

**Bahrain Telecommunications
Company BSC**

INTERIM FINANCIAL INFORMATION

30 June 2010

Bahrain Telecommunications Company BSC

INTERIM FINANCIAL INFORMATION for the six months ended 30 June 2010

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the six months ended 30 June 2010**

Six months ended 30 June	2010 BD million	2009 BD million	Variation %
Gross revenue	170.7	170.6	-
Net revenue	131.2	132.1	(1)
Expenses	116.8	117.8	(1)
Profit attributable to Batelco shareholders	46.7	54.2	(14)
Return on network	18.1%	22.2%	(18)
Weighted average number of shares outstanding for the period	1,440	1,440	-
Basic earnings per share for the period (Fils)	32.4	37.6	(14)

Independent auditors' report on review of interim financial information

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

21 July 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 30 June 2010, 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 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 June 2010

BD'000s

	Note	30 June 2010 (reviewed)	31 December 2009 (audited)
ASSETS			
Non-current assets			
Property and equipment		190,360	196,019
Goodwill		124,965	125,129
Intangible assets		30,425	31,793
Investment in associates		141,672	148,388
Available for sale investments	3	27,387	29,608
Total non-current assets		514,809	530,937
Current assets			
Inventories		2,525	2,519
Available for sale investments		1,810	5,136
Trade and other receivables		77,627	58,084
Cash and cash equivalents		44,934	76,400
Total current assets		126,896	142,139
Total assets		641,705	673,076
EQUITY AND LIABILITIES			
Share capital		144,000	144,000
Statutory reserve		75,625	75,364
General reserve		15,000	15,000
Foreign currency translation reserve		(188)	168
Investments fair value reserve		7,193	9,457
Retained earnings		249,494	249,334
Total equity attributable to equity holders of the parent Company		491,124	493,323
Non-controlling interest		12,144	10,731
Total equity (pages 6 and 7)		503,268	504,054
Non-current liabilities			
Trade and other payables		9,056	9,841
Total non-current liabilities		9,056	9,841
Current liabilities			
Trade and other payables		129,381	122,612
Current portion of bank borrowings		-	36,569
Total current liabilities		129,381	159,181
Total liabilities		138,437	169,022
Total equity and liabilities		641,705	673,076

The interim financial information which consists of pages 3 to 12 was approved by the Board of Directors on 21 July 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 six months ended 30 June 2010

BD'000s

	Note	Six months ended 30 June		Three months ended 30 June	
		2010 (reviewed)	2009 (reviewed)	2010 (reviewed)	2009 (reviewed)
REVENUE	4	170,733	170,559	84,799	86,868
Finance and other income	5	717	2,184	324	611
Total income		171,450	172,743	85,123	87,479
EXPENSES					
Network operating expenses		53,867	52,609	27,554	25,992
Staff cost		23,962	23,931	11,849	11,776
Depreciation and amortisation		20,138	20,791	9,895	10,397
Other operating expenses		18,644	19,521	9,205	10,353
Finance expenses		201	994	80	299
Total expenses		116,812	117,846	58,583	58,817
Results from operating activities		54,638	54,897	26,540	28,662
Share of (losses)/profit of associates (net)		(4,644)	2,090	(2,543)	921
Profit before income tax		49,994	56,987	23,997	29,583
Income tax expense		(1,746)	(1,019)	(812)	(697)
Profit for the period		48,248	55,968	23,185	28,886
Other comprehensive income					
Foreign currency translation differences for foreign operations		(504)	(1,161)	(1,471)	(213)
Investments fair value changes		(2,264)	10,848	(3,882)	4,707
Other comprehensive income for the period		(2,768)	9,687	(5,353)	4,494
Total comprehensive income for the period		45,480	65,655	17,832	33,380
Profit for the period attributable to:					
Equity holders of the parent Company		46,687	54,212	22,347	27,948
Non-controlling interest		1,561	1,756	838	938
		48,248	55,968	23,185	28,886
Total comprehensive income attributable to:					
Equity holders of the parent Company		44,067	64,244	17,105	32,309
Non-controlling interest		1,413	1,411	727	1,071
		45,480	65,655	17,832	33,380
Basic earnings per share for the period					
(Fils)	6	32.4	37.6	15.5	19.4

The interim financial information which consists of pages 3 to 12 was approved by the Board of Directors on 21 July 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 six months ended 30 June 2010

BD'000s

	Six months ended 30 June 2010 (reviewed)	Six months ended 30 June 2009 (reviewed)
OPERATING ACTIVITIES		
Cash receipts from customers	151,975	152,205
Net cash paid to suppliers	(65,163)	(57,238)
Cash paid to and on behalf of employees	(26,886)	(24,596)
Cash flows from operating activities	59,926	70,371
INVESTING ACTIVITIES		
Purchase of plant and equipment	(16,428)	(18,118)
Investment in associate	-	(66,629)
Dividend received from associate	2,031	2,540
Refund of investment advance	-	1,990
Proceeds from sale and maturity of investments	3,287	5,929
Interest and investment income received	886	2,627
Cash flows from investing activities	(10,224)	(71,661)
FINANCING ACTIVITIES		
Dividend paid	(43,544)	(44,071)
Interest paid	(50)	(2,194)
Borrowing repaid	(36,569)	(37,420)
Payments to charities	(1,005)	(2,443)
Cash flows from financing activities	(81,168)	(86,128)
Decrease in cash and cash equivalents	(31,466)	(87,418)
Cash and cash equivalents at 1 January	76,400	153,540
Cash and cash equivalents at 30 June	44,934	66,122

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 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	144,000	75,364	15,000	168	9,457	249,334	493,323	10,731	504,054
Profit for the period	-	-	-	-	-	46,687	46,687	1,561	48,248
Other comprehensive income									
Foreign currency translation differences	-	-	-	(356)	-	-	(356)	(148)	(504)
Net changes in fair value of investments	-	-	-	-	(2,264)	-	(2,264)	-	(2,264)
Total other comprehensive income	-	-	-	(356)	(2,264)	-	(2,620)	(148)	(2,768)
Total comprehensive income for the period	-	-	-	(356)	(2,264)	46,687	44,067	1,413	45,480
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	-	261	-	-	-	(261)	-	-	-
At 30 June	144,000	75,625	15,000	(188)	7,193	249,494	491,124	12,144	503,268

The interim financial information consists of pages 3 to 12.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 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
2009 (reviewed)									
At 1 January	144,000	74,208	15,000	(884)	288	219,653	452,265	10,648	462,913
Profit for the period	-	-	-	-	-	54,212	54,212	1,756	55,968
Other comprehensive income									
Foreign currency translation differences	-	-	-	(816)	-	-	(816)	(345)	(1,161)
Net changes in fair value of investments	-	-	-	-	10,848	-	10,848	-	10,848
Total other comprehensive income	-	-	-	(816)	10,848	-	10,032	(345)	9,687
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	144,000	74,218	15,000	(1,690)	11,136	228,451	471,115	11,263	482,378

The interim financial information consists of pages 3 to 12.

NOTES TO THE INTERIM FINANCIAL INFORMATION for the six months ended 30 June 2010

1 Background

The interim financial information as at and for the six months period ended 30 June 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 Scope

- 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 six months ended 30 June 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 7,193 thousands representing market value of an equity investment in Etihad Atheeb Telecommunications Company as at 30 June 2010 on which there is a five year lock in period starting from April 2009.

4 Revenue

	Six months ended 30 June		Three months ended 30 June	
	2010 BD '000	2009 BD '000	2010 BD '000	2009 BD '000
Mobile telecommunications services	80,905	77,852	40,443	39,711
Data communication circuits	25,999	26,285	13,626	13,687
Wholesale	21,132	17,999	9,740	8,371
Fixed line telecommunication services	18,307	20,022	8,901	10,075
Internet	18,836	20,111	9,360	10,004
Others	5,554	8,290	2,729	5,020
	170,733	170,559	84,799	86,868

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2010**

5	Finance and other income	Six months ended 30 June		Three months ended 30 June	
		2010 BD '000	2009 BD '000	2010 BD '000	2009 BD '000
	Net loss on disposal of property and equipment	(149)	(156)	(89)	(156)
	Interest income	249	1,042	68	347
	Rental income	378	339	211	160
	Others	239	959	134	260
		717	2,184	324	611

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 six months ended 30 June 2010 of BD 46.7 million (30 June 2009: BD 54.2 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 30 June 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 4.8 million (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 30 June 2010, the Group has guaranteed BD 3.5 million towards housing loans to staff (2009: BD 3.8 million).

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 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 30 June 2010, the Group has utilised BD Nil (2009: BD Nil) of the foreign currency facilities.

e) Capital commitments

The Group has capital commitments at 30 June 2010 amounting to BD 22.5 million (2009: BD 8 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.

	30 June 2010 BD '000	30 June 2009 BD '000
Short-term employee benefits	1,307	1,334
Post-employment benefits	92	65
Total key management personnel compensation	1,399	1,399
Directors' remuneration	440	385

9 Appropriations

- a) 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.
- b) The Board of Directors in their meeting held on 21 July 2010 approved interim cash dividend of 20 fils per share (2009: 20 fils per share) amounting to BD 28,800 thousands (2009: BD 28,800 thousands).

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2010**

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 six months ended 30 June 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 six months ended 30 June 2010 is as follows:

	30 June 2010 (reviewed)					30 June 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)	114,394	42,198	14,141	-	170,733	118,601	37,766	14,192	-	170,559
Inter-segment revenues	4,064	5,100	542	(9,706)	-	3,191	4,008	675	(7,874)	-
Segment profit	45,399	5,096	(2,247)	-	48,248	48,218	2,721	5,029	-	55,968
	As at 30 June 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	156,023	203,316	155,470	-	514,809	161,113	206,677	163,147	-	530,937
Current assets	98,670	17,504	23,342	(12,620)	126,896	122,111	29,502	19,242	(28,716)	142,139
Total assets	254,693	220,820	178,812	(12,620)	641,705	283,224	236,179	182,389	(28,716)	673,076
Current liabilities	86,697	33,409	18,425	(9,150)	129,381	114,072	52,825	17,490	(25,206)	159,181
Non-current liabilities	3,513	8,059	997	(3,513)	9,056	3,528	8,898	928	(3,513)	9,841
Total liabilities	90,210	41,468	19,422	(12,663)	138,437	117,600	61,723	18,418	(28,719)	169,022