

**BAHRAIN TELECOMMUNICATIONS  
COMPANY BSC**

**INTERIM FINANCIAL INFORMATION**

**30 SEPTEMBER 2009**

# Bahrain Telecommunications Company BSC

## INTERIM FINANCIAL INFORMATION for the nine months ended 30 September 2009

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)  
for the nine months ended 30 September 2009**


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<b>Nine months ended 30 September</b>		<b>2009</b>	<b>2008</b>	<b>% Increase / (Decrease)</b>
Gross revenue	BD million	256.2	245.4	4
Net revenue	BD million	198.5	186.8	6
Expenses	BD million	176.6	177.6	(1)
Profit attributable to Batelco shareholders	BD million	79.5	78.3	1.5
Return on net worth	%	22.4	24.3	(8)
Weighted average number of shares outstanding for the period	Million	1,440	1,440	-
Earnings per share for the period	Fils	55.2	54.4	1.5

**Independent auditors' report on review of interim financial information**

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

28 October 2009

*Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (together the "group") as at 30 September 2009, and the related condensed consolidated statements of comprehensive income, cash flows and changes in equity for the nine months period then ended ("the interim financial information"). The Board of Directors of the Company is 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 September 2009**

BD'000s

	Note	30 September 2009 (reviewed)	31 December 2008 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		195,666	206,696
Goodwill		124,871	125,317
Intangible assets		32,841	35,429
Investment in associates	6	149,522	85,583
Available for sale investments		32,399	32,397
<b>Total non-current assets</b>		<b>535,299</b>	<b>485,422</b>
<b>Current assets</b>			
Inventories		2,400	3,115
Available for sale investments		6,187	2,666
Trade and other receivables		63,385	70,048
Cash and cash equivalents		73,974	153,540
<b>Total current assets</b>		<b>145,946</b>	<b>229,369</b>
<b>Total assets</b>		<b>681,245</b>	<b>714,791</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		144,000	144,000
Statutory reserve		74,218	74,208
General reserve		15,000	15,000
Foreign currency translation reserve		(1,001)	(884)
Investment fair value reserve	10	12,354	288
Retained earnings		224,925	219,653
<b>Total equity attributable to equity holders of the parent Company</b>		<b>469,496</b>	<b>452,265</b>
<b>Non-controlling interest</b>		<b>10,826</b>	<b>10,648</b>
<b>Total equity</b>		<b>480,322</b>	<b>462,913</b>
<b>Non-current liabilities</b>			
Trade and other payables		8,940	11,964
Non-current portion of bank borrowings		-	38,671
<b>Total non-current liabilities</b>		<b>8,940</b>	<b>50,635</b>
<b>Current liabilities</b>			
Trade and other payables		118,845	126,486
Current portion of bank borrowings		73,138	74,757
<b>Total current liabilities</b>		<b>191,983</b>	<b>201,243</b>
<b>Total liabilities</b>		<b>200,923</b>	<b>251,878</b>
<b>Total equity and liabilities</b>		<b>681,245</b>	<b>714,791</b>

The interim financial information which consists of pages 3 to 11 was approved by the Board of Directors on 28 October 2009 and signed on its 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 nine months ended 30 September 2009**

BD'000s

	Note	Nine months ended 30 September		Three months ended 30 September	
		2009 (reviewed)	2008 (reviewed)	2009 (reviewed)	2008 (reviewed)
<b>Revenue</b>	7	<b>256,189</b>	245,351	<b>85,630</b>	84,833
Finance and other income	8	2,291	12,245	107	1,378
Share of profit of associates (net)		2,210	2,618	120	1,230
		<b>260,690</b>	260,214	<b>85,857</b>	87,441
Network operating expenses		78,945	77,330	26,336	26,485
Staff cost		35,795	36,500	11,864	12,491
Depreciation and amortisation		30,870	32,474	10,079	11,042
General and administrative expenses		29,882	26,763	10,361	7,033
Finance expenses		1,112	4,557	118	1,180
<b>Total expenses</b>		<b>176,604</b>	177,624	<b>58,758</b>	58,231
<b>Profit before income tax</b>		<b>84,086</b>	82,590	<b>27,099</b>	29,210
Income tax expense		(1,839)	(1,416)	(820)	(610)
<b>Profit for the period</b>		<b>82,247</b>	81,174	<b>26,279</b>	28,600
<b>Other comprehensive income</b>					
Foreign currency translation differences for foreign operations		(458)	204	703	(112)
Investments fair value changes	10	12,066	(1,130)	1,218	(453)
<b>Other comprehensive income for the period</b>		<b>11,608</b>	(926)	<b>1,921</b>	(565)
<b>Total comprehensive income for the period</b>		<b>93,855</b>	80,248	<b>28,200</b>	28,035
<b>Profit for the period attributable to:</b>					
Equity holders of the parent Company		79,486	78,332	25,274	27,517
Non-controlling interest		2,761	2,842	1,005	1,083
		<b>82,247</b>	81,174	<b>26,279</b>	28,600
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent Company		91,425	77,254	27,181	27,028
Non-controlling interest		2,430	2,994	1,019	1,007
		<b>93,855</b>	80,248	<b>28,200</b>	28,035
<b>Basic and diluted earnings per share for the period (Fils)</b>	9	<b>55.2</b>	54.4	<b>17.6</b>	19.1

The interim financial information which consists of pages 3 to 11 was approved by the Board of Directors on 28 October 2009 and signed on its 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 nine months ended 30 September 2009**

BD'000s

	<b>Nine months ended 30 September 2009 (reviewed)</b>	<b>Nine months ended 30 September 2008 (reviewed)</b>
<b>Operating activities</b>		
Cash receipts from customers	231,853	228,060
Net cash paid to suppliers	(83,236)	(89,236)
Cash paid to and on behalf of employees	(35,734)	(37,548)
<b>Cash flows from operating activities</b>	<b>112,883</b>	<b>101,276</b>
<b>Investing activities</b>		
Acquisition of plant and equipment	(23,717)	(35,882)
Investment in associate	(66,629)	(21,691)
Proceeds from sale of land	-	7,513
Acquisition of equity investment	-	(15,081)
Dividend received from associate	5,587	1,131
Refund of advances from Atheeb	1,990	-
Net Proceeds from sale and maturity of investments	5,941	4,043
Interest and investment income received	3,547	4,471
<b>Cash flows from investing activities</b>	<b>(73,281)</b>	<b>(55,496)</b>
<b>Financing activities</b>		
Dividend paid	(73,680)	(52,679)
Interest paid	(2,411)	(4,627)
Borrowing (repaid)	(40,352)	(38,444)
Payments to charities	(2,725)	(2,537)
<b>Cash flows from financing activities</b>	<b>(119,168)</b>	<b>(98,287)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(79,566)</b>	<b>(52,507)</b>
Cash and cash equivalents at the beginning of the period	153,540	213,657
<b>Cash and cash equivalents at the end of the period</b>	<b>73,974</b>	<b>161,150</b>

The interim financial information consists of pages 3 to 11.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the nine months ended 30 September 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	Investment 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
<b>Total comprehensive income for the period</b>	-	-	-	<b>(127)</b>	<b>12,066</b>	<b>79,486</b>	<b>91,425</b>	<b>2,430</b>	<b>93,855</b>
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)
Interim dividends declared for 2009	-	-	-	-	-	(28,800)	(28,800)	-	(28,800)
Regrouping of balances	-	10	-	10	-	776	796	(796)	-
Dividends to non-controlling interest	-	-	-	-	-	-	-	(1,456)	(1,456)
At 30 September 2009	<b>144,000</b>	<b>74,218</b>	<b>15,000</b>	<b>(1,001)</b>	<b>12,354</b>	<b>224,925</b>	<b>469,496</b>	<b>10,826</b>	<b>480,322</b>

## 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	Investment 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	-	-	-	52	(1,130)	78,332	77,254	2,994	80,248
Final dividends declared for 2007	-	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Bonus issue declared for 2007	24,000	-	-	-	-	(24,000)	-	-	-
Donations declared for 2007	-	-	-	-	-	(2,537)	(2,537)	-	(2,537)
Directors' remuneration declared for 2007	-	-	-	-	-	(385)	(385)	-	(385)
Transfer to statutory reserve (2007)	-	4,838	-	-	-	(4,838)	-	-	-
Interim dividends declared for 2008	-	-	-	-	-	(28,800)	(28,800)	-	(28,800)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(1,547)	(1,547)
Acquisition of minority interest in a subsidiary	-	-	-	-	-	-	-	(193)	(193)
At 30 September 2008	144,000	73,272	15,000	610	465	194,714	428,061	11,531	439,592

The interim financial information consists of pages 3 to 11.

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
for the nine months ended 30 September 2009**

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- 1 The interim financial information as at and for the nine months period ended 30 September 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 the 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 BMIC 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. Operating 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 nine months ended 30 September 2008.

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
for the nine months ended 30 September 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).

	<b>2009 BD '000</b>	2008 BD '000
At 1 January	<b>85,583</b>	62,446
Consideration paid	65,783	21,691
Expenses related to the acquisition	846	-
Dividend received	(5,587)	(2,146)
Share of post acquisition profit (net of income tax and losses) based on un-audited financial statements	2,210	3,592
Share of currency translation gains	687	-
<b>At 30 September</b>	<b>149,522</b>	<b>85,583</b>

**7 Revenue**

	<b>Nine months ended 30 September</b>		<b>Three months ended 30 September</b>	
	<b>2009 BD '000</b>	2008 BD '000	<b>2009 BD '000</b>	2008 BD '000
Mobile telecommunications services	119,832	115,172	41,980	40,186
Fixed line telecommunication services	29,151	28,179	9,129	9,522
Internet	29,300	29,391	9,189	10,537
Data communication circuits	39,894	33,123	13,609	11,895
Wholesale	26,063	29,311	8,064	9,479
Others	11,949	10,175	3,659	3,214
	<b>256,189</b>	<b>245,351</b>	<b>85,630</b>	<b>84,833</b>

**8 Finance and other income**

	<b>Nine months ended 30 September</b>		<b>Three months ended 30 September</b>	
	<b>2009 BD '000</b>	2008 BD '000	<b>2009 BD '000</b>	2008 BD '000
Gain on sale of land	-	6,716	-	-
Net loss on disposal of property, plant and equipment	(175)	(127)	(19)	(3)
Interest income	1,199	4,289	157	1,019
Others	1,267	1,367	(31)	362
	<b>2,291</b>	<b>12,245</b>	<b>107</b>	<b>1,378</b>

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
for the nine months ended 30 September 2009**

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- 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 nine months ended 30 September 2009 of BD 79,486 thousands (30 September 2008: BD 78,332 thousands), attributable to the weighted average number of shares outstanding for the period 1,440 (2008: 1,440) million ordinary shares.
- 10 Investment 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 September 2009, the investment fair value reserve includes a fair value gain on the investment in Atheeb amounting to BD 12.2 million (2008: BD Nil).
- 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 5.4 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 September 2009, the Group has guaranteed BD 3.8 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 11.54 million (2008: BD 3.77 million). At 30 September 2009, the Group has utilised BD Nil (2008: BD Nil) of the foreign currency facilities.
- (vi) As at 30 September 2009, the Group’s banks have issued guarantees, amounting to BD 8.7million (2008: BD 3.95 million) and letters of credit amounting to BD 0.47 million (2008: BD 0.43 million).
- (vii) The Group has capital commitments at 30 September 2009 amounting to BD 15.8 million (2008: BD 11.19 million).

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
for the nine months ended 30 September 2009**

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**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.

	<b>30 September 2009 BD '000</b>	30 September 2008 BD '000
Short-term employee benefits	1,252	936
Post-employment benefits	47	56
<b>Total key management personnel compensation</b>	<b>1,299</b>	992
<b>Directors' remuneration</b>	<b>385</b>	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 nine months ended 30 September 2009**

**16 Segment information**

*Operating segments*

For reporting purposes the Group's operations are segregated between Bahrain, Jordan and Other countries. Other countries include Kuwait, Yemen, Egypt and India. Segment information disclosed for the nine months ended 30 September 2009 is as follows:

	30 September 2009 (reviewed)					30 September 2008 (reviewed)				
	Bahrain	Jordan	Other countries	Inter - segment elimination	Total	Bahrain	Jordan	Other countries	Inter - segment elimination	Total
<b>Segment revenue and profit</b>	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s
Revenue (external customers)	177,219	57,734	21,236	-	256,189	164,939	58,819	21,593	-	245,351
Inter-segment revenues	5,196	6,295	841	(12,332)	-	5,208	4,734	958	(10,900)	-
<b>Segment profit</b>	<b>70,395</b>	<b>5,079</b>	<b>6,773</b>	<b>-</b>	<b>82,247</b>	<b>70,040</b>	<b>3,701</b>	<b>7,433</b>	<b>-</b>	<b>81,174</b>
	<b>As at 30 September 2009 (reviewed)</b>					<b>As at 31 December 2008 (audited)</b>				
<b>Segment assets and liabilities</b>	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s
Non-current assets	437,035	84,090	14,174	-	535,299	383,833	87,218	14,371	-	485,422
Current assets	126,171	39,441	21,120	(40,786)	145,946	195,426	40,148	22,330	(28,535)	229,369
<b>Total assets</b>	<b>563,206</b>	<b>123,531</b>	<b>35,294</b>	<b>(40,786)</b>	<b>681,245</b>	<b>579,259</b>	<b>127,366</b>	<b>36,701</b>	<b>(28,535)</b>	<b>714,791</b>
Current liabilities	143,410	64,583	19,388	(35,398)	191,983	135,370	70,087	22,238	(26,452)	201,243
Non-current liabilities	3,566	10,767	-	(5,393)	8,940	38,722	14,066	37	(2,190)	50,635
<b>Total liabilities</b>	<b>146,976</b>	<b>75,350</b>	<b>19,388</b>	<b>(40,791)</b>	<b>200,923</b>	<b>174,092</b>	<b>84,153</b>	<b>22,275</b>	<b>(28,642)</b>	<b>251,878</b>