

**BAHRAIN TELECOMMUNICATIONS
COMPANY BSC**

INTERIM FINANCIAL INFORMATION

30 JUNE 2008

Bahrain Telecommunications Company BSC

INTERIM FINANCIAL INFORMATION for the six months ended 30 June 2008

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the six months ended 30 June 2008**

Six months ended 30 June		2008	2007	% Increase / (Decrease)
Gross revenue	BD million	160.5	136.4	17.7%
Net revenue	BD million	123.3	110.2	11.8%
Expenses	BD million	116.0	89.1	30.2%
Profit attributable to Batelco shareholders	BD million	50.8	52.3	(2.8)%
Return on net worth*	%	24.3	28.1	(13.6)%
Weighted average number of shares outstanding for the period	Million	1,440	1,440	-
Earnings per share for the period**	Fils	35.3	36.3	(2.8)%

*Previously referred to as return on capital employed

**Recalculated for 2007 based on current issued shares of 1,440 million

Independent Auditors' Report on Review of Interim Financial Information

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

23 July 2008

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Bahrain Telecommunications Company BSC ("the Company") as at 30 June 2008, and the related condensed consolidated statements of 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.

We did not review the financial statements of a subsidiary of the Company, whose financial statements reflect net assets of BD 33,411,000 as at 30 June 2008 (31 December 2007: BD 21,664,000), total revenues of BD 34,199,000 (30 June 2007: BD 22,000,000) and profit of BD 2,673,000 (30 June 2007: BD 2,398,000) for the six months ended 30 June 2008. These financial statements have been reviewed by another auditor whose report is unqualified and has been furnished to us, and our conclusion, insofar as it relates to the amounts included in respect of that subsidiary, is based solely on the report of the other auditor of the subsidiary.

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 BALANCE SHEET
as at 30 June 2008

BD'000s

ASSETS	Note	30 June 2008 (reviewed)	31 December 2007 (audited)
Non-current assets			
Property, plant and equipment	6	206,373	214,636
Goodwill		124,380	124,380
Intangible assets		32,204	33,758
Investment in associate		84,394	62,446
Other investments	13	34,693	22,255
Total non-current assets		482,044	457,475
Current assets			
Inventories		3,745	4,474
Other investments		2,343	4,524
Trade and other receivables		51,288	49,468
Amounts due from telecommunications operators		13,633	4,926
Cash and cash equivalents		162,801	213,657
Total current assets		233,810	277,049
Total assets		715,854	734,524
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	7	144,000	120,000
Statutory reserve		73,262	68,434
General reserve		15,000	15,000
Foreign currency translation reserve		646	558
Fair value reserve		918	1,595
Retained earnings		196,007	200,942
Total equity attributable to shareholders of the parent company		429,833	406,529
Minority interest		10,717	10,277
Total equity (Page 6)		440,550	416,806
Non-current liabilities			
Trade and other payables		7,290	10,177
Borrowings		76,618	113,709
Deferred tax liability		6,167	6,456
Total non-current liabilities		90,075	130,342
Current liabilities			
Trade and other payables		97,623	104,533
Amounts due to telecommunications operators		10,298	4,073
Current tax liability		1,699	1,350
Borrowings		75,609	77,420
Total current liabilities		185,229	187,376
Total liabilities		275,304	317,718
Total equity and liabilities		715,854	734,524

The interim financial information which consists of pages 3 to 11, was approved by the Board of Directors on 23 July 2008 and signed on their behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Sh. Mohamed bin Isa Al Khalifa
Deputy Chairman

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2008

BD'000s

	Note	Six months ended June 30		Three months ended June 30	
		2008 (reviewed)	2007 (reviewed)	2008 (reviewed)	2007 (reviewed)
Revenue	8	160,518	136,389	82,382	69,858
Other income	9	7,597	6,438	461	5,148
		168,115	142,827	82,843	75,006
Network operating expenses	10	(50,845)	(36,937)	(25,484)	(19,177)
Employee benefits expenses		(24,009)	(20,314)	(12,355)	(10,402)
Depreciation and amortisation		(21,432)	(18,155)	(10,687)	(9,723)
General and administrative expenses	11	(19,729)	(13,704)	(10,634)	(7,098)
Results from operating activities		52,100	53,717	23,683	28,606
Finance income		3,270	882	1,156	461
Finance costs		(3,378)	(1,090)	(1,270)	(865)
Share of profit of associate (net of income tax)		1,388	477	902	477
Profit before income tax		53,380	53,986	24,471	28,679
Income tax expense		(806)	(511)	(169)	(511)
Profit for the period		52,574	53,475	24,302	28,168
Attributable to:					
Equity shareholders of the parent company		50,815	52,280	23,374	27,523
Minority interest		1,759	1,195	928	645
		52,574	53,475	24,302	28,168
Earnings per share	12				
Weighted average number of shares outstanding for the period		1,440	1,440	1,440	1,440
Basic earnings per share for the period		35.3 Fils	36.3 Fils	16.2 Fils	19.1 Fils

The interim financial information which consists of pages 3 to 11, was approved by the Board of Directors on 23 July 2008 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 2008

BD'000s

	Note	Six months ended 30 June 2008 (reviewed)	Six months ended 30 June 2007 (reviewed)
Operating activities			
Cash receipts from customers		149,464	127,506
Cash paid to suppliers		(55,478)	(43,867)
Cash paid to and on behalf of employees		(28,244)	(20,405)
Cash paid to telecommunications operators		(9,234)	(8,240)
Cash flows from operating activities		56,508	54,994
Investing activities			
Acquisition of plant and equipment		(17,900)	(14,618)
Proceeds from sale of land		7,513	-
Acquisition of additional shares in associate	13	(21,691)	(60,535)
Acquisition of equity investment	13	(15,081)	-
Dividends received from associate		1,131	-
Proceeds from sale and maturity of investments		4,147	3,165
Interest and investment income received		5,238	2,886
Cash flows from investing activities		(36,643)	(69,102)
Financing activities			
Dividend paid		(25,556)	(35,697)
Interest paid		(4,506)	(664)
Borrowings (repaid) / received		(38,557)	60,095
Cash paid to charities		(2,102)	(4,676)
Cash flows from financing activities		(70,721)	19,058
(Decrease) / increase in cash and cash equivalents		(50,856)	4,950
Cash and cash equivalents at the beginning of the period		213,657	45,756
Cash and cash equivalents at the end of the period		162,801	50,706

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2008

BD'000s

30 June 2008
 (reviewed)

	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 on investments	Retained earnings			Total
At 1 January 2008	120,000	68,434	15,000	558	1,595	200,942	406,529	10,277	416,806
Fair value changes	-	-	-	-	(677)	-	(677)	-	(677)
Foreign currency translation	-	-	-	88	-	-	88	228	316
Total recognised income and expense directly in equity	-	-	-	88	(677)	-	(589)	228	(361)
Profit for the period	-	-	-	-	-	50,815	50,815	1,759	52,574
Total recognised income and expense for the period	-	-	-	88	(677)	50,815	50,226	1,987	52,213
Final dividend (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 minority shareholders	-	-	-	-	-	-	-	(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.

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

BD'000s

30 June 2007
 (reviewed)

	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 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	-	-	-	-	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
Profit for the period	-	-	-	-	-	52,280	52,280	1,195	53,475
Total recognised income and expense for the period	-	-	-	101	1,246	52,280	53,627	1,217	54,844
Final dividend (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)	-	-	-
Dividends to minority shareholders	-	-	-	-	-	-	-	(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 financial information consists of pages 3 to 11.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2008**

BD'000s

- 1 The interim financial information as at and for the six months period ended 30 June 2008 comprise the interim financial information of Bahrain Telecommunications Company BSC ("the Company"), its subsidiaries (collectively "the Group") and its associate. The Group is principally engaged in the provision of public telecommunications and associated products and services. 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 2007.
- 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 The accounting policies used in the preparation of the interim financial information are consistent with those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2007.
- 4 The interim financial information are not audited but have 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 2007 and the comparatives for the condensed consolidated statements of income, cash flows and changes in equity have been extracted from the reviewed interim financial information for the six months ended 30 June 2007.
- 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 **Property, plant and equipment**
During the six months ended 30 June 2008, the Group acquired assets at a cost of BD 11,526 (30 June 2007: BD 19,384). Cost of assets disposed during the period amounted to BD 6,289 (30 June 2007: BD 629).
- 7 **Share capital**
In the annual general meeting held on 27 February 2008, the shareholders of the Company approved issue of bonus shares in the ratio of one bonus share for every five shares (2007: Nil) held by capitalising retained earnings for BD 24,000, resulting into increase in the number of shares from 1,200 million shares to 1,440 million shares.

8	Revenue	Six months ended 30 June		Three months ended 30 June	
		2008	2007	2008	2007
	Mobile telecommunications services	79,682	65,912	40,156	33,970
	Fixed line telecommunication services	18,784	20,098	9,506	10,320
	Internet	18,854	17,741	10,196	9,069
	Data communication circuits	21,390	16,689	11,322	8,381
	Wholesale	19,832	14,246	10,292	7,183
	Others	1,976	1,703	910	935
		160,518	136,389	82,382	69,858

Information on geographic segments is set out in Note 16.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2008**

BD'000s

		Six months ended 30 June		Three months ended 30 June	
		2008	2007	2008	2007
9	Other income				
	Gain on sale of land	6,716	-	(88)	-
	Net loss on disposal of plant and equipment	(124)	(51)	(75)	(32)
	Others	1,005	6,489	624	5,180
		7,597	6,438	461	5,148
		Six months ended 30 June		Three months ended 30 June	
		2008	2007	2008	2007
10	Network operating expenses				
	Outpayments to telecommunications operators	22,165	17,578	11,367	9,250
	Telecom facility operating lease rentals	9,851	7,178	5,123	3,548
	Cost of sales of equipment	11,203	5,901	4,765	3,229
	Repair and maintenance	3,752	3,597	2,165	1,765
	Licence fee	3,874	2,683	2,064	1,385
		50,845	36,937	25,484	19,177
		Six months ended 30 June		Three months ended 30 June	
		2008	2007	2008	2007
11	General and administrative expenses				
	Marketing, advertising and publicity	5,394	5,709	2,825	2,669
	Other expenses	11,483	6,962	7,319	3,775
	Impairment allowances	2,852	1,033	490	654
		19,729	13,704	10,634	7,098

12 **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 equity holders of the parent entity for the six months ended 30 June 2008 of BD 50,815 (30 June 2007: BD 52,280), attributable to the weighted average number of shares outstanding for the period 1,440 (2007: 1440) million ordinary shares.

13 **Other investments**

(i) Other investments include an amount of BD 15,081 paid by the Company in May 2008 for subscription for share capital in Etihad Atheeb Telecommunications Company ("Atheeb") which is under formation.

(ii) In May 2008, the Company acquired an additional 6.942% equity stake in Yemen Company For Mobile Telephony Y.S.C ("Sabafon"), for a total consideration of US\$ 57,740 (BD 21,690).

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2008**

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14 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 122,000 (BD 12,240) towards its share of the Spectrum Fee and Project Upfront License Fee, in the consortium.

(ii) 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.

(iii) 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% (2007: 75%) of the loan interest. At 30 June 2008, the Group has guaranteed BD 5,160 towards housing loans to staff (31 December 2007: BD 5,400).

(iv) As at 30 June 2008, the Group's banks have issued guarantees, amounting to BD 2,700 (31 December 2007: BD 3,320) and letters of credit amounting to BD 114 (31 December 2007: BD Nil).

(v) The Group has capital commitments at 30 June 2008 amounting to BD 17,390 (31 December 2007: BD 12,460).

15 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 2008 (reviewed)	30 June 2007 (reviewed)
Short-term employee benefits	607	523
Post-employment benefits	49	24
Total key management personnel compensation	656	547
Directors' remuneration	385	330

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2008**

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 2008 after elimination of inter company transactions is as follows:

	30 June 2008 (reviewed)			30 June 2007 (reviewed)		
	Bahrain	Other MENA countries	Total	Bahrain	Other MENA countries	Total
Segment revenue and profit						
Revenue	107,695	52,823	160,518	100,485	35,904	136,389
Other income / (loss)	7,694	(97)	7,597	6,856	(418)	6,438
Profit	46,349	6,225	52,574	48,472	5,003	53,475
	As at 30 June 2008 (reviewed)			As at 31 December 2007 (audited)		
Segment assets and liabilities						
Non-current assets	257,835	224,209	482,044	233,285	224,190	457,475
Current assets	184,083	49,727	233,810	241,001	36,048	277,049
Total assets	441,918	273,936	715,854	474,286	260,238	734,524
Current liabilities	122,483	62,746	185,229	127,313	60,063	187,376
Non-current liabilities	73,138	16,937	90,075	109,707	20,635	130,342
Total liabilities	195,621	79,683	275,304	237,020	80,698	317,718

17 Interim dividend

In their meeting held on 23 July 2008, the Board of Directors approved an interim dividend of 20 fils per share (2007: 20 fils per share) amounting to BD 28,800 (2007: BD 24,000).

18 Comparatives

(i) 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 profit, net assets or equity.

(ii) The Group acquired 20% equity stake in Sabafon, for a consideration of US\$ 158,000 (BD 59,570) with effect from 22 April 2007. Further, in May 2008, the Company acquired an additional 6.942% equity stake in Sabafon for a total consideration of US\$ 57,740 (BD 21,690). The interim financial information as at and for the six months period ended 30 June 2008 include the results of Sabafon for the six months ended 30 June 2008. Hence, the comparative figures presented for the corresponding period ended 30 June 2007 are not strictly comparable.