



Batelco
Group

Financial Results Presentation

Q2 and Half Year
Ended 30 June 2012

01 August 2012

Forward looking Statement – important note

The following presentation contains forward looking statements by the Management of Bahrain Telecommunications Company (*Batelco*), relating to financial trends for future periods, compared to the results for previous periods (*the statements*).

The statements:

- contain expressions of future expectations or opinions (including but not limited to the financial conditions, results of operations and businesses, and related plans and objectives of Batelco), which are based upon Batelco’s current views and best estimation having regard to current information, prevailing uncertainties in the market place and an ever changing regulatory environment and other factors, many of which are outside Batelco’s control;
- are based upon information and assumptions known to date and are subject to various known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made;
- include projected performance targets of Batelco; and
- should not be construed as a representation, forecast or projection as to future performance of Batelco as the actual performance of Batelco may vary significantly from such targets and consequently you should rely upon your own enquiries, evaluation, and analysis in relation to the statements.

Where reference is made in the presentation to “BD” it means Bahraini Dinars and “USD or \$” means US dollars unless otherwise indicated. Any discrepancies between individual amounts and totals are due to rounding.



Half Year Ended 30 June 2012 - Key Highlights



- H1 2012 Gross Revenues of **BD155.3M**
- H1 2012 EBITDA : **BD 55.8M** with **36% margin**. Margins steady QoQ
- H1 2012 Net Profits of **BD34.6M**
- Healthy Cash and bank balances of **BD 87M** despite significant one-off capital investments in Q1 2012
- Low Debt balance of **BD 27.5M** (remain net-debt negative)
- International operations contribute **39%** of revenues and **35%** of EBITDA in line with previously communicated diversification strategy of the Group
- Group subscribers at **~7M** and **stable QoQ** and **YoY** (excl. STel subscribers classified as held-for-sale)
- Interim dividend of **15 fils per share** approved by Board. Payment date 09th August 2012
- 3G launched in Jordan with **~11k** subscribers additions within 02 weeks of the launch
- Atheeb Rights Issue and additional shares allocation successfully completed

1. Q2 and YTD 30 June 2012 Results Review

Q2 2012 Resilient Performance





BD M	Q2 2012	Q1 2012	% change	Q2 2011	% change	H1 2012	H1 2011	% change
Gross Revenue	77.3	78.0	(1)	82.4	(6)	155.3	163.2	(5)
Outpayments and COS	18.9	19.6	4	18.6	(2)	38.5	36.0	(7)
Gross Margin	58.4	58.4	-	63.8	(8)	116.8	127.2	(8)
-margin	76%	75%		77%		75%	78%	
Staff cost ¹	13.0	12.5	(4)	13.2	2	25.6	25.7	-
Non-Staff Opex	17.9	17.6	(2)	18.5	3	35.4	36.8	4
EBITDA	27.5	28.3	(3)	32.1	(14)	55.8	64.7	(14)
- margin	36%	36%		39%		36%	40%	
Depreciation & Amortization	8.7	8.6	(1)	9.4	7	17.3	18.7	8
Operating Profit	18.8	19.6	(4)	22.7	(17)	38.5	46.0	(16)
Non-operating income/ (expenses)	0.7	(2.7)	126	(0.4)	275	(2.1)	(5.5)	63
Non-controlling interest	1.1	0.8	(38)	1.0	(10)	1.9	1.7	(8)
Net Profit	18.4	16.1	14	21.3	(13)	34.6	38.8	(11)
- margin	24%	21%		26%		22%	24%	
EPS (fils)	12.8	11.2	14	14.8	(13)	24	26.9	(11)

Despite competitive pressures across MENA markets, Net Profit of BD18.4M was reported for Q2 2012 with a healthy EBITDA margin of 36%. Margins stable QoQ





¹. H1 2012 staff costs include BD 2.8M for 46 staff released during the period under redundancy program

Revenues diversified by segment & geographies

Gross Revenue by Geography (after inter-segment eliminations) BDM

	2012	2011	Var
Bahrain (% of total)	94.3 61%	102.4 63%	 8%
Jordan	44.0 28%	43.4 26%	 1%
Other Countries	17.0 11%	17.4 11%	 2%
Total	155.3	163.2	 5%

Profit * BDM

	2012	2011	Variance
Bahrain (Note 1)	29.0	36.2	 20%
Jordan (Note 2)	5.4	6.1	 11%
Other Countries (Note 3)	2.0	(1.8)	 211%
Total	36.4	40.5	 10%

Note 1: Profitability impacted by intense competition in mobile market

Note 2: Profitability impacted by higher tax expenses due to one-off dividends from subsidiaries

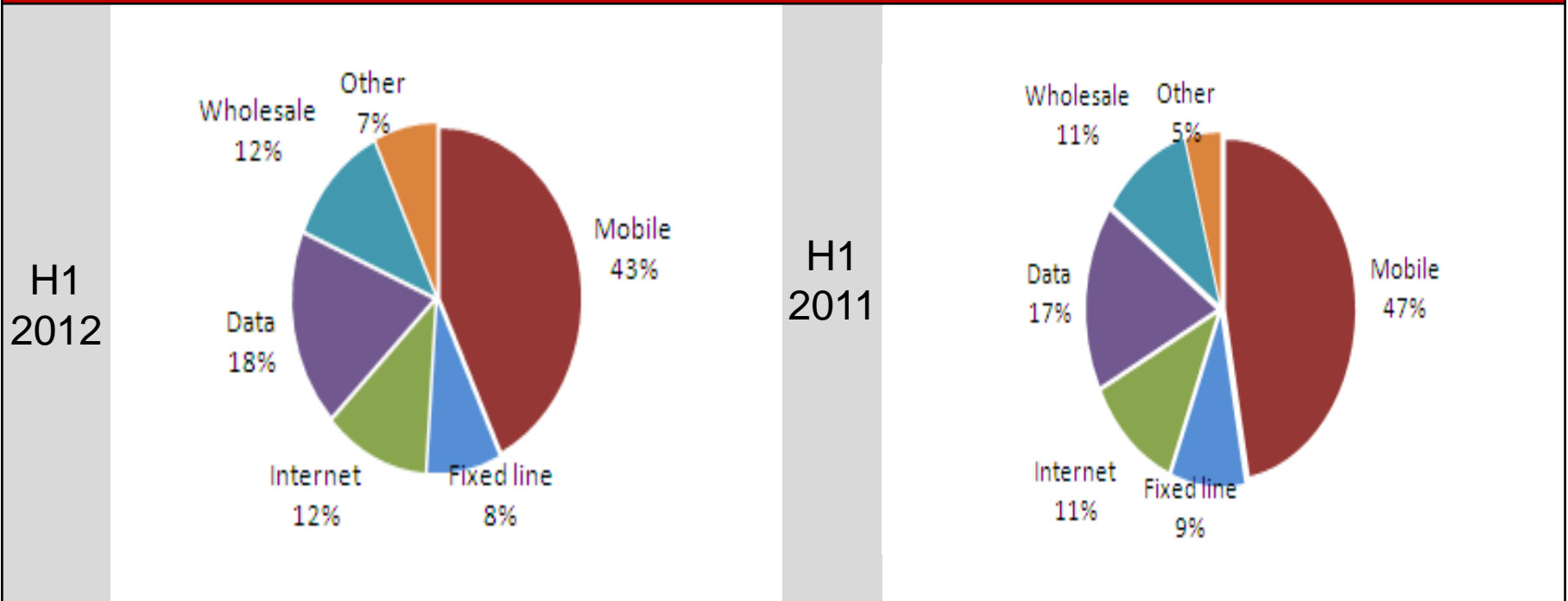
Note 3: STel re-classification to held -for- sale

*Total Profit refers to Profit before Non-Controlling Interest

Totals and Percentages may vary due to rounding

Revenues Product Profile

Gross Revenue by Product As % of Total



- *Mobile revenue contribution lower due to steep decline in Bahrain revenues*
- *Other revenue higher due to higher handset and equipment sales in Bahrain*

CAPEX AND LIQUIDITY PROFILE

BD M	Q2 2012	Q1 2012	% change	Q2 2011	% change	H1 2012	H1 2011	% change
CAPEX	17.1	33.8	(49)	4.7	264	50.8	7.9	NM
CAPEX to Revenue ratio	22	43	(49)	6	264	33	5	NM
Free cash flows	13.3	(17.0)	178	22.1	(40)	(3.7)	38.6	(110)
Normalized free cash flows ¹	13.3	12.3	8	22.1	(40)	25.6	38.6	(34)
Simple FCF ²	15.4	(11.2)	NM	24.8	(38)	4.2	49.6	(92)
Cash and bank balances	87.4	61.8	41	87.1	-	87.4	87.1	-
Debt ³	27.5	17.7	(55)	-	(100)	27.5	-	(100)

Capex/Revenue Ratio (~33%) reflects investments in 3G License & Building acquisition in Jordan. Excluding these one-off items, normalized Capex/Revenue ratio would be 14%

¹ One off capital expenditures (3G License and Building acquisition) excluded for calculation of normalized free cash flow

² Simple FCF = EBITDA – Capex payments

³ Borrowings to finance Atheeb Rights Issue and Umniah general purpose financing

2. Operational Review

Group Subscriber Summary

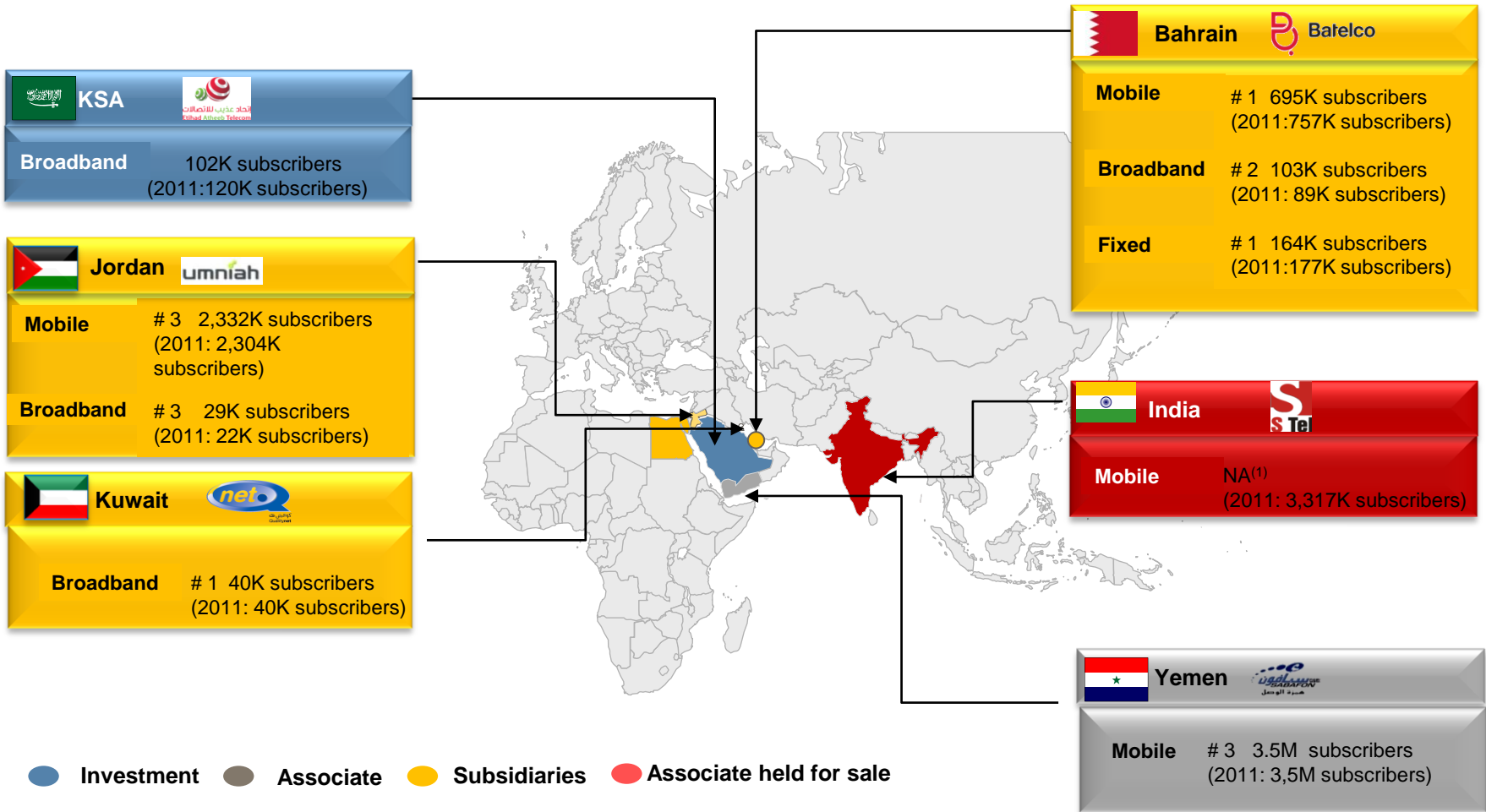


BD M	Q2 2012	Q1 2012	% change	Q2 2011	% change
Mobile Subscribers¹ (K subs)					
Subsidiaries					
Batelco Bahrain	695	738	(6)	757	(8)
Umniah	2,332	2,287	2	2,304	1
Sub-Total	3,027	3,025	-	3,061	(1)
Associates					
Sabafon	3,526	3,400	4	3,516	-
STel	-	-	-	3,317	(100)
Sub-Total	3,526	3,400	4	6,833	(48)
Grand Total (Mobile Subscribers)	6,553	6,425	2	9,894	(34)
Total Broadband Subscribers	274	279	(2)	271	1
Total Fixed Subscribers	164	168	(2)	177	(7)

Competitive pressures resulted in decline in Bahrain mobile subscribers. Overall, Group subscribers at ~7M and stable QoQ and YoY (excl. STel subscribers classified as held-for-sale)

¹Based on subscriber definitions followed by each OpCo in respective country.

Market leading positions across operations



3. Key Initiatives

2012 Key Initiatives

1. New Acquisition

2. Bahrain – Batelco:

- Focus on retention of High Value Customers – GEAR
- Cost leadership program

3. India – STel:

- Complete sale by Q4 2012, and
- Continue to look for opportunities in the Indian telecommunications market.

4. Jordan – Umniah:

- Post 3G launch customer retention and acquisition;
- Opex reduction initiatives launched to off-set:
 - i. Higher electricity tariffs implemented in the country (starting June 12);
 - ii. Higher Income tax rate and license fees hike under consideration by the Government

5. Saudi – Atheeb:

- Support company transformation into B2B provider
- Rights Issue completed and additional shares allocation made ✓

6. Yemen – Sabafon:

- Improved political and security environment in Yemen positively impacting the company

2012 Guidance update

Measure	Guidance
Revenue	Mid single digit decline
EBITDA	Teen digit decline
Net Profit	Single digit % increase reflecting one off gain in S Tel disposal
Capex to revenue ratio	~23% (~10% excl 3G)
Free Cash Flow	> USD 70M.
Dividends Subject to AGM	Payout consistent with past trend

Margins under pressure from intense competition in [Bahrain](#)

Affected by one time investment in [3G license and infrastructure in Jordan](#)



4. Appendices

Condensed Consolidated Statement of Financial Position as at 30 June 2012

	30/06/2012	31/12/2011	Variance	%
Assets				
Property and equipment	192,460	185,019	7,441	4
Goodwill	125,247	124,682	565	0
Intangible assets	50,323	24,308	26,015	107
Investment in associate	76,951	78,580	(1,629)	(2)
Deferred tax assets	2,191	2,018	173	9
Available-for-sale investments	34,727	16,703	18,024	108
Cash and bank balances	87,395	107,893	(20,498)	(19)
Other current assets	126,299	120,104	6,195	5
Total Assets	695,593	659,307	36,286	6
Liabilities and Shareholders' Equity				
Current liabilities	145,756	133,868	11,888	9
Non-current liabilities	22,056	6,748	15,308	227
Total Liabilities	167,812	140,616	27,196	19
Shareholders' Equity				
Paid-up capital	144,000	144,000	-	-
Statutory reserve	76,847	76,719	128	0
General reserve	39,444	30,000	9,444	31
Foreign currency translation reserve	1,551	787	764	97
Investment fair value reserve	684	(3,397)	4,081	NM
Retained earnings	251,918	257,731	(5,813)	(2)
Non-controlling interest	13,337	12,851	486	4
Total Shareholders' Equity	527,781	518,691	9,090	2
Total Liabilities and Shareholders' Equity	695,593	659,307	36,286	6

The comparative figures for the previous period have been regrouped, where necessary, in order to conform to the current period's presentation. Such grouping does not affect the previously reported profit, comprehensive income or equity.

Condensed Consolidated Income Statement for the Six Months ended 30 June 2012

	2012	2011	Variance	%
Gross Revenues	155,258	163,180	(7,922)	(5)
Network operating expenses	(57,402)	(55,216)	(2,186)	(4)
Staff costs	(25,566)	(25,733)	167	1
Other operating expenses	(16,520)	(17,544)	1,024	6
EBITDA	55,770	64,687	(8,917)	(14)
<i>EBITDA %</i>	36%	40%	(4)	
Depreciation and Amortization	(17,290)	(18,714)	1,424	8
Operating Profit	38,480	45,973	(7,493)	(16)
<i>Operating Profit %</i>	25%	28%	(3)	
Non Operating Items				
Share of profit/(loss) of associates(net)	(899)	(4,265)	3,366	79
Finance and other income (net of finance expenses)	1,144	388	756	195
Income tax expense	(2,299)	(1,621)	(678)	(42)
Total Non Operating items	(2,054)	(5,498)	3,444	63
Net Income before non-controlling interest	36,426	40,475	(4,049)	(10)
Non-controlling interest	(1,867)	(1,722)	(145)	(8)
Net Income after non-controlling interest	34,559	38,753	(4,194)	(11)

The comparative figures for the previous period have been regrouped, where necessary, in order to conform to the current period's presentation. Such grouping does not affect the previously reported profit, comprehensive income or equity.

Condensed Consolidated Statement of Cash Flows for the Six Months ended 30 June 2012

	2012	2011	Variance	%
Cash receipts from customers	141,246	151,377	(10,131)	(7)
Net cash paid to suppliers	(64,620)	(66,116)	1,496	2
Cash paid to and on behalf of employees	(28,786)	(31,655)	2,869	9
Cash flows from operating activities	47,840	53,606	(5,766)	(11)
Acquisition of property, equipment and intangibles	(51,554)	(15,053)	(36,501)	(242)
Payments in respect of rights share issue	(17,713)	-	(17,713)	(100)
Receipts from investee company	2,781	-	2,781	100
Interest and investment income received	1,327	614	713	116
Receipts from associate	730	-	730	100
Net proceeds from sale and maturity of investments	-	4,378	(4,378)	(100)
Cash flows from Investing activities	(64,429)	(10,061)	(54,368)	NM
Dividend paid	(30,638)	(37,939)	7,301	19
Borrowings	27,494	-	27,494	100
Payments to charities	(400)	(1,108)	708	64
Cash flows from financing activities	(3,544)	(39,047)	35,503	91
Net Cash Flow changes	(20,133)	4,498	(24,631)	(548)
Beginning cash and cash equivalents	105,095	80,436	24,659	31
Ending cash and cash equivalents	84,962	84,934	28	0
Free Cash Flow (Operating Cashflows-Capex payments)	(3,714)	38,553	(42,267)	(110)
Normalised Free Cash Flow for one-off capital expenditures	25,575	38,553	(12,978)	(34)

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More information

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