

**BAHRAIN TELECOMMUNICATIONS
COMPANY BSC**

**INTERIM CONSOLIDATED FINANCIAL
INFORMATION**

30 SEPTEMBER 2007

Bahrain Telecommunications Company BSC

INTERIM CONSOLIDATED FINANCIAL INFORMATION for the nine months ended 30 September 2007

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the nine months ended 30 September 2007**

Nine months ended 30 September		2007	2006	% Increase / (decrease)
Gross revenue	BD million	213.2	169.7	25.6%
Net revenue	BD million	169.1	138.9	21.7%
Expenses	BD million	141.6	103.9	36.2%
Profit attributable to Batelco shareholders	BD million	78.2	70.6	10.7%
Return on capital employed (annualized)	%	28.0	28.2	(1.0%)
Number of issued shares	Million	1,200	1,200	-
Earnings per share for the nine months period	Fils	65	59	10.7%

Independent Auditors' Report on Review of Interim Consolidated Financial Information

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

24 October 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 September 2007, and the related condensed consolidated statements of income, changes in equity and cash flows for the nine-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 September 2007

BD 000s

	Notes	30 September 2007 (reviewed)	31 December 2006 (audited)
Property, plant and equipment	6	212,081	203,038
Goodwill		124,380	124,380
Intangible assets		33,729	32,181
Investment in associate	11	61,551	-
Other investments	16	27,105	27,828
TOTAL NON-CURRENT ASSETS		458,846	387,427
Inventories		2,966	1,213
Accounts receivable and prepayments		51,054	43,056
Amounts due from telecommunications operators		5,860	3,732
Cash and cash equivalents		185,722	45,756
Total current assets		245,602	93,757
Accounts payable and accruals		95,905	78,172
Amounts due to telecommunications operators		4,064	4,073
Current portion of bank loans	12	40,253	3,659
Total current liabilities		140,222	85,904
NET CURRENT ASSETS		105,380	7,853
Accounts payable and accruals		13,377	10,741
Non current portion of bank loans	12	151,911	6,342
Deferred income tax liabilities		6,600	7,033
TOTAL NON-CURRENT LIABILITIES		171,888	24,116
NET ASSETS		392,338	371,164
EQUITY			
Share capital		120,000	120,000
Statutory reserve		68,434	60,000
General reserve		15,000	15,000
Foreign currency translation		329	113
Fair value reserve on investments	16	1,545	-
Retained earnings		177,639	167,563
Total equity attributable to shareholders of the parent company		382,947	362,676
Minority interest		9,391	8,488
TOTAL EQUITY		392,338	371,164

The interim consolidated financial information which consists of pages 3 to 13, was approved by the Board of Directors on 24 October 2007 and signed on their behalf by:

Chairman

Director

CONDENSED CONSOLIDATED STATEMENT OF INCOME
for the nine months ended 30 September 2007

BD 000s

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2007 (reviewed)	2006 (reviewed)	2007 (reviewed)	2006 (reviewed)
Revenue	7	213,201	169,743	76,812	63,756
Operating expenses					
General and administrative	9	97,414	73,087	34,467	28,158
Other expenses	10	44,145	30,861	17,982	13,053
		141,559	103,948	52,449	41,211
Profit from operations		71,642	65,795	24,363	22,545
Share of profit of associate	11	1,011	-	534	-
Finance costs		(3,932)	(75)	(2,842)	(75)
Other income	8	11,372	5,991	4,563	1,151
Profit for the period		80,093	71,711	26,618	23,621
Attributable to:					
Equity shareholders of parent company		78,190	70,638	25,911	23,176
Minority interest		1,903	1,073	707	445
		80,093	71,711	26,618	23,621
Earnings per share	17				
No. of issued shares in millions		1,200	1,200	1,200	1,200
Basic earnings per share for the period		65 Fils	59 Fils	21 Fils	19 Fils

The interim consolidated financial information which consists of pages 3 to 13, was approved by the Board of Directors on 24 October 2007 and signed on their behalf by:

Chairman

Director

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2007

BD 000s

	2007 (reviewed)	2006 (reviewed)
OPERATING ACTIVITIES		
Cash receipts from customers	192,183	154,955
Cash paid to suppliers	(49,393)	(36,751)
Cash paid to and on behalf of employees	(28,859)	(24,549)
Cash paid to telecommunication operators	(11,536)	(8,588)
Cash flows from operating activities	102,395	85,067
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(28,055)	(21,114)
Acquisition of investments	(62,098)	(156,330)
Sale and maturity of investments	2,262	7,152
Interest and investment income received	6,668	7,323
Cash flows from investing activities	(81,223)	(162,969)
FINANCING ACTIVITIES		
Dividend paid	(58,183)	(54,794)
Interest paid	(864)	-
Loans received	182,139	-
Cash paid to charities	(4,298)	(919)
Cash flows from financing activities	118,794	(55,713)
Increase / (decrease) in cash and cash equivalents	139,966	(133,615)
Cash and cash equivalents at beginning of the period	45,756	162,747
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	185,722	29,132

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 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 reserve	Fair value reserve-AFS 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 adjustment	-	-	-	-	1,545	-	1,545	-	1,545
Foreign currency translation	-	-	-	216	-	-	216	274	490
Total recognised income and expense directly in equity	-	-	-	216	1,545	-	1,761	274	2,035
Net profit for the period	-	-	-	-	-	78,190	78,190	1,903	80,093
Total recognised income and expense for the period	-	-	-	216	1,545	78,190	79,951	2,177	82,128
Final dividends (2006)	-	-	-	-	-	(33,600)	(33,600)	-	(33,600)
Donations (2006)	-	-	-	-	-	(1,750)	(1,750)	-	(1,750)
Directors' remuneration (2006)	-	-	-	-	-	(330)	(330)	-	(330)
Transfer to statutory reserve (2006)	-	8,434	-	-	-	(8,434)	-	-	-
Interim dividend (2007)	-	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Dividends to minority interest holders	-	-	-	-	-	-	-	(1,274)	(1,274)
At 30 September 2007	120,000	68,434	15,000	329	1,545	177,639	382,947	9,391	392,338

Bahrain Telecommunications Company BSC

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 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 reserve	Retained earnings	Total		
At 1 January 2006	100,000	51,746	15,000	66	157,514	324,326	6,511	330,837
Foreign currency translation	-	-	-	43	-	43	-	43
Total recognised income and expense directly in equity	-	-	-	43	-	43	-	43
Net profit for the period	-	-	-	-	70,638	70,638	1,073	71,711
Total recognised income and expense for the period	-	-	-	43	70,638	70,681	1,073	71,754
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)	-	-	-
Interim dividend (2006)	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Dividends to minority shareholders	-	-	-	-	-	-	(940)	(940)
Minority interest arising on acquisition	-	-	-	-	-	-	1,353	1,353
At 30 September 2006	120,000	60,000	15,000	109	148,866	343,975	7,997	351,972

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the nine months ended 30 September 2007

BD 000s

- 1 The interim consolidated financial information as at and for the nine months period ended 30 September 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. (Refer to 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 nine months ended 30 September 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 nine months ended 30 September 2007, the Group acquired assets with a cost of BD 28,564 (30 September 2006: BD 27,963). Disposal of assets amounted to BD 4,581 (30 September 2006: BD 307).

	Nine months ended 30 September		Three months ended 30 September	
	2007	2006	2007	2006
7 Revenues				
Mobile telecommunications services	105,918	77,202	40,006	30,943
Fixed line telecommunication services	29,778	32,182	9,680	10,240
Internet	26,744	22,415	9,003	7,925
Data communication circuits	26,107	21,199	9,418	7,219
Wholesale	22,330	13,259	8,084	6,164
Others	2,324	3,486	621	1,265
	213,201	169,743	76,812	63,756

Information on geographic segments is set out in Note 15.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the nine months ended 30 September 2007

BD 000s

	Nine months ended 30 September		Three months ended 30 September	
	2007	2006	2007	2006
8 Other Income				
Interest income	2,919	3,654	2,037	115
Investment income	1,200	1,188	388	191
Reversal of previously recognised impairment loss (i)	3,637	-	-	-
Recovery of impaired deposit	1,043	556	-	556
Settlement received against disputed traffic	2,262	-	2,262	-
Gain / (loss) from disposal of property, plant and equipment	(74)	(52)	(21)	2
Others	385	645	(103)	287
	11,372	5,991	4,563	1,151

- (i) The Group reassessed the impairment loss of BD 3,637 recognised in the year 2005 for its access network. Based on this reassessment, the Group has reversed the previously recorded impairment loss amounting to BD 3,637 during the period. 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.

	Nine months ended 30 September		Three months ended 30 September	
	2007	2006	2007	2006
9 General and administrative				
Staff costs	31,801	23,951	11,487	8,543
Other general and administration expenses	37,584	28,344	13,105	11,884
Depreciation and amortization	28,029	20,792	9,875	7,731
	97,414	73,087	34,467	28,158

	Nine months ended 30 September		Three months ended 30 September	
	2007	2006	2007	2006
10 Other expenses				
Out-payments to telecommunications operators	28,404	21,463	10,826	8,805
License fees	4,373	2,078	1,690	1,144
Cost of equipment sales	11,368	7,320	5,466	3,104
	44,145	30,861	17,982	13,053

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the nine months ended 30 September 2007

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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 September 2007 (reviewed)
Consideration	59,566
Expenses related to the acquisition	974
Cost of acquisition	60,540
Share of post acquisition profit	1,011
Carrying value of investment	61,551

The summarised financial information of Sabafon is as follows:

	30 September 2007
Total assets as at 30 September 2007	153,765
Liabilities as at 30 September 2007	42,000
Post acquisition revenue till 30 September 2007	24,752
Post acquisition net profit till 30 September 2007	5,057

12 Bank loan

On 10 April 2007, the Group concluded a loan facility agreement for BD 182,840 (US\$ 485 million) with a syndicate of banks. As at 30 September 2007 the facility is fully utilized by the Group. The maturity position of loans availed of by the Group is as follows:

	30 September 2007 (reviewed)	31 December 2006 (audited)
Current portion - Payable within one year	40,253	3,659
Non current portion - Payable within two to five years	151,911	6,342
	192,164	10,001

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the nine months ended 30 September 2007**

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13 Commitments and Contingencies

- i)** 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 12,244) towards its share of the Spectrum Fee and Project Upfront License Fee, in the consortium.
- ii)** In July 2007, the Group has submitted its bid for acquisition of a licence to provide mobile telephony services in the State of Qatar. In accordance with the terms of the bid, the bankers of the Group have provided a Tender Performance Bond for QAR 200 million (BD 20,720).
- iii)** As at 30 September 2007, the Group’s banks have issued guarantees, amounting to BD 1,607 (31 December 2006: BD 653) and letters of credit amounting to BD 544 (31 December 2006: BD 107).
- iv)** The Group has capital commitments at 30 September 2007 amounting to BD 18,550 (31 December 2006: BD 15,075).

14 Related parties
i) Transactions with related parties

The Company provides telecommunication services to various Government and semi government organisations and companies in the Kingdom of Bahrain. The Company also avails of various services from Government and semi government organisations 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 and post employment benefits	865	791
Total key management personnel compensation	865	791
Directors’ remuneration	330	275

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the nine months ended 30 September 2007

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15 **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 nine months ended 30 September 2007 after elimination of inter company transactions is as follows:

	Nine months ended 30 September 2007 (reviewed)			Nine months ended 30 September 2006 (reviewed)		
	Bahrain	MENA	Total	Bahrain	MENA	Total
Segment revenue and net profit						
Revenue	152,978	60,223	213,201	145,411	24,332	169,743
Other income	12,386	(1,014)	11,372	6,122	(131)	5,991
Net profit	74,459	5,634	80,093	69,300	2,411	71,711
Segment assets and liabilities						
	As at 30 September 2007 (reviewed)			As at 30 September 2006 (reviewed)		
	Bahrain	MENA	Total	Bahrain	MENA	Total
Non-current assets	236,897	221,949	458,846	168,485	206,181	374,666
Current assets	213,637	31,965	245,602	48,944	25,078	74,022
Total assets	450,534	253,914	704,448	217,429	231,259	448,688
Current liabilities	91,108	49,114	140,222	40,040	29,302	69,342
Non-current liabilities	146,276	25,612	171,888	-	27,373	27,373
Total liabilities	237,384	74,726	312,110	40,040	56,675	96,715

16 **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 created a fair value reserve of BD 1,545 in the Consolidated Statement of Changes in Equity as at 30 September 2007.

17 **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 nine and three months ended 30 September 2007 amounting to BD 78,190 and BD 25,911, respectively (30 September 2006: BD 70,638 and BD 23,176), 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 nine months ended 30 September 2007**

BD 000s

18 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 September 2007 include the results of Umniah for the nine months ended 30 September 2007 and the related assets and liabilities as at 30 September 2007. Hence, the comparative figures presented for the corresponding period ended 30 September 2006 are not strictly comparable with those of 30 September 2007.