

**BAHRAIN TELECOMMUNICATIONS
COMPANY BSC**

**INTERIM CONSOLIDATED FINANCIAL
INFORMATION**

30 JUNE 2007

Bahrain Telecommunications Company BSC

INTERIM CONSOLIDATED FINANCIAL INFORMATION for the six months ended 30 June 2007

CONTENTS	Page
Financial highlights	1
Independent auditors' review report	2
Interim consolidated financial information	
Condensed consolidated balance sheet	3
Condensed consolidated statement of income	4
Condensed consolidated statement of cash flows	5
Condensed consolidated statement of changes in equity	6-7
Notes	8-13

**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the six months ended 30 June 2007**

Six months ended 30 June		2007	2006	% Increase / (decrease)
Gross revenue	BD million	136.4	106.0	28.7%
Net revenue	BD million	110.2	88.2	25.0%
Expenses	BD million	89.1	62.7	42.0%
Profit attributable to Batelco shareholders	BD million	52.3	47.5	10.2%
Return on capital employed (annualized)	%	28.1	28.4	(1.1%)
Number of issued shares	Million	1,200	1,200	-
Earnings per share for the six months period	Fils	44	40	10.2%

Independent Auditors' Report on Review of Interim Consolidated Financial Information

The Board of Directors
Bahrain Telecommunications Company BSC
Manama
Kingdom of Bahrain

17 July 2007

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries ("together the Group") as at 30 June 2007, and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended ("the interim consolidation financial information").

The Directors of the Company are responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Financial Reporting Standard IAS 34-*Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2007

BD 000s

	Notes	30 June 2007 (reviewed)	31 December 2006 (audited)
Property, plant and equipment	6	209,390	203,038
Goodwill		124,380	124,380
Intangible assets		34,510	32,181
Investment in associate	11	61,005	-
Other investments	17	26,806	27,828
TOTAL NON-CURRENT ASSETS		456,091	387,427
Inventories		1,589	1,213
Accounts receivable and prepayments		47,216	43,056
Amounts due from telecommunications operators		5,863	3,732
Cash and cash equivalents		50,706	45,756
Total current assets		105,374	93,757
Accounts payable and accruals		78,528	78,172
Amounts due to telecommunications operators		3,528	4,073
Current portion of bank loans	12	15,782	3,659
Total current liabilities		97,838	85,904
NET CURRENT ASSETS		7,536	7,853
Accounts payable and accruals		13,410	10,741
Non current portion of bank loans	12	54,391	6,342
Deferred income tax liabilities		6,744	7,033
TOTAL NON-CURRENT LIABILITIES		74,545	24,116
NET ASSETS		389,082	371,164
EQUITY			
Share capital		120,000	120,000
Statutory reserve		68,434	60,000
General reserve		15,000	15,000
Foreign currency translation		214	113
Fair value reserve on investments	17	1,246	-
Retained earnings		175,729	167,563
Total equity attributable to shareholders of the parent company		380,623	362,676
Minority interest		8,459	8,488
TOTAL EQUITY		389,082	371,164

The interim consolidated financial information which consists of pages 3 to 13, was approved by the Board of Directors on 17 July 2007 and signed on their behalf by:

CONDENSED CONSOLIDATED STATEMENT OF INCOME
for the six months ended 30 June 2007

BD 000s

	Notes	Six months ended June 30		Three months ended June 30	
		2007 (reviewed)	2006 (reviewed)	2007 (reviewed)	2006 (reviewed)
Revenue	7	136,389	105,987	69,858	53,350
Operating expenses					
General and administrative	9	(62,948)	(44,929)	(32,536)	(23,264)
Other expenses	10	(26,162)	(17,808)	(13,865)	(8,423)
		(89,110)	(62,737)	(46,401)	(31,687)
Profit from operations		47,279	43,250	23,457	21,663
Share of profit of associate	11	477	-	477	-
Finance costs		(1,090)	-	(865)	-
Other income	8	6,809	4,840	5,099	2,890
Profit for the period		53,475	48,090	28,168	24,553
Attributable to:					
Equity shareholders of parent company		52,280	47,462	27,523	24,228
Minority interest		1,195	628	645	325
		53,475	48,090	28,168	24,553
Earnings per share	18				
No. of issued shares in millions		1,200	1,200	1,200	1,200
Basic earnings per share for the period		44 Fils	40 Fils	23 Fils	21 Fils

The interim consolidated financial information which consists of pages 3 to 13, was approved by the Board of Directors on 17 July 2007 and signed on their behalf by:

Chairman

First Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2007

BD 000s

	2007 (reviewed)	2006 (reviewed)
OPERATING ACTIVITIES		
Cash receipts from customers	127,506	105,132
Cash paid to suppliers	(43,867)	(27,036)
Cash paid to and on behalf of employees	(20,405)	(18,145)
Cash paid to telecommunication operators	(8,240)	(6,255)
Cash flows from operating activities	54,994	53,696
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(14,618)	(18,944)
Acquisition of investments	(59,632)	(159,378)
Sale and maturity of investments	2,262	7,152
Interest and investment income received	2,886	5,666
Cash flows from investing activities	(69,102)	(165,504)
FINANCING ACTIVITIES		
Dividend paid	(35,697)	(26,043)
Interest paid	(664)	-
Loans received	60,095	-
Cash paid to charities	(4,676)	(634)
Cash flows from financing activities	19,058	(26,677)
Increase / (decrease) in cash and cash equivalents	4,950	(138,485)
Cash and cash equivalents at beginning of the period	45,756	163,822
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	50,706	25,337

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2007

BD 000s

	Total Equity attributable to Shareholders of the parent company							Minority interest	Total equity
	Share capital	Statutory reserve	General reserve	Foreign currency translation	Fair value reserve on investments	Retained earnings	Total		
At 1 January 2007	120,000	60,000	15,000	113	-	167,563	362,676	8,488	371,164
Fair value changes (note 17)	-	-	-	-	1,246	-	1,246	-	1,246
Foreign currency translation	-	-	-	101	-	-	101	22	123
Total recognised income and expense directly in equity	-	-	-	101	1,246	-	1,347	22	1,369
Net profit for the period	-	-	-	-	-	52,280	52,280	1,195	53,475
Total recognized income and expense for the period	-	-	-	101	1,246	52,280	53,627	1,217	54,844
Final dividends declared for 2006	-	-	-	-	-	(33,600)	(33,600)	-	(33,600)
Donations declared for 2006	-	-	-	-	-	(1,750)	(1,750)	-	(1,750)
Directors' remuneration declared for 2006	-	-	-	-	-	(330)	(330)	-	(330)
Transfer to statutory reserve (2006)	-	8,434	-	-	-	(8,434)	-	-	-
Dividends to minority interest holders	-	-	-	-	-	-	-	(1,246)	(1,246)
At 30 June 2007	120,000	68,434	15,000	214	1,246	175,729	380,623	8,459	389,082

The interim consolidated financial information consists of pages 3 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2006

BD 000s

	Total Equity attributable to Shareholders of the parent company							Minority interest	Total equity
	Share capital	Statutory reserve	General reserve	Foreign currency translation	Fair value reserve on investments	Retained earnings	Total		
At 1 January 2006 (restated)	100,000	51,746	15,000	66	-	157,514	324,326	6,511	330,837
Foreign currency translation	-	-	-	80	-	-	80	59	139
Total recognised income and expense directly in equity	-	-	-	80	-	-	80	59	139
Net profit for the period	-	-	-	-	-	47,462	47,462	628	48,090
Total recognised income and expense for the period	-	-	-	80	-	47,462	47,542	687	48,229
Final dividends (2005)	-	-	-	-	-	(25,000)	(25,000)	-	(25,000)
Bonus shares issue (2005)	20,000	-	-	-	-	(20,000)	-	-	-
Donations (2005)	-	-	-	-	-	(1,757)	(1,757)	-	(1,757)
Directors' remuneration (2005)	-	-	-	-	-	(275)	(275)	-	(275)
Transfer to statutory reserve (2005)	-	8,254	-	-	-	(8,254)	-	-	-
Dividends to minority shareholders	-	-	-	-	-	-	-	(940)	(940)
At 30 June 2006	120,000	60,000	15,000	146	-	149,690	344,836	6,258	351,094

The interim consolidated financial information consists of pages 3 to 13.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007**

BD 000s

- 1 The interim consolidated financial information as at and for the six months period ended 30 June 2007 comprise the interim financial information of Bahrain Telecommunications Company BSC ("the Company"), and its subsidiaries (collectively "the Group") and its associate. The Group is principally engaged in the provision of public telecommunications and associated products and services.
- 2 The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, which permits the interim financial information to be in summarized form.
- 3 The interim consolidated financial information has been prepared using the same accounting policies set out in the audited consolidated financial statements for the year ended 31 December 2006. The Group has adopted International Accounting Standard 28 - Investments in Associates for accounting for its investment in an associate effective 21 April 2007. (note 11).
- 4 The interim consolidated financial information is not audited but has been reviewed by KPMG. The comparatives for the condensed consolidated balance sheet have been extracted from the audited consolidated financial statements for the year ended 31 December 2006 and the comparatives for the condensed consolidated statements of income, cash flows and changes in equity have been extracted from the reviewed interim consolidated financial information for the six months ended 30 June 2006.
- 5 Due to the effect of seasonal variations, the results reported in these interim consolidated financial information may not represent a proportionate share of the overall annual income.
- 6 **Property, plant and equipment**
During the six months ended 30 June 2007, the Group acquired assets with a cost of BD 19,384 (30 June 2006: BD 14,058). Disposal of assets amounted to BD 629 (30 June 2006: BD 307).

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
7 Revenues				
Mobile telecommunications services	65,912	46,259	33,970	22,810
Fixed line telecommunication services	20,098	21,942	10,320	11,169
Internet	17,741	14,490	9,069	8,646
Data communication circuits	16,689	13,980	8,381	6,378
Wholesale	14,246	7,095	7,150	3,788
Others	1,703	2,221	968	559
	136,389	105,987	69,858	53,350

Information on geographic segments is set out in Note 16.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007

BD 000s

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
8 Other Income				
Interest income	882	3,539	461	1,863
Investment income	812	997	263	640
Reversal of previously recognised impairment loss (i)	3,637	-	3,637	-
Recovery of impaired deposit	1,043	-	1,043	-
Gain / (loss) from disposal of property, plant and equipment	(52)	(54)	(33)	2
Others	487	358	(272)	385
	6,809	4,840	5,099	2,890

- (i) As at 30 June 2007, the Group reassessed the impairment loss of BD 3,637 recognised in the year 2005 for the access network. Based on this reassessment, the Group has reversed the previously recorded impairment loss amounting to BD 3,637 during the period ended 30 June 2007. The reversal of impairment loss is included in the other income for the period and has been adjusted in the net book value of property, plant and equipment as at 30 June 2007.

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
9 General and administrative				
Staff costs	20,314	15,408	10,401	7,533
Other general and administration expenses	24,479	16,460	12,412	8,779
Depreciation and amortization	18,155	13,061	9,723	6,952
	62,948	44,929	32,536	23,264

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
10 Other expenses				
Out-payments to telecommunications operators	17,578	12,658	9,252	5,861
License fees	2,683	934	1,384	467
Cost of equipment sales	5,901	4,216	3,229	2,095
	26,162	17,808	13,865	8,423

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007**

BD 000s

11 Investment in associate

On 21 April 2007, the Group acquired a 20% equity stake in Yemen Company For Mobile Telephony Y.S.C ("Sabafon"), for a consideration of US\$ 158 million (BD 59.57 million). Details of the acquisition and the accounting for the associate's share of profits are as follows:

	30 June 2007 (reviewed)
Consideration	59,566
Expenses related to the acquisition	962
Cost of acquisition	60,528
Share of post acquisition profit	477
Carrying value of investment	61,005

The summarised financial information of Sabafon is as follows:

	30 June 2007
Total assets as at 30 June 2007	151,106
Liabilities as at 30 June 2007	44,801
Post acquisition revenue till 30 June 2007	10,205
Post acquisition net profit till 30 June 2007	2,383

12 Bank loan

On 10 April 2007, the Group availed of a BD 182,840 (US\$ 485 million) loan facility agreement with a syndicate of banks. The drawn down amount on this facility as at 30 June 2007 is BD 60,320 (US\$ 160 million). The Group has drawn down the remaining portion of the loan subsequent to 30 June 2007. The maturity position of loans availed of by the Group is as follows:

	30 June 2007 (reviewed)	31 December 2006 (audited)
Current portion - Payable within one year	15,782	3,659
Non current portion - Payable within two to five years	54,391	6,342
	70,173	10,001

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007**

BD 000s

13 Contingent liabilities
i) Letters of credit and guarantees

The Group has signed a Memorandum of Understanding ("MOU") with Atheeb Trading Company ("Atheeb") to form a consortium to jointly bid for an award of a License as a Facilities Based Provider for Fixed Services in the Kingdom of Saudi Arabia. As per the terms of the MOU, the Group has issued counter guarantees in favour of Atheeb for SR 122 million (BD 12,800) towards its share of the Spectrum Fee and Project Upfront License Fee, in the consortium.

As at 30 June 2007, the Group's banks have issued guarantees, in addition to the guarantees above, amounting to BD 7,985 (31 December 2006: BD 653) and letters of credit amounting to BD 109 (31 December 2006: BD 107).

14 Commitments
i) Capital commitments

The Group has capital commitments at 30 June 2007 amounting to BD 22,784 (31 December 2006: BD 15,075).

15 Related parties
i) Transactions with related parties

The Company provides telecommunication services to various Government and semi government organisation and companies in the Kingdom of Bahrain. The Company also avails of various services from Government and semi government organisation and companies in the Kingdom of Bahrain.

ii) Transactions with key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. During the period, the Group paid the following compensation to the key management personnel.

	2007 (reviewed)	2006 (reviewed)
Short-term employee benefits	546	399
Post-employment benefits	-	170
Total key management personnel compensation paid	546	569
Directors' remuneration	330	275

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007

BD 000s

16 Segment information
Geographic segments

For reporting purposes the Group's operation is geographically segregated between Bahrain, and other Middle East and North African ("MENA") countries. Segment information disclosed for the six months ended 30 June 2007 after elimination of inter company transactions is as follows:

Segment revenue and net profit	Six months ended 30 June 2007 (reviewed)			Six months ended 30 June 2006 (reviewed)		
	Bahrain	MENA	Total	Bahrain	MENA	Total
Revenue	100,485	35,904	136,389	96,002	9,985	105,987
Other income	7,227	(418)	6,809	4,956	(116)	4,840
Net profit	48,472	5,003	53,475	47,089	1,001	48,090
Segment assets and liabilities	As at 30 June 2007 (reviewed)			As at 30 June 2006 (reviewed)		
	Bahrain	MENA	Total	Bahrain	MENA	Total
Non-current assets	235,691	220,400	456,091	172,072	167,268	339,340
Current assets	76,298	29,076	105,374	43,159	15,794	58,953
Total assets	311,989	249,476	561,465	215,231	183,062	398,293
Current liabilities	49,965	47,873	97,838	33,400	13,799	47,199
Non-current liabilities	48,256	26,289	74,545	-	-	-
Total liabilities	98,221	74,162	172,383	33,400	13,799	47,199

17 Reclassification of other investments

During the period, the Group sold certain Held to Maturity ("HTM") investments prior to its maturity date. In accordance with IAS 39 – Financial Instruments: Recognition and Measurement, the Group has reclassified its HTM investments as available-for-sale investments ("AFS") and has recognised fair value reserve for BD 1,246 in the Consolidated Statement of Changes in Equity as at 30 June 2007.

18 Earnings per share:

The earnings per share ("EPS") have been computed and presented in accordance with International Financial Reporting Standards. The calculation of EPS is based on the net profit for the six and three months ended 30 June 2007 amounting to BD 52,280 and BD 27,523, respectively (30 June 2006: BD 47,462 and BD 24,228), attributable to 1,200 million (2006: 1,200 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the period.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007**

BD 000s

19 **Comparatives**

The comparative figures for the previous period have been reclassified, where necessary, in order to conform to the current period's presentation. Such reclassifications do not affect the previously reported net profit, net assets or equity.

The Group acquired Umniah Mobile Company PSC ("Umniah"), which offers mobile phone services in the Kingdom of Jordan, with effect from 28 June 2006. The Group completed its purchase price allocation, accounting for the business combination and consolidation of the results of Umniah effective 28 June 2006 during the period ended 30 September 2006.

The interim consolidated financial information as at 30 June 2007 include the results of Umniah for the six months ended 30 June 2007 and the related assets and liabilities as at 30 June 2007. Hence, the comparative figures presented for the corresponding period ended 30 June 2006 are not strictly comparable with those of 30 June 2007.