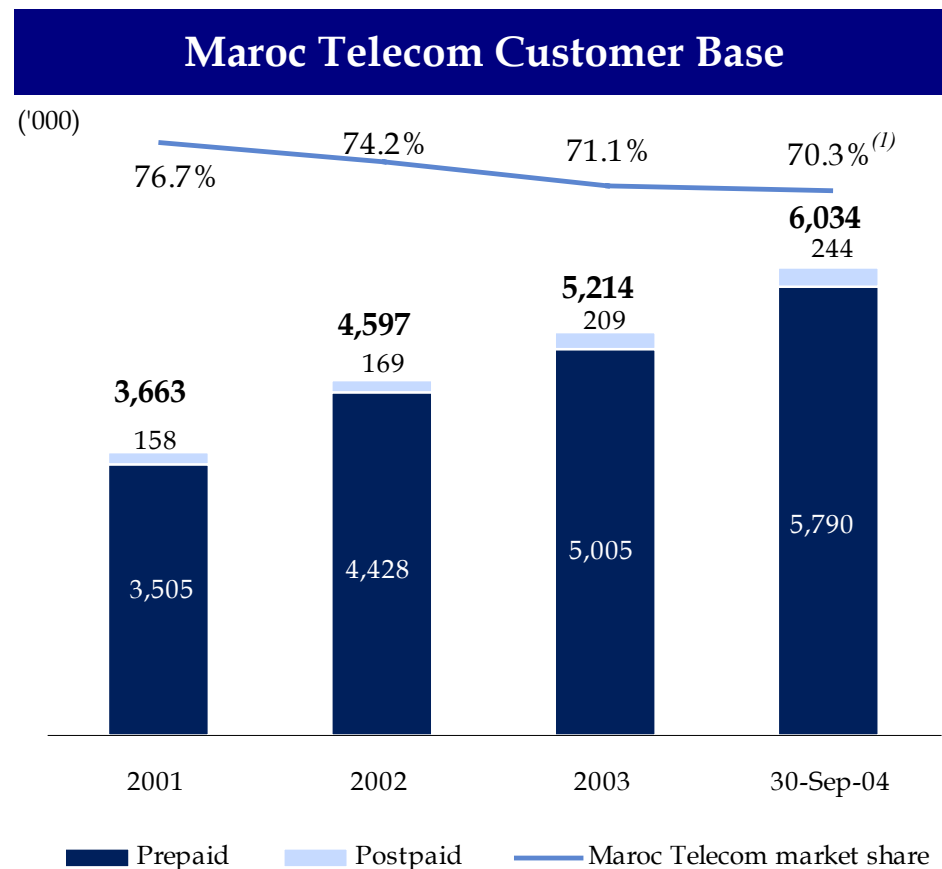
- ❖ **Very strong growth of the mobile market since 1999**
- ❖ **Explosion of the mobile market thanks to:**
  - ◆ Introduction of prepaid service by Maroc Telecom
  - ◆ Arrival of the competition
- ❖ **A steady growth rate, confirmed by the first half 2004**
- ❖ **A mainly prepaid market with 7.4 million prepaid customers as of June 30, 2004**
  - ◆ Around 95% of total customers



Source: ANRT

# Maroc Telecom - the Leader

- ❖ Leadership maintained despite the liberalization of the market
- ❖ Market share stabilised at 70.3% as of June 30, 2004
- ❖ Strong growth of customer base since the beginning of the year: over 6 million clients as of September 30, 2004
- ❖ Very loyal customer base
  - ◆ Stabilized prepaid churn rate (12%)
  - ◆ Reduced postpaid churn rate (16%) (during first half 2004)



Source: Maroc Telecom and ANRT

(1) Market share as of June 30, 2004

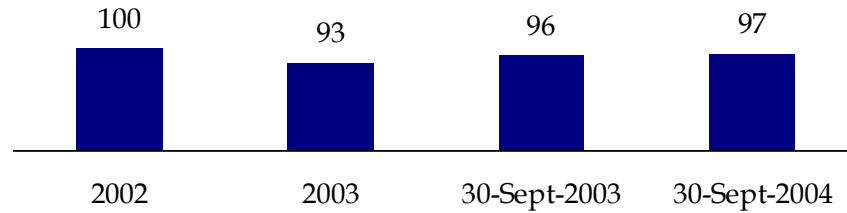
**2001 / Sept. 2004 CAGR: +20%**

# A Favorable ARPU Evolution

## ARPU (MAD/customer/month)

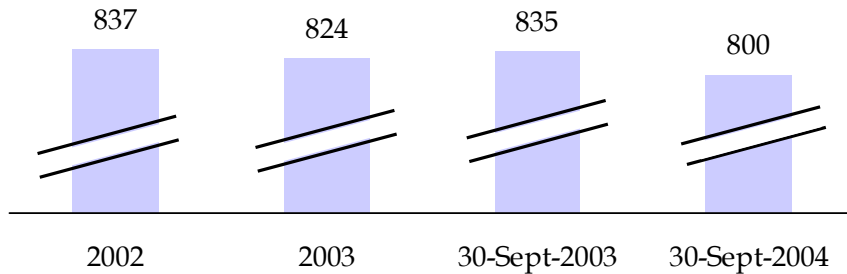
### Prepaid

MOU/Month: 18<sup>(1)</sup>

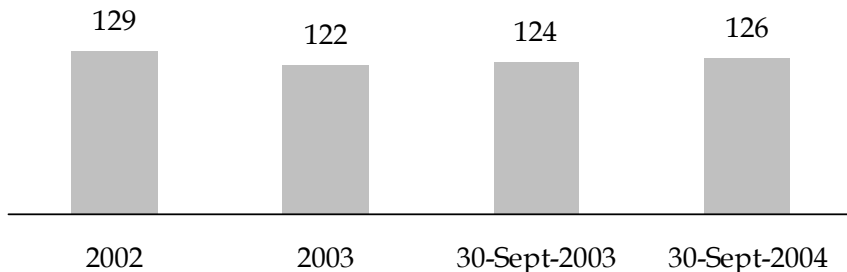


### Postpaid

MOU/Month: 332<sup>(1)</sup>



### Blended



## ARPU Growth Strategy

- ❖ Migration from prepaid to postpaid
- ❖ Stimulation of usage
- ❖ Launch of new additional services

(1) Average usage as of June 30, 2004



# Efficient Customer Acquisition and Retention Policy

## Efficient Acquisition Policy

- ❖ Subsidy levels under control
- ❖ Wide range of handsets
- ❖ Active communication policy
- ❖ Promotions (range of refill options for prepaid)
- ❖ Density of distribution network

## Steady Effort at Customer Retention

- ❖ Prepaid
  - ◆ Recurring promotions
- ❖ Postpaid
  - ◆ Retention system with points (competitive price offers on handsets)
  - ◆ Additional benefits for *Gold* customers (category of customers with a high level of consumption)
- ❖ Advertising

# Outlook for Maroc Telecom's Mobile Division

- ❖ **A market which remains very dynamic:**
  - ◆ First 9 months of 2004 clearly demonstrated the elasticity of the market
  - ◆ Penetration is likely to reach 40%<sup>(1)</sup> in the medium-term
  
- ❖ **Maroc Telecom has held onto the advantages on which it built its success:**
  - ◆ Telecommunications network
  - ◆ Distribution network
  - ◆ Competitive offer
  - ◆ Strong and well-established brand awareness
  
- ❖ **Four strategic focus areas for the Mobile Division:**
  - ◆ Focus on customer retention and customer base growth
  - ◆ Preservation of market share
  - ◆ Increase the share of postpaid customers
  - ◆ Growth of the prepaid usage

(1) Based on a study of an independent expert realised at the request of Maroc Telecom

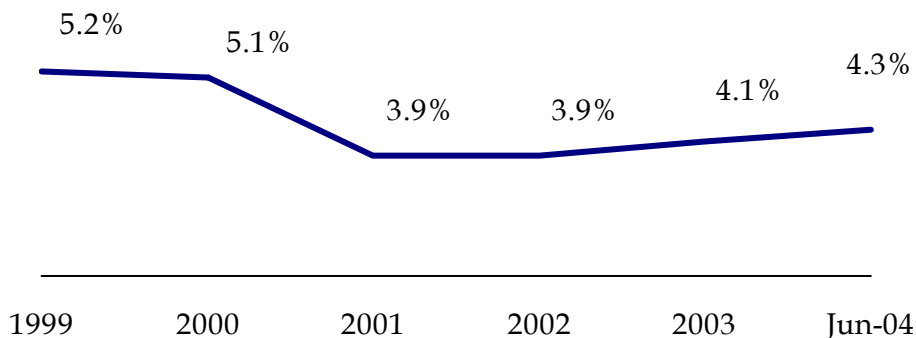
# Fixed Line and Internet Division



# Fixed Line Market Evolution

- ❖ 1.3 million lines as of September 30, 2004 ...
- ❖ ... providing 60% of the total voice outgoing fixed and mobile traffic

## Penetration Rates Evolution in Morocco<sup>(1)</sup>



(1) Source: ANRT

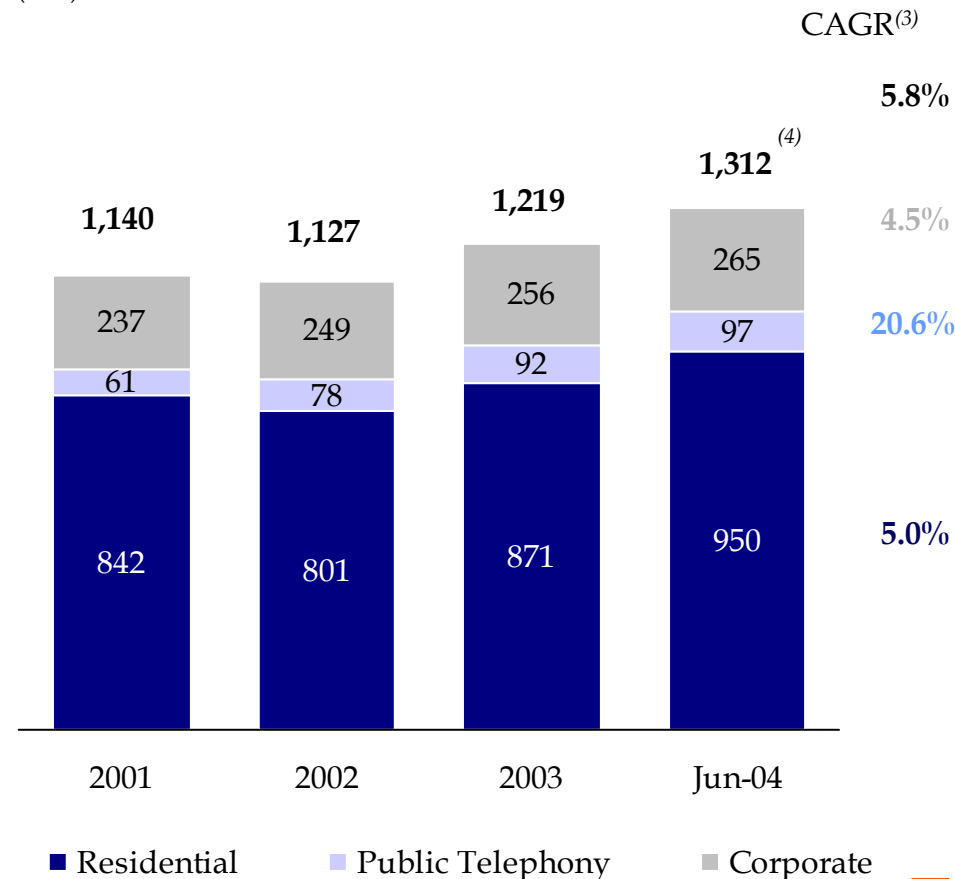
(2) Excluding internal Maroc Telecom access lines

(3) 2001 - June 2004 CAGR

(4) Customer base as of September 30, 2004: 1,299

## Evolution of Access Lines<sup>(2)</sup>

('000)



## 3 Key Segments

### Residential

- ❖ 15% household penetration
- ❖ Fixed-to-mobile erosion reduced from 2003
- ❖ El Manzil packages and “Forfaits Plafonnés” (capped packages)

### Public Telephony

- ❖ Teleboutiques: over 20,000 outlets
- ❖ Pursue rapid growth of Maroc Telecom’s public phone booths

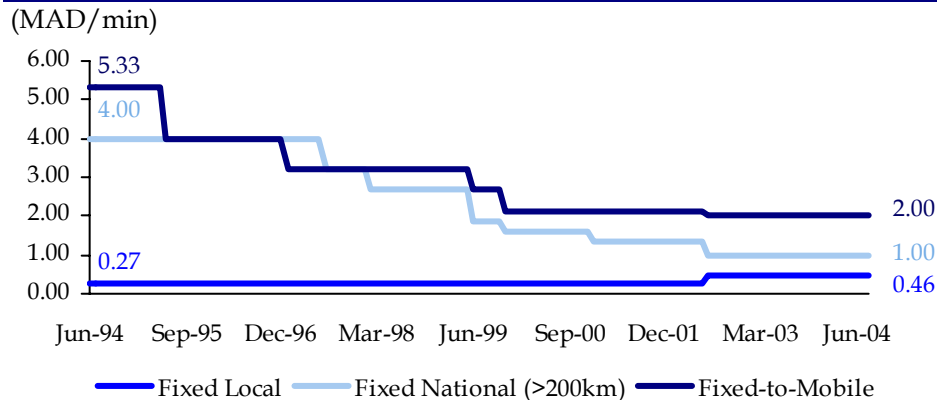
### Corporate

- ❖ A high level of consumption
- ❖ Specific tariffs and offers to Corporate since October 2002
- ❖ High development potential in voice telephony solutions for mid-size businesses

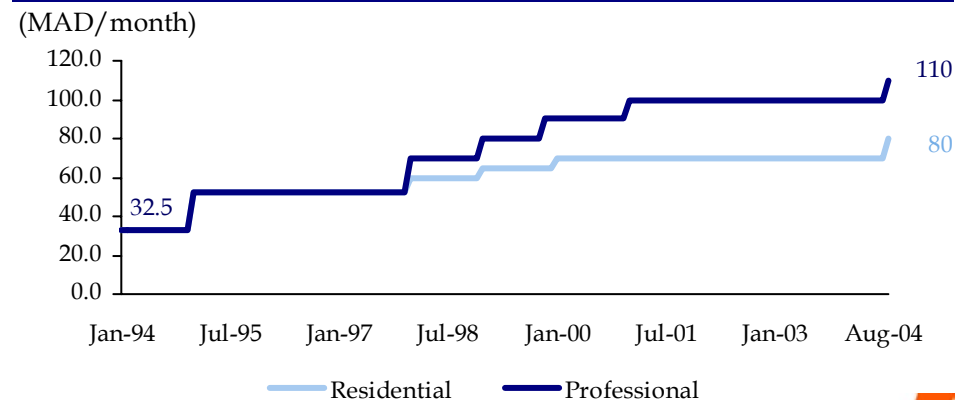
# Tariff Rebalancing Started a While Ago

- ❖ Continuing decreases in call prices (domestic and international) since 1994
- ❖ Increase in rental fees
- ❖ Simplification of the tariff grid structure
  - ◆ Local, domestic, fixed to mobile and international (8 geographical areas)
- ❖ Time-based invoicing (July 2002)
  - ◆ Indivisible first minute

### Average Call Prices

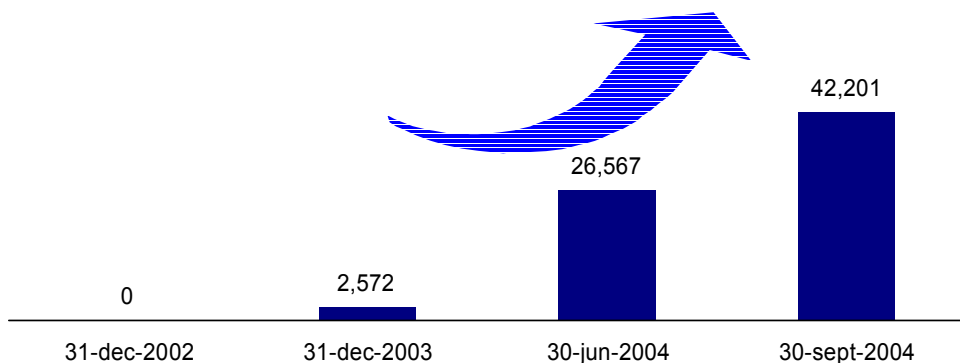


### Rental Fee Evolution



# Focus on New Growth Areas – ADSL Expansion and Data Connectivity Services

## Strong ADSL Lines Growth



- ❖ **Unlimited ADSL launch in 2004**
- ❖ **Anticipated doubling Internet accounts this year**
  - ◆ 2 out of 3 new subscribers are broadband
- ❖ **Internet traffic multiplied by 3 between end of 2003 and end of 2004<sup>(1)</sup>**
- ❖ **ADSL: 45% of Internet accesses as of September 30, 2004**

## Focus on Data Services

- ❖ **Data transmission services towards large accounts**
  - ◆ Revenue growth potential through increase in data capacity (broadband)
- ❖ **Network infrastructure with different technologies (X25, FR, ATM, VPN-IP)**
  - ◆ Domestic coverage
  - ◆ Sufficient level of quality
- ❖ **Development of international leased lines mainly for call centers**

(1) Maroc Telecom estimates

# Outlook for Fixed Line and Internet Division

- ❖ **Further expand of fixed-line communications (voice, data and Internet) in Morocco**
  - ◆ Potential for growth in access lines
  
- ❖ **Reinforce competitiveness (offering, prices, services)**
  - ◆ Face increasing competition
  - ◆ Reinforce our position on international interconnection market
  
- ❖ **Focus on growth areas**
  - ◆ Data transmission
  - ◆ Broadband Internet
  
- ❖ **Maintain a high profitability level**
  - ◆ Maintain overall revenue growth
  - ◆ Maintain our margins
  - ◆ Controlled capex

# Key Financials

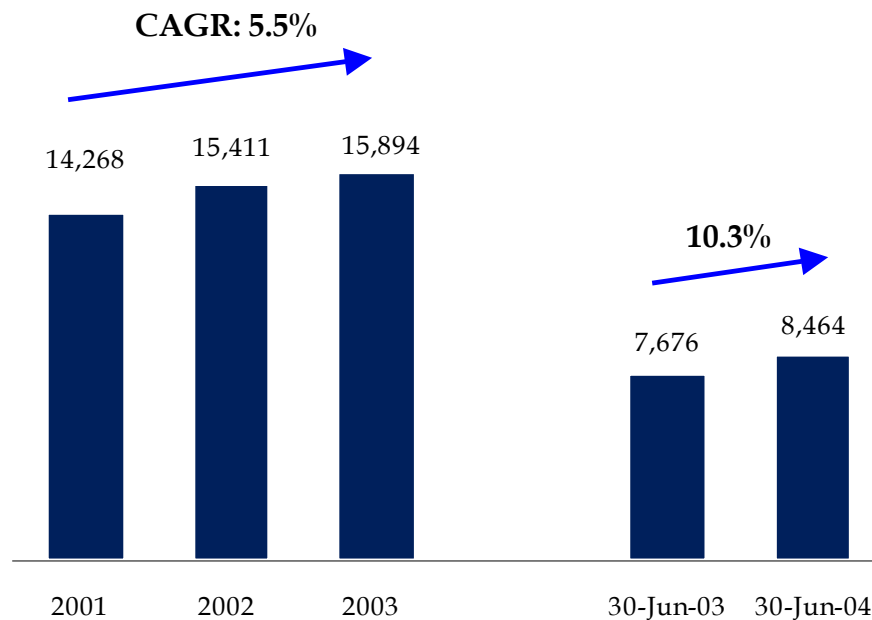


# Key Consolidated Financials

## ❖ Sales growing steadily

### Consolidated Sales

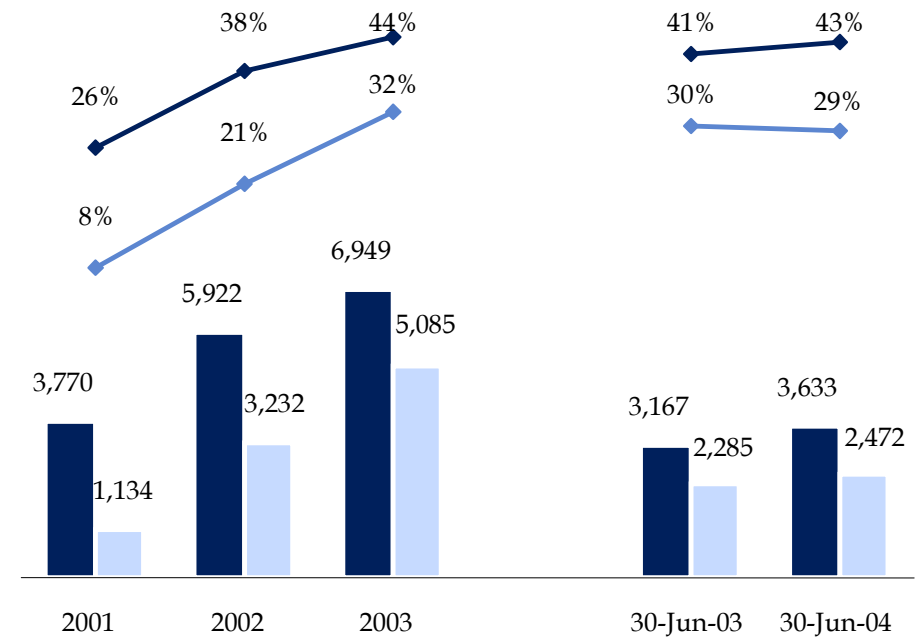
(MADm)



## ❖ High level of margins

### Operating Profit and Net Income

(MADm)



■ Operating profit  
◆ Operating margin

■ Net profit (group share)  
◆ Net profit margin

# Mobile: Strong Growth and High Margins

(in MADm)	31-Dec-01	31-Dec-02	31-Dec-03	30-Jun-03	30-Jun-04
<b>Gross sales</b>	<b>6,760</b>	<b>7,734</b>	<b>8,388</b>	<b>3,981</b>	<b>4,707</b>
<i>% change</i>		14%	8%		18%
<b>EBITDA</b>	<b>1,749</b>	<b>3,082</b>	<b>3,554</b>	<b>1,646</b>	<b>2,330</b>
<i>% margin</i>	26%	40%	42%	41%	50%
<b>Operating profit</b>	<b>1,058</b>	<b>2,347</b>	<b>2,676</b>	<b>1,248</b>	<b>1,790</b>
<i>% margin</i>	16%	30%	32%	31%	38%
<b>Capex</b>	<b>1,769</b>	<b>1,543</b>	<b>1,141</b>	<b>370</b>	<b>692</b>
<i>% Gross sales</i>	26%	20%	14%	9%	15%
<b>EBITDA-Capex</b>	<b>(20)</b>	<b>1,539</b>	<b>2,413</b>	<b>1,276</b>	<b>1,638</b>
<i>% margin</i>	0%	20%	29%	32%	35%

❖ **Steady sales growth**

❖ **Increase in the margins has raised the profitability of the Mobile Division to a very high level**

# Fixed Line: Maintain High Profitability and Cash Flow Generation

(in MADm)	31-Dec-01	31-Dec-02	31-Dec-03	30-Jun-03	30-Jun-04
<b>Gross sales</b>	<b>10,417</b>	<b>11,054</b>	<b>11,210</b>	<b>5,492</b>	<b>5,377</b>
<i>% change</i>		6%	1%		-2% <sup>(1)</sup>
<b>EBITDA</b>	<b>4,088</b>	<b>5,084</b>	<b>5,564</b>	<b>2,632</b>	<b>2,487</b>
<i>% margin</i>	39%	46%	50%	48%	46%
<b>Operating profit</b>	<b>2,712</b>	<b>3,575</b>	<b>4,273</b>	<b>1,919</b>	<b>1,843</b>
<i>% margin</i>	26%	32%	38%	35%	34%
<b>Capex</b>	<b>1,039</b>	<b>1,201</b>	<b>763</b>	<b>281</b>	<b>500</b>
<i>% Gross sales</i>	10%	11%	7%	5%	9%
<b>EBITDA-Capex</b>	<b>3,049</b>	<b>3,883</b>	<b>4,801</b>	<b>2,351</b>	<b>1,987</b>
<i>% margin</i>	29%	35%	43%	43%	37%

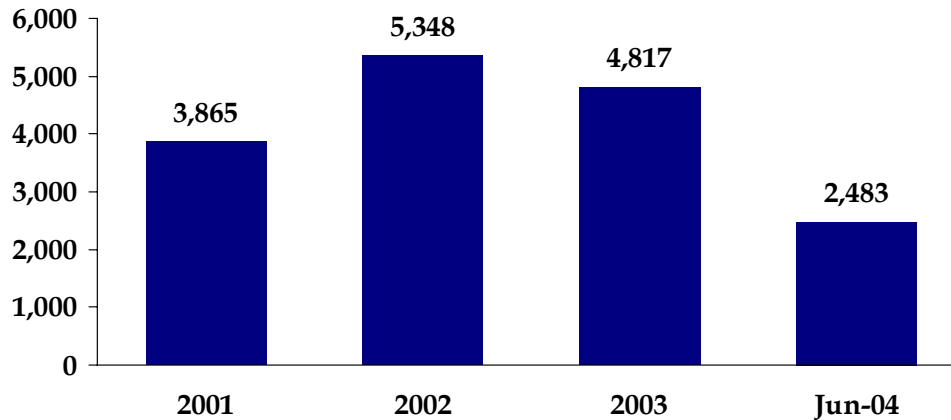
- ❖ Earnings of the Fixed Line and Internet Division continue to grow
- ❖ Slight decrease in sales in the 1st half of 2004 due to the drop in intercompany revenues (mainly lower rates of leased lines)
- ❖ High level of margins maintained

(1) 3.6% growth on external revenues

# Strong Payout Capacity

## Strong Cash Flow Generation Capacity<sup>(1)</sup>

(MADm)

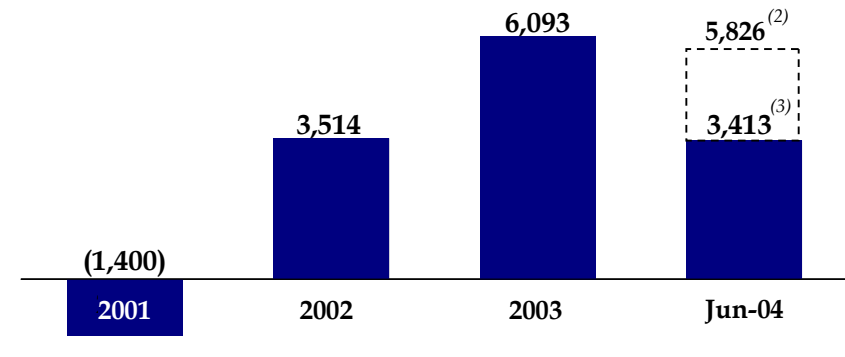


(1) Cash flows from operations - Capex

## Strong Financial Structure

(MADm)

Net cash position: MAD3.5 bn



(2) Post dividend payment (MAD2,750 m)

(3) Post ordinary dividend distribution (MAD2,750 m) and extraordinary dividend (MAD2,374 m)

## Use of Cash Flows

- ❖ Active payout policy to shareholders
- ❖ Scrutinize value creating acquisition opportunities
  - ◆ Rigorous and selective acquisition criteria

# Objectives for 2004

Sales

- ❖ Growth rate between 8 and 10%

EBITDA/  
Op. Profit

- ❖ Growth rate between 8 and 10%

Operational  
Cash Flow<sup>(1)</sup>

- ❖ Stable compared to 2003

(1) Operational cash-flow : EBITDA-capex-change in working capital



# High Growth Prospects and Attractive Yield

- ❖ **Morocco: an attractive investment environment:**
  - ◆ Stable political environment
  - ◆ High growth potential of GDP per capita
  - ◆ Limited monetary risk thanks to strong correlation of national economy to euro
- ❖ **A solid incumbent operator ...**
  - ◆ Leadership position on each of its domestic markets
  - ◆ Demonstrated capability to face entry of new competitors
  - ◆ Very profitable group with high operating margins
  - ◆ Experienced management and supportive strong strategic partner
- ❖ **... with a strong growth potential on all its segments:**
  - ◆ A Mobile telecom market in full expansion, in which Maroc Telecom remains the leading operator
  - ◆ An appropriate marketing policy for the fixed line
  - ◆ Growth prospects on Fixed line segment: data, Internet and especially ADSL
- ❖ **Rigorous use of cash flows:**
  - ◆ Solid financial profile and rigorous financial management
  - ◆ Attractive dividend policy
  - ◆ Ability to seize external growth opportunities yet following rigorous and selective acquisition criteria

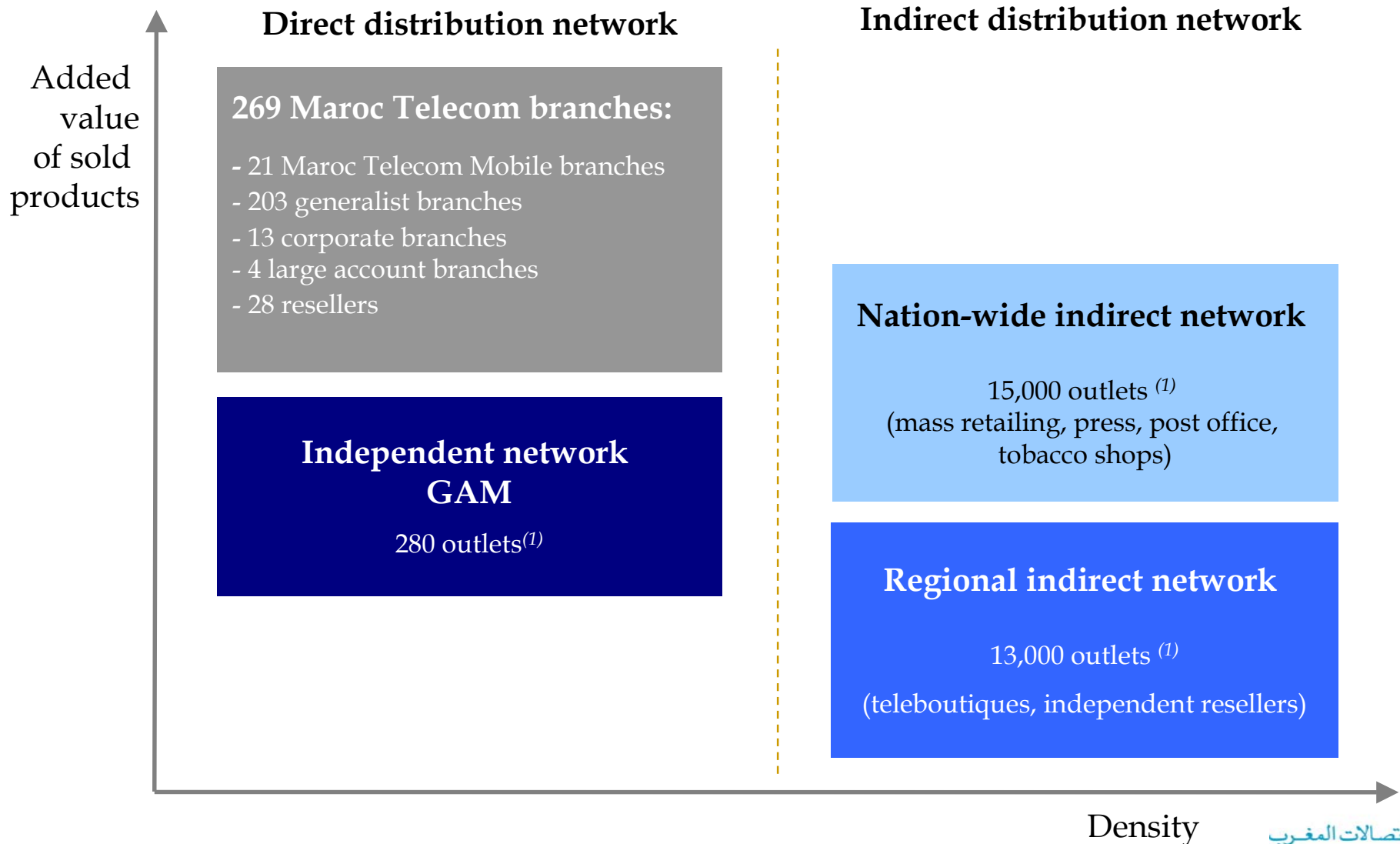
# Appendices



## Maroc Telecom: a Few Milestones

- ❖ **1984:** Promulgation of law creating state agency ONPT (*Office National des Postes et Télécommunications* – National Agency for Postal and Telecommunication Services)
- ❖ **1987:** Digitization of fixed network and deployment of first mobile phone network under NMT 450 standard
- ❖ **1994:** Opening of GSM standard mobile phone service
- ❖ **1997:** Promulgation of law 24-96 establishing and defining the framework for liberalization of the telecoms industry
- ❖ **February 25, 1998:** Creation of Maroc Telecom as a limited company (Itissalat Al-Maghrib)
- ❖ **February 2001:** Sale of a 35% stake in Maroc Telecom to strategic partner Vivendi Universal
- ❖ **November 2004:** Announcement of sale of a 16% stake in Maroc Telecom to Vivendi Universal by the Kingdom of Morocco

# Adequate Retail Strategy Thanks to Complementary Fit of Distribution Networks



(1) Endorsed by Maroc Telecom

# Mobile Network

## Optimal Network Coverage

- ❖ **Optimal coverage:**
  - ◆ Over 3,500 base stations covering almost the whole of the population as of June 30, 2004
- ❖ **Commutation**
  - ◆ 25 MSC centers
  - ◆ 6 transit exchange centers
- ❖ **Intelligent network for prepaid (Jawal)**
  - ◆ 7 IN platforms with a capacity of 7.2m of users
- ❖ **Capacity platforms**
  - ◆ GPRS, WAP, SMS, MMS and VMS
- ❖ **Valuable services**
  - ◆ Connection success rate over 97%
  - ◆ Communications cut-off rate lower than 1.5%
- ❖ **A fully meshed and supervised GSM network**

## Outlook

- ❖ **Increase in capacity in accordance to customer base and traffic evolution**
- ❖ **Launch of new services**
- ❖ **Extension of the GSM coverage**
  - ◆ Villages and major axes
  - ◆ Indoor coverage
- ❖ **Further improvement of quality of service and network optimization**
- ❖ **Progressive introduction of the 3G technology in the very dense zones from 2006 subject to the allocation of licenses by the ANRT**

# A Modern, Evolutionary, Secured and Monitored Fixed Network

## Modern, Evolutionary and Secured

- ❖ **Transmission**
  - ◆ Fiber-optic cable predominance in urban and inter-urban areas
  - ◆ SDH technology with capacity up to 2x 2.5Gbs
  - ◆ Digital network with frequencies up to 4x 155Mbs
  - ◆ Over 6,500km inter-urban fiber-optic cable
  - ◆ Over 3,000km urban fiber-optic cable
- ❖ **International network**
  - ◆ Strong international connectivity: 230 destinations abroad
  - ◆ 2 International Transit Centers (ITC)
  - ◆ 3 undersea cables
  - ◆ Satellite networks

## Outlook

- ❖ **Optimizing networks**
  - ◆ Consolidation of switching exchanges (from 106 to 54)
  - ◆ Monitoring: establishment of a national center monitoring fixed line, mobile and data networks
- ❖ **Pursuing the increase in service quality of fixed lines and data networks**
- ❖ **Capacity and service development to face marketing needs**
- ❖ **Modernization and expansion of rural networks**

## Consolidated Balance Sheet

(in MADm)	31-Dec-01	31-Dec-02	31-Dec-03	30-Jun-04
Goodwill	191	149	143	140
Fixed assets	14,146	13,487	13,014	13,014
Operating assets	5,632	5,761	5,848	6,515
Cash and cash equivalents	1,877	6,116	7,700	4,967
<b>Total assets</b>	<b>21,846</b>	<b>25,513</b>	<b>26,705</b>	<b>24,636</b>
Shareholder's equity	12,726	15,189	17,737	15,090
Minority interests	-	69	67	75
Provisions for liabilities and charges	626	801	379	416
Financial debt	3,277	2,602	1,607	1,515
Trade receivables and other ST liabilities	5,217	6,852	6,915	7,540
<b>Total shareholder's equity and liabilities</b>	<b>21,846</b>	<b>25,513</b>	<b>26,705</b>	<b>24,636</b>

## Consolidated Profit and Loss Account

(in MADm)	31-Dec-01	31-Dec-02	31-Dec-03	30-Jun-03	30-Jun-04
<b>Consolidated sales</b>	<b>14,268</b>	<b>15,411</b>	<b>15,894</b>	<b>7,676</b>	<b>8,464</b>
<i>% change</i>		8%	3%	0%	10%
<b>EBITDA</b>	<b>5,837</b>	<b>8,166</b>	<b>9,118</b>	<b>4,278</b>	<b>4,817</b>
<i>% sales</i>	41%	53%	57%	56%	57%
<b>Operating profit</b>	<b>3,770</b>	<b>5,922</b>	<b>6,949</b>	<b>3,167</b>	<b>3,633</b>
<i>% sales</i>	26%	38%	44%	41%	43%
Financial income and expenses	(309)	107	46	(29)	89
Extraordinary gains and losses	(2,035)	(1,194)	91	-	-
Income tax	(307)	(1,640)	(2,036)	(863)	(1,275)
Equity associates	20	51	47	15	34
Goodwill amortization	(5)	(4)	(5)	(2)	(3)
Minority interests	-	(10)	(7)	(3)	(6)
<b>Net profit (group share)</b>	<b>1,134</b>	<b>3,232</b>	<b>5,085</b>	<b>2,285</b>	<b>2,472</b>
<i>% sales</i>	8%	21%	32%	30%	29%

