

**Bahrain Telecommunications  
Company BSC**

**INTERIM FINANCIAL INFORMATION**

**30 September 2010**

# Bahrain Telecommunications Company BSC

## INTERIM FINANCIAL INFORMATION for the nine months ended 30 September 2010

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)  
for the nine months ended 30 September 2010**

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<b>Nine months ended 30 September</b>	<b>2010 BD million</b>	<b>2009 BD million</b>	<b>Variation %</b>
Gross revenue	256.1	256.2	-
Net revenue	196.3	198.5	(1)
Expenses	175.6	176.6	(1)
Profit attributable to Batelco shareholders	66.0	79.5	(17)
Return on networth (%)	17.6	22.2	(21)
Weighted average number of shares outstanding for the period	1,440	1,440	-
Basic earnings per share for the period (Fils)	45.8	55.2	(17)

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

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

20 October 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 September 2010, 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 2010**

BD'000s

	Note	30 September 2010 (reviewed)	31 December 2009 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		186,681	196,019
Goodwill		125,247	125,129
Intangible assets		29,456	31,793
Investment in associates		137,005	148,388
Available- for- sale investments	3	27,876	29,608
<b>Total non-current assets</b>		<b>506,265</b>	<b>530,937</b>
<b>Current assets</b>			
Inventories		2,368	2,519
Available for sale investments		-	5,136
Trade and other receivables		70,097	58,084
Cash and cash equivalents		52,715	76,400
<b>Total current assets</b>		<b>125,180</b>	<b>142,139</b>
<b>Total assets</b>		<b>631,445</b>	<b>673,076</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		144,000	144,000
Statutory reserve		75,625	75,364
General reserve		15,000	15,000
Foreign currency translation reserve		1,559	168
Investments fair value reserve		7,683	9,457
Retained earnings		239,991	249,334
<b>Total equity attributable to equity holders of the parent Company</b>		<b>483,858</b>	<b>493,323</b>
<b>Non-controlling interest</b>		<b>12,391</b>	<b>10,731</b>
<b>Total equity (pages 6 and 7)</b>		<b>496,249</b>	<b>504,054</b>
<b>Non-current liabilities</b>			
Trade and other payables		8,985	9,841
<b>Total non-current liabilities</b>		<b>8,985</b>	<b>9,841</b>
<b>Current liabilities</b>			
Trade and other payables		126,211	122,612
Current portion of bank borrowings		-	36,569
<b>Total current liabilities</b>		<b>126,211</b>	<b>159,181</b>
<b>Total liabilities</b>		<b>135,196</b>	<b>169,022</b>
<b>Total equity and liabilities</b>		<b>631,445</b>	<b>673,076</b>

The interim financial information which consists of pages 3 to 12 was approved by the Board of Directors on 20 October 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 nine months ended 30 September 2010

BD'000s

	Note	Nine months ended 30 September		Three months ended 30 September	
		2010 (reviewed)	2009 (reviewed)	2010 (reviewed)	2009 (reviewed)
<b>REVENUE</b>	4	256,075	256,189	85,342	85,630
Finance and other income	5	682	2,291	(35)	107
<b>Total income</b>		<b>256,757</b>	258,480	<b>85,307</b>	85,737
<b>EXPENSES</b>					
Network operating expenses		81,382	78,945	27,515	26,336
Staff cost		37,067	35,795	13,105	11,864
Depreciation and amortisation		29,978	30,870	9,840	10,079
Other operating expenses		26,882	29,882	8,238	10,361
Finance expenses		276	1,112	75	118
<b>Total expenses</b>		<b>175,585</b>	176,604	<b>58,773</b>	58,758
<b>Results from operating activities</b>		<b>81,172</b>	81,876	<b>26,534</b>	26,979
Share of (losses)/profit of associates (net)		(9,506)	2,210	(4,862)	120
<b>Profit before income tax</b>		<b>71,666</b>	84,086	<b>21,672</b>	27,099
Income tax expense		(2,992)	(1,839)	(1,246)	(820)
<b>Profit for the period</b>		<b>68,674</b>	82,247	<b>20,426</b>	26,279
<b>Other comprehensive income</b>					
Foreign currency translation differences for foreign operations		1,452	(458)	1,956	703
Investments fair value changes		(1,774)	12,066	490	1,218
<b>Other comprehensive income for the period</b>		<b>(322)</b>	11,608	<b>2,446</b>	1,921
<b>Total comprehensive income for the period</b>		<b>68,352</b>	93,855	<b>22,872</b>	28,200
<b>Profit for the period attributable to:</b>					
Equity holders of the parent Company		65,984	79,486	19,297	25,274
Non-controlling interest		2,690	2,761	1,129	1,005
		<b>68,674</b>	82,247	<b>20,426</b>	26,279
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent Company		65,601	91,425	21,534	27,181
Non-controlling interest		2,751	2,430	1,338	1,019
		<b>68,352</b>	93,855	<b>22,872</b>	28,200
<b>Basic earnings per share for the period (Fils)</b>	6	<b>45.8</b>	55.2	<b>13.4</b>	17.6

The interim financial information which consists of pages 3 to 12 was approved by the Board of Directors on 20 October 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 nine months ended 30 September 2010**

BD'000s

	<b>Nine months ended 30 September 2010 (reviewed)</b>	Nine months ended 30 September 2009 (reviewed)
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	235,440	231,853
Net cash paid to suppliers	(98,749)	(83,236)
Cash paid to and on behalf of employees	(37,274)	(35,734)
<b>Cash flows from operating activities</b>	<b>99,417</b>	112,883
<b>INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(21,994)	(23,717)
Investment in associate	-	(66,629)
Dividend received from associate	3,047	5,587
Refund of investment advance	-	1,990
Proceeds from sale and maturity of investments	5,096	5,941
Interest and investment income received	1,332	3,547
<b>Cash flows from investing activities</b>	<b>(12,519)</b>	(73,281)
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(72,787)	(73,680)
Interest paid	(49)	(2,411)
Borrowing repaid	(36,569)	(40,352)
Payments to charities	(1,178)	(2,725)
<b>Cash flows from financing activities</b>	<b>(110,583)</b>	(119,168)
<b>Decrease in cash and cash equivalents</b>	<b>(23,685)</b>	(79,566)
Cash and cash equivalents at 1 January	76,400	153,540
Cash and cash equivalents at 30 September	<b>52,715</b>	73,974

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the nine months ended 30 September 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
<b>2010 (reviewed)</b>									
At 1 January	144,000	75,364	15,000	168	9,457	249,334	493,323	10,731	504,054
Profit for the period	-	-	-	-	-	65,984	65,984	2,690	68,674
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	1,391	-	-	1,391	61	1,452
Net changes in fair value of investments	-	-	-	-	(1,774)	-	(1,774)	-	(1,774)
Total other comprehensive income	-	-	-	1,391	(1,774)	-	(383)	61	(322)
<b>Total comprehensive income for the period</b>	-	-	-	<b>1,391</b>	<b>(1,774)</b>	<b>65,984</b>	<b>65,601</b>	<b>2,751</b>	<b>68,352</b>
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)	-	-	-
Interim dividends declared for 2010	-	-	-	-	-	(28,800)	(28,800)	-	(28,800)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(1,091)	(1,091)
	-	261	-	-	-	<b>(75,327)</b>	<b>(75,066)</b>	<b>(1,091)</b>	<b>(76,157)</b>
<b>At 30 September</b>	<b>144,000</b>	<b>75,625</b>	<b>15,000</b>	<b>1,559</b>	<b>7,683</b>	<b>239,991</b>	<b>483,858</b>	<b>12,391</b>	<b>496,249</b>

The interim financial information consists of pages 3 to 12.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the nine months ended 30 September 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	-	-	-	-	-	79,486	79,486	2,761	82,247
Other comprehensive income									
Foreign currency translation differences	-	-	-	(127)	-	-	(127)	(331)	(458)
Net changes in fair value of investments	-	-	-	-	12,066	-	12,066	-	12,066
Total other comprehensive income	-	-	-	(127)	12,066	-	11,939	(331)	11,608
Total comprehensive income for the period	-	-	-	(127)	12,066	79,486	91,425	2,430	93,855
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)
	-	10	-	10	-	(74,214)	(74,194)	(2,252)	(76,446)
At 30 September	144,000	74,218	15,000	(1,001)	12,354	224,925	469,496	10,826	480,322

The interim financial information consists of pages 3 to 12.

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
for the nine months ended 30 September 2010**

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**1 Background**

The interim financial information as at and for the nine months period ended 30 September 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 nine months ended 30 September 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 of BD 27,876 thousands include BD 22,763 thousands representing market value of an equity investment in Etihad Atheeb Telecommunications Company as at 30 September 2010 on which there is a five year lock in period starting from April 2009.

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
for the nine months ended 30 September 2010**

4	Revenue	Nine months ended 30 September		Three months ended 30 September	
		2010 BD '000	2009 BD '000	2010 BD '000	2009 BD '000
	Mobile telecommunications services	122,420	119,832	41,509	41,980
	Data communication circuits	40,128	39,894	14,129	13,609
	Wholesale	30,505	26,063	9,373	8,064
	Fixed line telecommunication services	26,464	29,151	8,227	9,129
	Internet	28,106	29,300	9,270	9,189
	Others	8,452	11,949	2,834	3,659
		<b>256,075</b>	<b>256,189</b>	<b>85,342</b>	<b>85,630</b>

5	Finance and other income	Nine months ended 30 September		Three months ended 30 September	
		2010 BD '000	2009 BD '000	2010 BD '000	2009 BD '000
	Net loss on disposal of property and equipment	(495)	(175)	(346)	(19)
	Interest income	328	1,199	79	157
	Rental income	559	484	181	145
	Others	290	783	51	(176)
		<b>682</b>	<b>2,291</b>	<b>(35)</b>	<b>107</b>

**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 nine months ended 30 September 2010 of BD 66 million (30 September 2009: BD 79.5 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 (2009: BD 36.9 million) to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.
- (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 in Kingdom of Saudi Arabia relating to the equipment supply contracts.
- (iii) As at 30 September 2010, the Group's banks have issued guarantees, amounting to BD 8.4 million (2009: BD 8.7 million) and letters of credit amounting to BD 3.9 million (2009: BD 0.4 million).

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
for the nine months ended 30 September 2010**

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**7** *Commitments and contingencies (continued)*

(iv) The Group has furnished a comfort letter for BD 1.9 million (2009: BD Nil) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

**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 September 2010, the Group has guaranteed BD 3.3 million towards housing loans to staff (2009: BD 3.8 million).

**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 September 2010, the Group has utilised BD Nil (2009: BD Nil) of the foreign currency facilities.

**e) Commitments**

(i) The Group has capital commitments at 30 September 2010 amounting to BD 21.1 million (2009: BD 8 million).

(ii) The Company has commitments to contribute BD 9 million (2009: Nil) to the equity of an investee company as a part of the proposed rights issue of the investee company.

**f) Contingent liabilities**

The Group is involved in legal and other matters relating to notifications from regulatory authorities and government tax departments of potential claims and other notices amounting to BD 5.5 million (2009: BD Nil). The Group is of the view that there are no legitimate legal grounds for such potential claims and notices, and all necessary legal steps to defend its position on these matters shall be taken.

**NOTES TO THE INTERIM FINANCIAL INFORMATION  
for the nine months ended 30 September 2010**

**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.

	<b>30 September 2010 BD '000</b>	30 September 2009 BD '000
Short-term employee benefits	1,723	1,622
Post-employment benefits	41	39
<b>Total key management personnel compensation</b>	<b>1,764</b>	<b>1,661</b>
<b>Directors' remuneration</b>	<b>440</b>	<b>385</b>

**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).

**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 nine months ended 30 September 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 nine months ended 30 September 2010 is as follows:

	30 September 2010 (reviewed)					30 September 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
<b>Segment revenue and profit</b>										
<b>Revenue (external customers)</b>	<b>168,364</b>	<b>65,846</b>	<b>21,865</b>	<b>-</b>	<b>256,075</b>	177,219	57,734	21,236	-	256,189
Inter-segment revenues	6,056	8,284	961	(15,301)	-	5,196	6,295	841	(12,332)	-
<b>Segment profit</b>	<b>64,990</b>	<b>9,071</b>	<b>(5,387)</b>	<b>-</b>	<b>68,674</b>	70,395	5,079	6,773	-	82,247
	<b>As at 30 September 2010 (reviewed)</b>					<b>As at 31 December 2009 (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	153,137	202,318	150,810	-	506,265	161,113	206,677	163,147	-	530,937
Current assets	88,815	19,136	23,844	(6,615)	125,180	122,111	29,502	19,242	(28,716)	142,139
<b>Total assets</b>	<b>241,952</b>	<b>221,454</b>	<b>174,654</b>	<b>(6,615)</b>	<b>631,445</b>	283,224	236,179	182,389	(28,716)	673,076
Current liabilities	80,810	29,827	18,726	(3,152)	126,211	114,072	52,825	17,490	(25,206)	159,181
Non-current liabilities	3,513	7,923	1,062	(3,513)	8,985	3,528	8,898	928	(3,513)	9,841
<b>Total liabilities</b>	<b>84,323</b>	<b>37,750</b>	<b>19,788</b>	<b>(6,665)</b>	<b>135,196</b>	117,600	61,723	18,418	(28,719)	169,022