

**BAHRAIN TELECOMMUNICATIONS
COMPANY BSC**

INTERIM FINANCIAL INFORMATION

31 MARCH 2009

Bahrain Telecommunications Company BSC

INTERIM FINANCIAL INFORMATION for the three months ended 31 March 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 three months ended 31 March 2009**

Three months ended 31 March		2009	2008	% Increase / (Decrease)
Gross revenue	BD million	83.7	78.1	7%
Net revenue	BD million	64.3	59.1	9%
Expenses	BD million	59.0	59.0	0%
Profit attributable to Batelco shareholders	BD million	26.3	27.4	(4%)
Return on net worth	%	21.7	24.5	(11%)
Weighted average number of shares outstanding for the period	Million	1,440	1,440	-
Earnings per share for the period	Fils	18.2	19.1	(5%)

Independent auditors' report on review of interim financial information

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

22 April 2009

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bahrain Telecommunications Company BSC ("the Company") as at 31 March 2009, and the related condensed consolidated statements of comprehensive income, cash flows and changes in equity for the three 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 31 March 2009

BD'000s

	Note	31 March 2009 (reviewed)	31 December 2008 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		205,109	211,381
Goodwill		125,317	125,317
Intangible assets		29,967	30,744
Investment in associate		85,736	85,583
Available for sale investments		30,917	32,397
Total non-current assets		477,046	485,422
Current assets			
Inventories		2,869	3,115
Available for sale investments		4,896	2,666
Trade and other receivables		56,780	54,403
Amounts due from telecommunications operators		14,585	15,645
Cash and cash equivalents		132,500	153,540
Total current assets		211,630	229,369
Total assets		688,676	714,791
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		144,000	144,000
Statutory reserve		74,218	74,208
General reserve		15,000	15,000
Foreign currency translation reserve		(1,344)	(884)
Investment fair value reserve	12	6,429	288
Retained earnings		200,503	219,653
Total equity attributable to owners of the Company		438,806	452,265
Non-controlling interests		10,192	10,648
Total equity		448,998	462,913
Non-current liabilities			
Trade and other payables		5,491	6,085
Non-current portion of bank borrowings		38,241	38,671
Deferred tax liabilities		5,735	5,879
Total non-current liabilities		49,467	50,635
Current liabilities			
Trade and other payables		94,353	104,173
Amounts due to telecommunications operators		20,272	19,424
Current tax liabilities		936	2,889
Current portion of bank borrowings		74,650	74,757
Total current liabilities		190,211	201,243
Total liabilities		239,678	251,878
Total equity and liabilities		688,676	714,791

The interim financial information which consists of pages 3 to 11 was approved by the Board of Directors on 22 April 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 three months ended 31 March 2009

BD'000s

	Note	Three months ended 31 March 2009 (reviewed)	Three months ended 31 March 2008 (reviewed)
Revenue	7	83,691	78,136
Finance and other income	8	1,573	9,250
Share of profit of associate		1,169	486
		86,433	87,872
Network operating expenses	9	(27,026)	(25,361)
Staff cost		(12,155)	(11,654)
Depreciation and amortisation		(10,394)	(10,745)
General and administrative expenses	10	(8,759)	(9,095)
Finance expenses		(695)	(2,108)
Total expenses		(59,029)	(58,963)
Profit before income tax		27,404	28,909
Income tax expense		(322)	(637)
Profit for the period		27,082	28,272
Other comprehensive income			
Foreign currency translation differences for foreign operations		(948)	259
Available-for-sale investments fair value changes		6,141	(252)
Other comprehensive income for the period		5,193	7
Total comprehensive income for the period		32,275	28,279
Profit attributable to:			
Owners of the Company		26,264	27,441
Non-controlling interests		818	831
Profit for the period		27,082	28,272
Total comprehensive income attributable to:			
Owners of the Company		31,935	27,255
Non-controlling interests		340	1,024
Total comprehensive income for the period		32,275	28,279
Basic and diluted earnings per share for the period (Fils)	11	18.2	19.1

The interim financial information which consists of pages 3 to 11 was approved by the Board of Directors on 22 April 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 three months ended 31 March 2009

BD'000s

	Three months ended 31 March 2009 (reviewed)	Three months ended 31 March 2008 (reviewed)
Operating activities		
Cash receipts from customers	72,065	70,722
Cash paid to suppliers	(28,495)	(31,569)
Cash paid to and on behalf of employees	(14,269)	(17,227)
Cash paid to telecommunications operators	(3,981)	(3,412)
Cash flows from operating activities	25,320	18,514
Investing activities		
Acquisition of plant and equipment	(7,374)	(8,256)
Proceeds from sale of land	-	7,513
Dividend received from associate	1,016	-
Refund of advances from joint venture	1,990	-
Net proceeds from sale and maturity of investments	2,488	1,453
Interest and investment income received	1,993	2,723
Cash flows from investing activities	113	3,433
Financing activities		
Dividend paid	(42,593)	(24,903)
Interest paid	(1,704)	(3,457)
Borrowing (repaid) / received, net	(428)	-
Payments to charities	(1,748)	(583)
Cash flows from financing activities	(46,473)	(28,943)
Decrease in cash and cash equivalents	(21,040)	(6,996)
Cash and cash equivalents at the beginning of the period	153,540	213,657
Cash and cash equivalents at the end of the period	132,500	206,661

The interim financial information consists of pages 3 to 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2009

BD'000s

2009 (reviewed)

	Total equity attributable to owners of the Company						Non - controlling interests	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
Total comprehensive income for the period	-	-	-	(470)	6,141	26,264	31,935	340	32,275
Final dividends (2008)	-	-	-	-	-	(43,200)	(43,200)	-	(43,200)
Donations (2008)	-	-	-	-	-	(2,605)	(2,605)	-	(2,605)
Directors' remuneration (2008)	-	-	-	-	-	(385)	(385)	-	(385)
Reclassification of balances	-	10	-	10	-	776	796	(796)	-
At 31 March 2009	144,000	74,218	15,000	(1,344)	6,429	200,503	438,806	10,192	448,998

2008 (reviewed)

	Total equity attributable to owners of the Company						Non - controlling interests	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	-	-	-	66	(252)	27,441	27,255	1,024	28,279
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 interests	-	-	-	-	-	-	-	(1,547)	(1,547)
At 31 March 2008	144,000	73,262	15,000	624	1,343	172,633	406,862	9,754	416,616

The interim financial information consists of pages 3 to 11.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009**

BD 000s

- 1 The interim financial information as at and for the three months period ended 31 March 2009 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 2008.
- 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 2008.
- 4 During the period, the Group has 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.

- 5 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 three months ended 31 March 2008.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009**

BD'000s

- 6 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.

7 Revenue

Mobile telecommunications services
Fixed line telecommunication services
Internet
Data communication circuits
Wholesale
Others

Three months ended 31 March	
2009	2008
39,794	39,526
10,062	9,278
10,147	8,658
12,677	10,068
9,628	9,539
1,383	1,067
83,691	78,136

Information on geographic segments is set out in Note 16.

8 Finance and other income

Gain on sale of land
Net loss on disposal of plant and equipment
Interest income
Others

Three months ended 31 March	
2009	2008
-	6,804
-	(49)
695	2,114
878	381
1,573	9,250

9 Network operating expenses

Outpayments to telecommunications operators
Telecom facility operating lease rentals
Cost of sales of equipment
Repair and maintenance
License fee

Three months ended 31 March	
2009	2008
11,683	10,798
5,251	4,728
6,056	6,438
2,402	1,587
1,634	1,810
27,026	25,361

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009**

BD'000s

		Three months ended 31 March	
		2009	2008
10	General and administrative expenses		
	Marketing, advertising and publicity	2,829	2,569
	Other expenses	4,810	4,164
	Impairment allowances	1,120	2,362
		8,759	9,095

11 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 three months ended 31 March 2009 of BD 26,264 (31 March 2008: BD 27,441), attributable to the weighted average number of shares outstanding for the period 1,440 (2008: 1,440) million ordinary shares.

12 Available for sale investments

In 2008, the Group had signed a Memorandum of Understanding ("MOU") with Atheeb Trading Company to form a consortium under the name of Etihad Atheeb Telecommunications Company ("Atheeb") to jointly bid for an award of a License as a Facilities Based Provider for Fixed Services in the Kingdom of Saudi Arabia.

In May 2008, the Group paid an amount of BD 15,081,000 towards subscription of 15 million shares of SAR 10 each in the share capital of Atheeb. As per the memorandum of understanding and shareholder's agreement, the above shares subscribed for by the Group have a five year lock-in-period.

In February 2009, Atheeb was incorporated in the Kingdom of Saudi Arabia and the shares of Atheeb were listed on Tadawul (Saudi Stock Exchange). As at 31 March 2009, the quoted share price of Atheeb was SAR 14.20 and accordingly, a fair value gain on the investment in Atheeb amounting to BD 6.3 million has been transferred to fair value reserve on investments.

13 Commitments and contingencies

(i) The Group has furnished a guarantee for BD 36.9 million (equivalent of SR 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 7.90 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 31 March 2009, the Group has guaranteed BD 4.1 million towards housing loans to staff (2008: BD 4.6 million).

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009**

BD'000s

13 *Commitments and contingencies (continued)*
(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 31 December 2008, the Group has utilised BD Nil (2008: BD Nil) of the foreign currency facilities.

(vi) As at 31 March 2009, the Group's banks have issued guarantees, amounting to BD 3.66 million (2008: BD 3.95 million) and letters of credit amounting to BD 0.51 million (2008: BD 0.43 million).

(vii) The Group has capital commitments at 31 March 2009 amounting to BD 14.49 million (2008: BD 11.19 million).

(viii) The Group has finalized purchase of 36.7% shareholding in S Tel Limited ("S Tel"), a mobile operator based in India for a consideration of US\$ 136 million. A second payment of US\$ 38.7 million to increase stake to 42.7% is expected to be completed before 8 July. This is part of the overall agreement to purchase upto 49% in S Tel for US\$ 225 million.

14 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.

	31 March 2009 (reviewed)	31 March 2008 (reviewed)
Short-term employee benefits	389	308
Post-employment benefits	37	22
Total key management personnel compensation	426	330
Directors' remuneration	385	385

15 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 profit, net assets or equity.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009**

BD'000s

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 three months ended 31 March 2009 after elimination of intercompany transactions is as follows:

	31 March 2009 (reviewed)					31 March 2008 (reviewed)				
	Bahrain	Jordan	Other MENA countries	Inter - segment elimination	Total	Bahrain	Jordan	Other MENA countries	Inter - segment elimination	Total
Segment revenue and profit										
Revenue (external customers)	58,113	18,606	6,972	-	83,691	51,404	19,796	6,936	-	78,136
Inter-segment revenues	1,392	1,795	279	(3,466)	-	1,341	1,075	313	(2,729)	-
Finance and other income	1,403	144	26	-	1,573	9,316	(6)	(60)	-	9,250
Depreciation & amortization	6,418	3,525	451	-	10,394	7,231	3,019	495	-	10,745
Interest expense	451	244	-	-	695	1,917	191	-	-	2,108
Share of profit of associate	-	-	1,169	-	1,169	-	-	486	-	486
Profit	23,658	859	2,565	-	27,082	24,614	1,816	1,842	-	28,272
	As at 31 March 2009 (reviewed)					As at 31 December 2008 (audited)				
Segment assets and liabilities										
Non-current assets	378,610	85,016	13,420	-	477,046	383,833	87,218	14,371	-	485,422
Current assets	188,792	41,087	21,214	(39,463)	211,630	195,426	40,148	22,330	(28,535)	229,369
Total assets	567,402	126,103	34,634	(39,463)	688,676	579,259	127,366	36,701	(28,535)	714,791
Current liabilities	136,876	63,591	19,553	(29,809)	190,211	135,370	70,087	22,238	(26,452)	201,243
Non-current liabilities	40,582	18,537	-	(9,652)	49,467	38,722	14,066	37	(2,190)	50,635
Total liabilities	177,458	82,128	19,553	(39,461)	239,678	174,092	84,153	22,275	(28,642)	251,878