

**BAHRAIN TELECOMMUNICATIONS
COMPANY BSC**

INTERIM FINANCIAL INFORMATION

30 JUNE 2009

Bahrain Telecommunications Company BSC

INTERIM FINANCIAL INFORMATION for the six months ended 30 June 2009

CONTENTS	Page
Financial highlights	1
Independent auditors' report on review of interim financial information	2
Interim financial information	
Condensed consolidated statement of financial position	3
Condensed consolidated statement of comprehensive income	4
Condensed consolidated statement of cash flows	5
Condensed consolidated statement of changes in equity	6
Notes to the interim financial information	7-11

**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the six months ended 30 June 2009**

Six months ended 30 June		2009	2008	% Increase / (Decrease)
Gross revenue	BD million	170.6	160.5	6%
Net revenue	BD million	132.1	122.4	8%
Expenses	BD million	117.8	119.4	(1)%
Profit attributable to Batelco shareholders	BD million	54.2	50.8	7%
Return on net worth	%	22.2	22.9	(3)%
Weighted average number of shares outstanding for the period	Million	1,440	1,440	-
Earnings per share for the period	Fils	37.6	35.3	7%

Independent auditors' report on review of interim financial information

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

22 July 2009

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bahrain Telecommunications Company BSC ("the Company") as at 30 June 2009, and the related condensed consolidated statements of comprehensive income, cash flows and changes in equity for the six months period then ended ("the interim financial information"). The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim 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 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 financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2009

BD'000s

	Note	30 June 2009 (reviewed)	31 December 2008 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		203,389	211,381
Goodwill		124,871	125,317
Intangible assets		29,210	30,744
Investment in associate	6	151,762	85,583
Available for sale investments		33,001	32,397
Total non-current assets		542,233	485,422
Current assets			
Inventories		2,872	3,115
Available for sale investments		4,365	2,666
Trade and other receivables		62,251	70,048
Cash and cash equivalents		66,122	153,540
Total current assets		135,610	229,369
Total assets		677,843	714,791
EQUITY AND LIABILITIES			
Share capital		144,000	144,000
Statutory reserve		74,218	74,208
General reserve		15,000	15,000
Foreign currency translation reserve		(1,690)	(884)
Investment fair value reserve	10	11,136	288
Retained earnings		228,451	219,653
Total equity attributable to equity holders of the parent Company		471,115	452,265
Non-controlling interest		11,263	10,648
Total equity		482,378	462,913
Non-current liabilities			
Trade and other payables		9,329	11,964
Non-current portion of bank borrowings		1,250	38,671
Total non-current liabilities		10,579	50,635
Current liabilities			
Trade and other payables		110,308	126,486
Current portion of bank borrowings		74,578	74,757
Total current liabilities		184,886	201,243
Total liabilities		195,465	251,878
Total equity and liabilities		677,843	714,791

The interim financial information which consists of pages 3 to 11 was approved by the Board of Directors on 22 July 2009 and signed on their behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Sh. Mohamed bin Isa Al Khalifa
Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2009

BD'000s

	Note	Six months ended 30 June		Three months ended 30 June	
		2009 (reviewed)	2008 (reviewed)	2009 (reviewed)	2008 (reviewed)
Revenue	7	170,559	160,518	86,868	82,382
Finance and other income	8	2,184	10,867	611	1,617
Share of profit of associates (net)	6	2,090	1,388	921	902
		174,833	172,773	88,400	84,901
Network operating expenses		52,609	50,845	25,583	25,484
Staff cost		23,931	24,009	11,776	12,355
Depreciation and amortisation		20,791	21,432	10,397	10,687
General and administrative expenses		19,521	19,729	10,762	10,634
Finance expenses		994	3,378	299	1,270
Total expenses		117,846	119,393	58,817	60,430
Profit before income tax		56,987	53,380	29,583	24,471
Income tax expense		(1,019)	(806)	(697)	(169)
Profit for the period		55,968	52,574	28,886	24,302
Other comprehensive income					
Foreign currency translation differences for foreign operations		(1,161)	316	(213)	57
Available-for-sale investments fair value changes	10	10,848	(677)	4,707	(425)
Other comprehensive income for the period		9,687	(361)	4,494	(368)
Total comprehensive income for the period		65,655	52,213	33,380	23,934
Profit for the period attributable to:					
Equity holders of the parent Company		54,212	50,815	27,948	23,374
Non-controlling interest		1,756	1,759	938	928
		55,968	52,574	28,886	24,302
Total comprehensive income attributable to:					
Equity holders of the parent Company		64,244	50,226	32,309	22,971
Non-controlling interest		1,411	1,987	1,071	963
		65,655	52,213	33,380	23,934
Basic and diluted earnings per share for the period (Fils)	9	37.6	35.3	19.4	16.2

The interim financial information which consists of pages 3 to 11 was approved by the Board of Directors on 22 July 2009 and signed on their behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Sh. Mohamed bin Isa Al Khalifa
Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2009

BD'000s

	Six months ended 30 June 2009 (reviewed)	Six months ended 30 June 2008 (reviewed)
Operating activities		
Cash receipts from customers	152,205	149,464
Cash paid to suppliers	(57,238)	(64,712)
Cash paid to and on behalf of employees	(24,596)	(28,244)
Cash flows from operating activities	70,371	56,508
Investing activities		
Acquisition of plant and equipment	(18,118)	(17,900)
Investment in associate	(66,629)	(21,691)
Proceeds from sale of land	-	7,513
Acquisition of equity investment	-	(15,081)
Dividend received from associate	2,540	1,131
Refund of advances from joint venture	1,990	-
Proceeds from sale and maturity of investments	5,929	4,147
Interest and investment income received	2,627	5,238
Cash flows from investing activities	(71,661)	(36,643)
Financing activities		
Dividend paid	(44,071)	(25,556)
Interest paid	(2,194)	(4,506)
Borrowing (repaid)	(37,420)	(38,557)
Payments to charities	(2,443)	(2,102)
Cash flows from financing activities	(86,128)	(70,721)
Decrease in cash and cash equivalents	(87,418)	(50,856)
Cash and cash equivalents at the beginning of the period	153,540	213,657
Cash and cash equivalents at the end of the period	66,122	162,801

The interim financial information consists of pages 3 to 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2009

BD'000s

2009 (reviewed)

	Equity attributable to equity holders of the parent Company						Non - controlling interest	Total equity	
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investments fair value reserve	Retained earnings			Total
At 1 January 2009	144,000	74,208	15,000	(884)	288	219,653	452,265	10,648	462,913
Total comprehensive income for the period	-	-	-	(816)	10,848	54,212	64,244	1,411	65,655
Final dividends declared for 2008	-	-	-	-	-	(43,200)	(43,200)	-	(43,200)
Donations declared for 2008	-	-	-	-	-	(2,605)	(2,605)	-	(2,605)
Directors' remuneration declared for 2008	-	-	-	-	-	(385)	(385)	-	(385)
Regrouping of balances	-	10	-	10	-	776	796	(796)	-
At 30 June 2009	144,000	74,218	15,000	(1,690)	11,136	228,451	471,115	11,263	482,378

2008 (reviewed)

	Equity attributable to equity holders of the parent Company						Non - controlling interest	Total equity	
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investments fair value reserve	Retained earnings			Total
At 1 January 2008	120,000	68,434	15,000	558	1,595	200,942	406,529	10,277	416,806
Total comprehensive income for the period	-	-	-	88	(677)	50,815	50,226	1,987	52,213
Final dividends (2007)	-	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Bonus issue (2007)	24,000	-	-	-	-	(24,000)	-	-	-
Donations (2007)	-	-	-	-	-	(2,537)	(2,537)	-	(2,537)
Directors' remuneration (2007)	-	-	-	-	-	(385)	(385)	-	(385)
Transfer to statutory reserve (2007)	-	4,828	-	-	-	(4,828)	-	-	-
Dividends to non-controlling interest	-	-	-	-	-	-	-	(1,547)	(1,547)
At 30 June 2008	144,000	73,262	15,000	646	918	196,007	429,833	10,717	440,550

The interim financial information consists of pages 3 to 11.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2009**

- 1 The interim financial information as at and for the six months period ended 30 June 2009 comprise the interim financial information of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (collectively "the Group"). It does not include all the information required for full annual financial statements and should be read in conjunction with consolidated financial statements of the Group for the year ended 31 December 2008. The Group is principally engaged in the provision of public telecommunications and associated products and services. During the period, the Group subscribed to 100% of the capital of Batelco Millennium India Company Limited ("BMIC"), a company incorporated in Mauritius. For details, refer to note 6 below.
- 2 The interim financial information has been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting), which permits the interim financial statements to be in summarized form.
- 3 During the period, the Group adopted Revised IAS 1 "Presentation of Financial Statements" on its required application date 1 January 2009. Revised IAS 1 introduces the term "total comprehensive income", which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either 1) a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or 2) in an income statement and a separate statement of comprehensive income. The Group has opted to present the total comprehensive income in a single statement – a condensed consolidated statement of comprehensive income.

The adoption of revised IAS 1 impacted the type and amount of disclosures made in the interim financial information, but had no impact on the reported profits or the financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

IFRS 8 "Operating Segments" is applicable for periods beginning on or after 1 January 2009. This standard introduces the "management approach" to segment reporting which requires a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. The Group's line of business is provision of public telecommunications and associated products and services. Presently, the Group's operations are analysed by management by geographical segments. Geographic segment disclosure is set out in note 16.

There were no other changes to the accounting policies and risk management framework as set out in the consolidated financial statements for the year ended 31 December 2008.

- 4 The interim financial information is not audited but has been reviewed by KPMG Fakhro. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2008 and the comparatives for the condensed consolidated statements of comprehensive income, cash flows and changes in equity have been extracted from the reviewed interim financial information for the six months ended 30 June 2008.
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**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2009**

5 Due to the effect of seasonal variations, the results reported in the interim financial information may not represent a proportionate share of the overall annual income.

6 Investment in subsidiary and associate

During the period, Batelco fully subscribed for the share capital of BMIC. During the period, through a series of purchases made through BMIC, the Group acquired 42.7% stake in STEL Private Limited ("STEL"), a company incorporated in India, for a consideration of US\$ 174.5 million (BD 65.8 million).

	2009 BD '000	2008 BD '000
At 1 January	85,583	62,446
Consideration paid	65,783	21,691
Expenses related to the acquisition	846	-
Dividend received	(2,540)	(1,131)
Share of post acquisition profit (net of income tax and losses) based on un-audited financial statements	2,090	1,388
At 30 June	151,762	84,394

	Six months ended 30 June		Three months ended 30 June	
	2009 BD '000	2008 BD '000	2009 BD '000	2008 BD '000
7 Revenue				
Mobile telecommunications services	77,852	74,986	39,711	38,894
Fixed line telecommunication services	20,022	18,657	10,075	9,524
Internet	20,111	18,854	10,004	10,196
Data communication circuits	26,285	21,228	13,687	11,237
Wholesale	17,999	19,832	8,371	10,292
Others	8,290	6,961	5,020	2,239
	170,559	160,518	86,868	82,382

Information on geographic segments is set out in Note 16.

	Six months ended 30 June		Three months ended 30 June	
	2009 BD '000	2008 BD '000	2009 BD '000	2008 BD '000
8 Finance and other income				
Gain/(loss) on sale of land	-	6,716	-	(88)
Net loss on disposal of property, plant and equipment	(156)	(124)	(156)	(75)
Interest income	1,042	3,270	347	1,156
Others	1,298	1,005	420	624
	2,184	10,867	611	1,617

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2009**

- 9 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 profit attributable to owners of the Company for the six months ended 30 June 2009 of BD 54,212 thousands (30 June 2008: BD 50,815 thousands), attributable to the weighted average number of shares outstanding for the period 1,440 (2008: 1,440) million ordinary shares.
- 10 Investments fair value reserve**
In 2008, the Group joined with Atheeb Trading Company and other parties to form a consortium bearing the name of Etihad Atheeb Telecommunications Company ("Atheeb") to jointly bid for a License as a Facilities Based Provider for Fixed Services in the Kingdom of Saudi Arabia. The Group paid BD 15,081 thousands towards subscription of 15 million shares of SAR 10 each in the share capital of Atheeb. As per the shareholders' agreement, the above shares subscribed for by the Group have a five year lock-in-period. In February 2009, Atheeb was legally incorporated in the Kingdom of Saudi Arabia and the shares of Atheeb were listed on Tadawul (Saudi Stock Exchange). As at 30 June 2009, a fair value gain on the investment in Atheeb amounting to BD 10.99 million has been taken to investment fair value reserve.
- 11 Interim dividend**
In their meeting held on 22 July 2009, the Board of Directors approved an interim dividend of 20 fils per share (2008: 20 fils per share) amounting to BD 28.8 million (2008: BD 28.8 million).
- 12 Commitments and contingencies**
- (i)** The Group has furnished a guarantee for BD 36.9 million (equivalent of SAR 367 million) (2008: BD 36.9 million) to Banque Saudi Fransi for extending credit facilities to Atheeb.
- (ii)** The Group has furnished guarantees amounting to BD 5.8 million (2008: BD 7.77 million) to suppliers on behalf of Atheeb relating to the equipment supply contracts.
- (iii)** Operating leases
The Group enters into cancellable operating lease agreements in the normal course of business, which are principally in respect of buildings and equipment. These lease agreements are cancellable with one to three months notice.
- (iv)** Staff housing loans
The Group provides loans to its Bahraini employees for the acquisition of residential properties. The loans are funded through a local commercial bank and secured by a guarantee issued by the Group. The Group bears 75% (2008: 75%) of the loan interest. At 30 June 2009, the Group has guaranteed BD 4.02 million towards housing loans to staff (2008: BD 4.6 million).
- (v)** Foreign currency facilities
The Group currently has foreign currency facilities from commercial banks totalling approximately BD 3.77 million (2008: BD 3.77 million). At 30 June 2009, the Group has utilised BD Nil (2008: BD Nil) of the foreign currency facilities.
- (vi)** As at 30 June 2009, the Group's banks have issued guarantees, amounting to BD 8.9 million (2008: BD 3.95 million) and letters of credit amounting to BD 0.45 million (2008: BD 0.43 million).
- (vii)** The Group has capital commitments at 30 June 2009 amounting to BD 14.2 million (2008: BD 11.19 million).

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2009**

13 Related parties

(i) Transactions with related parties

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

	30 June 2009 BD '000	30 June 2008 BD '000
Short-term employee benefits	836	607
Post-employment benefits	78	49
Total key management personnel compensation	914	656
Directors' remuneration	385	385

14 Appropriations

The shareholders in their meeting held on 25 February 2009 to approve the 2008 accounts approved final dividend of BD 43,200 thousands, donations of BD 2,605 thousands and directors' remuneration of BD 385 thousands.

15 Comparatives

The comparative figures for the previous period have been regrouped, where necessary, in order to conform to the current period's presentation. Such regrouping does not affect the previously reported profit, comprehensive income or equity.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2009**
16 Segment information
Geographic segments

For reporting purposes the Group's operations are geographically segregated between Bahrain, Jordan and other Middle East and North African ("MENA") countries. Segment information disclosed for the six months ended 30 June 2009 after elimination of intercompany transactions is as follows:

	30 June 2009 (reviewed)					30 June 2008 (reviewed)				
	Bahrain	Jordan	Other MENA countries	Inter - segment elimination	Total	Bahrain	Jordan	Other MENA countries	Inter - segment elimination	Total
Segment revenue and profit	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s
Revenue (external customers)	118,601	37,766	14,192	-	170,559	107,694	38,789	14,035	-	160,518
Inter-segment revenues	3,191	4,008	675	(7,874)	-	2,877	2,773	642	(6,292)	-
Segment profit	48,218	2,721	5,029	-	55,968	46,349	1,828	4,397	-	52,574

	As at 30 June 2009 (reviewed)					As at 31 December 2008 (audited)				
	Bahrain	Jordan	Other MENA countries	Inter - segment elimination	Total	Bahrain	Jordan	Other MENA countries	Inter - segment elimination	Total
Segment assets and liabilities	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s
Non-current assets	443,404	85,285	13,544	-	542,233	383,833	87,218	14,371	-	485,422
Current assets	119,163	36,186	22,939	(42,678)	135,610	195,426	40,148	22,330	(28,535)	229,369
Total assets	562,567	121,471	36,483	(42,678)	677,843	579,259	127,366	36,701	(28,535)	714,791
Current liabilities	138,818	61,351	19,628	(34,911)	184,886	135,370	70,087	22,238	(26,452)	201,243
Non-current liabilities	4,063	14,288	-	(7,772)	10,579	38,722	14,066	37	(2,190)	50,635
Total liabilities	142,881	75,639	19,628	(42,683)	195,465	174,092	84,153	22,275	(28,642)	251,878