

**Bahrain Telecommunications
Company BSC**

INTERIM FINANCIAL INFORMATION

31 March 2010

Bahrain Telecommunications Company BSC

INTERIM FINANCIAL INFORMATION for the three months ended 31 March 2010

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	8-11

**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the three months ended 31 March 2010**

Three months ended 31 March		2010	2009	% Increase / (Decrease)
Gross revenue	BD million	85.9	83.7	3%
Net revenue	BD million	66.8	64.3	4%
Expenses	BD million	58.2	59.0	(1%)
Profit attributable to Batelco shareholders	BD million	24.3	26.3	(7%)
Return on net worth	%	18.7	22.2	(16%)
Weighted average number of shares outstanding for the period	Million	1,440	1,440	-
Basic Earnings per share for the period	Fils	16.9	18.2	(7%)

Independent auditors' report on review of interim financial information

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

21 April 2010

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 31 March 2010, 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 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 31 March 2010

BD'000s

	Note	31 March 2010 (reviewed)	31 December 2009 (audited)
ASSETS			
Non-current assets			
Property and equipment		192,693	196,019
Goodwill		125,036	125,129
Intangible assets		30,870	31,793
Investment in associates		147,427	148,388
Available for sale investments	3	31,266	29,608
Total non-current assets		527,292	530,937
Current assets			
Inventories		2,347	2,519
Available for sale investments		2,753	5,136
Trade and other receivables		65,496	58,084
Cash and cash equivalents		59,971	76,400
Total current assets		130,567	142,139
Total assets		657,859	673,076
EQUITY AND LIABILITIES			
Share capital		144,000	144,000
Statutory reserve		75,399	75,364
General reserve		15,000	15,000
Foreign currency translation reserve		1,172	168
Investments fair value reserve		11,075	9,457
Retained earnings		227,373	249,334
Total equity attributable to equity holders of the parent Company		474,019	493,323
Non-controlling interest		11,417	10,731
Total equity		485,436	504,054
Non-current liabilities			
Trade and other payables		9,135	9,841
Total non-current liabilities		9,135	9,841
Current liabilities			
Trade and other payables		126,719	122,612
Current portion of bank borrowings		36,569	36,569
Total current liabilities		163,288	159,181
Total liabilities		172,423	169,022
Total equity and liabilities		657,859	673,076

The interim financial information which consists of pages 3 to 11 was approved by the Board of Directors on 21 April 2010 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 three months ended 31 March 2010

BD'000s

	Note	Three months ended 31 March 2010 (reviewed)	Three months ended 31 March 2009 (reviewed)
Revenue	4	85,934	83,691
Finance and other income	5	393	1,573
Total income		86,327	85,264
Network operating expenses		26,313	26,617
Staff cost		12,113	12,155
Depreciation and amortisation		10,243	10,394
Other operating expenses		9,439	9,168
Finance expenses		121	695
Total expenses		58,229	59,029
Results from operating activities		28,098	26,235
Share of (losses)/profit of associates (net)		(2,101)	1,169
Profit before income tax		25,997	27,404
Income tax expense		(934)	(322)
Profit for the period		25,063	27,082
Other comprehensive income			
Foreign currency translation differences for foreign operations		967	(948)
Investments fair value changes		1,618	6,141
Other comprehensive income for the period		2,585	5,193
Total comprehensive income for the period		27,648	32,275
Profit for the period attributable to:			
Equity holders of the parent Company		24,340	26,264
Non-controlling interest		723	818
		25,063	27,082
Total comprehensive income attributable to:			
Equity holders of the parent Company		26,962	31,935
Non-controlling interest		686	340
		27,648	32,275
Basic earnings per share for the period (Fils)	6	16.9	18.2

The interim financial information which consists of pages 3 to 11 was approved by the Board of Directors on 21 April 2010 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 three months ended 31 March 2010

BD'000s

	Three months ended 31 March 2010 (reviewed)	Three months ended 31 March 2009 (reviewed)
OPERATING ACTIVITIES		
Cash receipts from customers	78,047	72,065
Net cash paid to suppliers	(33,420)	(32,476)
Cash paid to and on behalf of employees	(16,388)	(14,269)
Cash flows from operating activities	28,239	25,320
INVESTING ACTIVITIES		
Purchase of plant and equipment	(5,367)	(7,374)
Dividend received from associate	-	1,016
Refund of investment advance	-	1,990
Proceeds from sale and maturity of investments	2,172	2,488
Interest and investment income received	676	1,993
Cash flows from investing activities	(2,519)	113
FINANCING ACTIVITIES		
Dividend paid	(41,886)	(42,593)
Interest paid	(41)	(1,704)
Borrowing repaid	-	(428)
Payments to charities	(222)	(1,748)
Cash flows from financing activities	(42,149)	(46,473)
Decrease in cash and cash equivalents	(16,429)	(21,040)
Cash and cash equivalents at 1 January	76,400	153,540
Cash and cash equivalents at 31 March	59,971	132,500

The interim financial information consists of pages 3 to 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2010

BD'000s

	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
2010 (reviewed)									
At 1 January 2010	144,000	75,364	15,000	168	9,457	249,334	493,323	10,731	504,054
Profit for the period	-	-	-	-	-	24,340	24,340	723	25,063
Other comprehensive income									
Foreign currency translation differences	-	-	-	1,004	-	-	1,004	(37)	967
Net changes in fair value of investments	-	-	-	-	1,618	-	1,618	-	1,618
Total other comprehensive income	-	-	-	1,004	1,618	-	2,622	(37)	2,585
Total comprehensive income for the period	-	-	-	1,004	1,618	24,340	26,962	686	27,648
Final dividends declared for 2009	-	-	-	-	-	(43,200)	(43,200)	-	(43,200)
Donations declared for 2009	-	-	-	-	-	(2,626)	(2,626)	-	(2,626)
Directors' remuneration declared for 2009	-	-	-	-	-	(440)	(440)	-	(440)
Transfer to statutory reserve	-	35	-	-	-	(35)	-	-	-
At 31 March 2010	144,000	75,399	15,000	1,172	11,075	227,373	474,019	11,417	485,436

The interim financial information consists of pages 3 to 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2010

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
Profit for the period	-	-	-	-	-	26,264	26,264	818	27,082
Other comprehensive income									
Foreign currency translation differences	-	-	-	(470)	-	-	(470)	(478)	(948)
Net changes in fair value of investments	-	-	-	-	6,141	-	6,141	-	6,141
Total other comprehensive income	-	-	-	(470)	6,141	-	5,671	(478)	5,193
Total comprehensive income for the period	-	-	-	(470)	6,141	26,264	31,935	340	32,275
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 31 March 2009	144,000	74,218	15,000	(1,344)	6,429	200,503	438,806	10,192	448,998

The interim financial information consists of pages 3 to 11.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2010**

1 Background

The interim financial information as at and for the three months period ended 31 March 2010 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 2009. The Group is principally engaged in the provision of public telecommunications and associated products and services.

2 Background

- a) 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.
- b) The interim consolidated financial information have been prepared using the same accounting policies and risk management framework as set out in the consolidated financial statements for the year ended 31 December 2009.
- c) 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 2009 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 2009.
- d) 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.

3 Available-for-sale investments

Available for sale investments include BD 26,155 thousands representing market value of an equity investment in Etihad Atheeb Telecommunications Company as at 31 March 2010 on which there is a five year lock in period starting from April 2009.

4 Revenue

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

Three months ended 31 March	
2010 BD '000	2009 BD '000
40,641	38,141
12,373	12,597
11,392	9,628
9,516	9,947
9,476	10,107
2,536	3,271
85,934	83,691

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2010**

Three months ended 31 March	
2010 BD '000	2009 BD '000
Net loss on disposal of property and equipment	-
Interest income	695
Rental income	179
Others	699
393	1,573

5 Finance and other income

Net loss on disposal of property and equipment
Interest income
Rental income
Others

6 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 2010 of total BD 24.3 million (31 March 2009: BD 26.3 million), attributable to the weighted average number of shares outstanding for the period 1,440 (2009: 1,440) million ordinary shares.

7 Commitments and contingencies

a) Guarantees

- (i) The Group has furnished a guarantee for BD 36.9 million (equivalent of SAR 367 million) (2009: BD 36.9 million) to a bank for extending credit facilities to an investee company.
- (ii) The Group has furnished guarantees amounting to BD 3.1 million (2009: BD 4.2 million) to suppliers on behalf of an investee company relating to the equipment supply contracts.
- (iii) As at 31 March 2010, the Group's banks have issued guarantees, amounting to BD 8.3 million (2009: BD 8.7 million) and letters of credit amounting to BD 26 thousands (2009: BD 0.4 million).

b) 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.

c) 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 % (2009: 75 %) of the loan interest. At 31 March 2010, the Group has guaranteed BD 3.6 million towards housing loans to staff (2009: BD 3.8 million).

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2010**
7 *Commitments and contingencies (continued)*
d) Foreign currency facilities

The Group currently has foreign currency facilities from commercial banks totalling approximately BD 11.5 million (2009: BD 11.5 million). At 31 March 2010, the Group has utilised BD Nil (2009: BD Nil) of the foreign currency facilities.

e) Capital commitments

The Group has capital commitments at 31 March 2010 amounting to BD 14.0 million (2009: BD 8.0 million).

8 Related parties
a) 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.

b) 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 2010 BD '000	31 March 2009 BD '000
Short-term employee benefits	650	640
Post-employment benefits	92	65
Total key management personnel compensation	742	705
Directors' remuneration	440	385

9 Appropriations

The shareholders in their meeting held on 24 February 2010 to approve the 2009 accounts approved final dividend of BD 43,200 thousands, donations of BD 2,626 thousands and directors' remuneration of BD 440 thousands.

10 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 three months ended 31 March 2010**
11 Segment information

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 three months ended 31 March 2010 is as follows:

	31 March 2010 (reviewed)					31 March 2009 (reviewed)				
	Bahrain	Jordan	Other countries	Inter - segment elimination	Total	Bahrain	Jordan	Other countries	Inter - segment elimination	Total
	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s	BD'000s
Segment revenue and profit										
Revenue (external customers)	58,398	20,806	6,730	-	85,934	58,113	18,606	6,972	-	83,691
Inter-segment revenues	1,956	2,594	269	(4,819)	-	1,392	1,795	279	(3,466)	-
Segment profit	23,799	2,255	(991)	-	25,063	23,658	859	2,565	-	27,082
	As at 31 March 2010 (reviewed)					As at 31 December 2009 (audited)				
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	160,935	204,637	161,720	-	527,292	161,113	206,677	163,147	-	530,937
Current assets	111,580	19,665	20,587	(21,265)	130,567	122,111	29,502	19,242	(28,716)	142,139
Total assets	272,515	224,302	182,307	(21,265)	657,859	283,224	236,179	182,389	(28,716)	673,076
Current liabilities	124,260	39,539	17,286	(17,797)	163,288	114,072	52,825	17,490	(25,206)	159,181
Non-current liabilities	3,518	8,168	962	(3,513)	9,135	3,528	8,898	928	(3,513)	9,841
Total liabilities	127,778	47,707	18,248	(21,310)	172,423	117,600	61,723	18,418	(28,719)	169,022