



Batelco
Group

Financial Results Presentation

Quarter ended
30 September 2012

24 October 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that could cause actual results, performance or events to differ materially from those in the statements as originally made;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.



Nine Months Ended 30 September 2012 - Key Highlights



- YTD Sep 2012 Gross Revenues of **BD 227.6M**
- YTD Sep 2012 EBITDA of **BD 73.4M**. Underlying normalised EBITDA at **BD 83.5M** with **36% margins**
- YTD Sep 2012 Net Profits of **BD 42.6M**. *Underlying normalised net profits of **BD 54.2M***
- Healthy Cash and bank balances of **BD 86.7M** despite significant one-off capital investments in Q1 2012
- Low Debt balance of **BD 26.8M**. Net Debt/EBITDA at **-0.8x**
- International operations contribute **40%** of revenues and **38%** of EBITDA in line with previously communicated diversification strategy of the Group
- Group subscribers at **~7.4M**. **Higher QoQ** and **Lower YoY** (excl. STel subscribers classified as held-for-sale)
- Interim dividend of **15 fils per share** approved by Board was paid during Q3 2012
- 3G launched in Jordan with **~67k** subscribers additions within 3 months of the launch

1. Q3 and YTD 30 September 2012 Results Review

Q3 2012- Impacted by higher redundancy costs, 3G roll out costs and exceptional one-off items....

BD M	Q3 2012	Q2 2012	% change	Q3 2011	% change	YTD 2012	YTD 2011	% change
Gross Revenue	72.3	77.3	(6)	82.3	(12)	227.6	245.5	(7)
Outpayments and COS	23.6	22.3	(5)	25.9	9	69.5	70.6	1
Gross Margin	48.7	54.9	(11)	56.4	(14)	158.0	174.9	(10)
-margin	67%	71%	(4)	69%	(2)	69%	71%	(2)
Staff cost ²	14.1	13.0	(9)	11.3	(25)	39.7	37.0	(7)
Non-Staff Opex ¹	17.0	14.4	(18)	16.8	(1)	44.9	44.8	(0)
EBITDA	17.6	27.5	(36)	28.3	(38)	73.4	93.0	(21)
- margin	24%	36%	(33)	34%	(30)	32%	38%	(16)
Depreciation & Amortization	9.5	8.7	(10)	9.4	(1)	26.8	28.1	5
Operating Profit	8.1	18.8	(57)	18.9	(57)	46.6	64.9	(28)
Non-operating income/ (expenses)	1.1	0.7	63	(0.1)	NM	(1.0)	(5.6)	83
Non-controlling interest	1.1	1.1	(5)	1.1	(5)	3.0	2.8	(7)
Net Profit	8.0	18.4	(56)	17.7	(55)	42.6	56.5	(25)
- margin	11%	24%	(54)	22%	(55)	19%	23%	(25)
EPS (fils)	5.6	12.8	(56)	12.3	(55)	29.6	39.2	(25)

Despite competitive pressures across MENA markets, normalised Q3'12 EBITDA of BD 25M (34%) comparable to previous periods





¹ Certain costs have been reclassified from Non-staff Opex to Outpayments and COS

² YTD 2012 staff costs include BD 5.2M for 86 staff released during the period under redundancy program





Totals and Percentages may vary due to rounding

Revenues diversified by segment & geographies

Gross Revenues by Geography (after inter-segment eliminations) BD M

	2012	2011	Var
Bahrain (% of total)	134.8 59%	152.4 62%	 12%
Jordan	67.4 30%	66.9 27%	 1%
Other Countries	25.4 11%	26.1 11%	 3%
Total	227.6	245.5	 7%

Profit * BDM

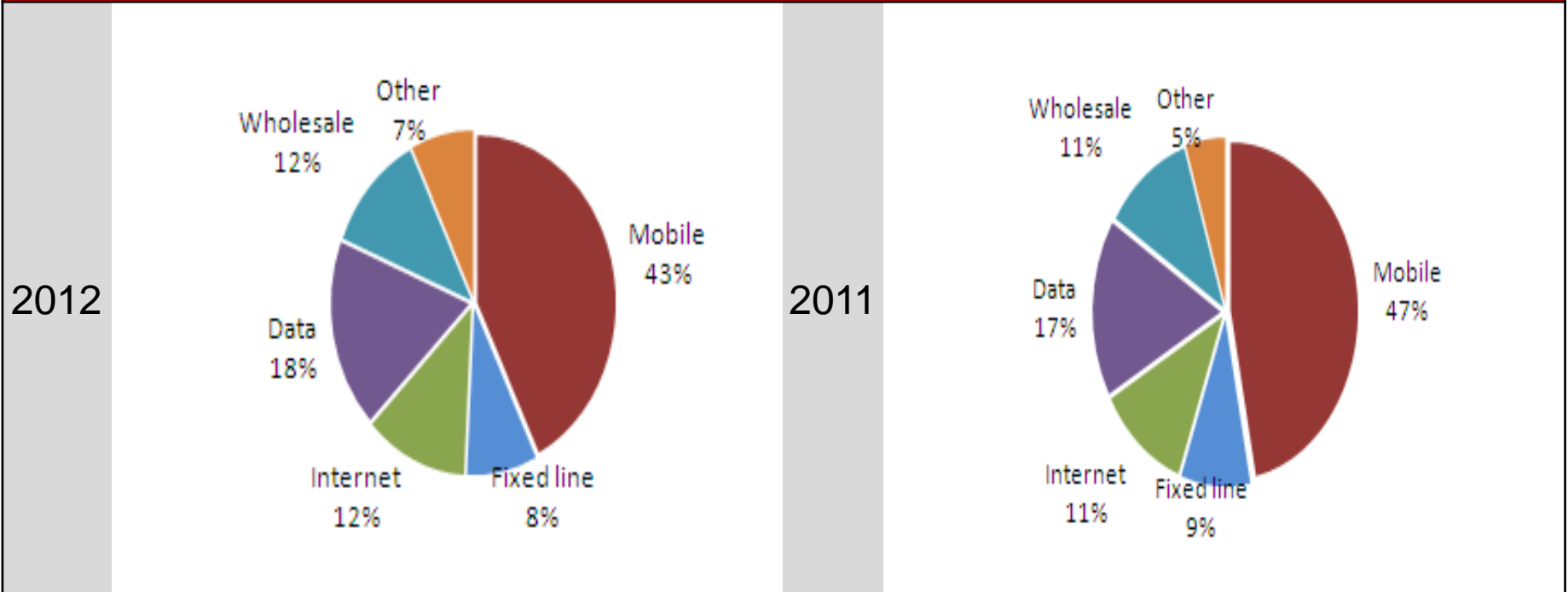
	2012	2011	Var
Bahrain (Note 1)	33.4	48.5	 31%
Jordan (Note 2)	7.2	10.1	 29%
Other Countries (Note 3)	5.0	0.7	 614%
Total	45.6	59.3	 23%

Note 1: Profitability impacted by intense competition in mobile market, higher redundancy costs and one-offs.

Note 2: Profitability impacted by higher electricity costs and aggressive 3G roll out costs

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

Gross Revenues by Product As % of Total Revenues



- **Mobile revenues contribution lower due to steep decline in Bahrain revenues**
- **Other revenues higher due to higher handset and equipment sales in Bahrain¹**

¹ Higher handset/devices costs also led to the margin erosions across the Group

CAPEX AND LIQUIDITY PROFILE

BD M	Q3 2012	Q2 2012	% change	Q3 2011	% change	YTD 2012	YTD 2011	% change
CAPEX	8.3	17.1	52	7.5	(11)	59.1	15.3	(285)
CAPEX to Revenue ratio	11%	22%	48	9%	(26)	26%	6%	(316)
Free cash flows	21.9	13.3	65	28.7	(24)	18.2	67.3	(73)
Normalized free cash flows ¹	21.9	13.3	65	28.7	(24)	47.5	67.3	(29)
Simple FCF ²	14.8	15.4	(4)	22.1	(33)	19.0	71.7	(74)
Cash and bank balances	86.7	87.4	(1)	86.8	(0)	86.7	86.8	(0)
Debt ³	26.8	27.5	2	-	(100)	26.8	•	(100)

Capex/Revenue Ratio (~26%) reflects investments in 3G License & Building acquisition in Jordan. Excluding these one-off items, normalized Capex/Revenue ratio would be 13%

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

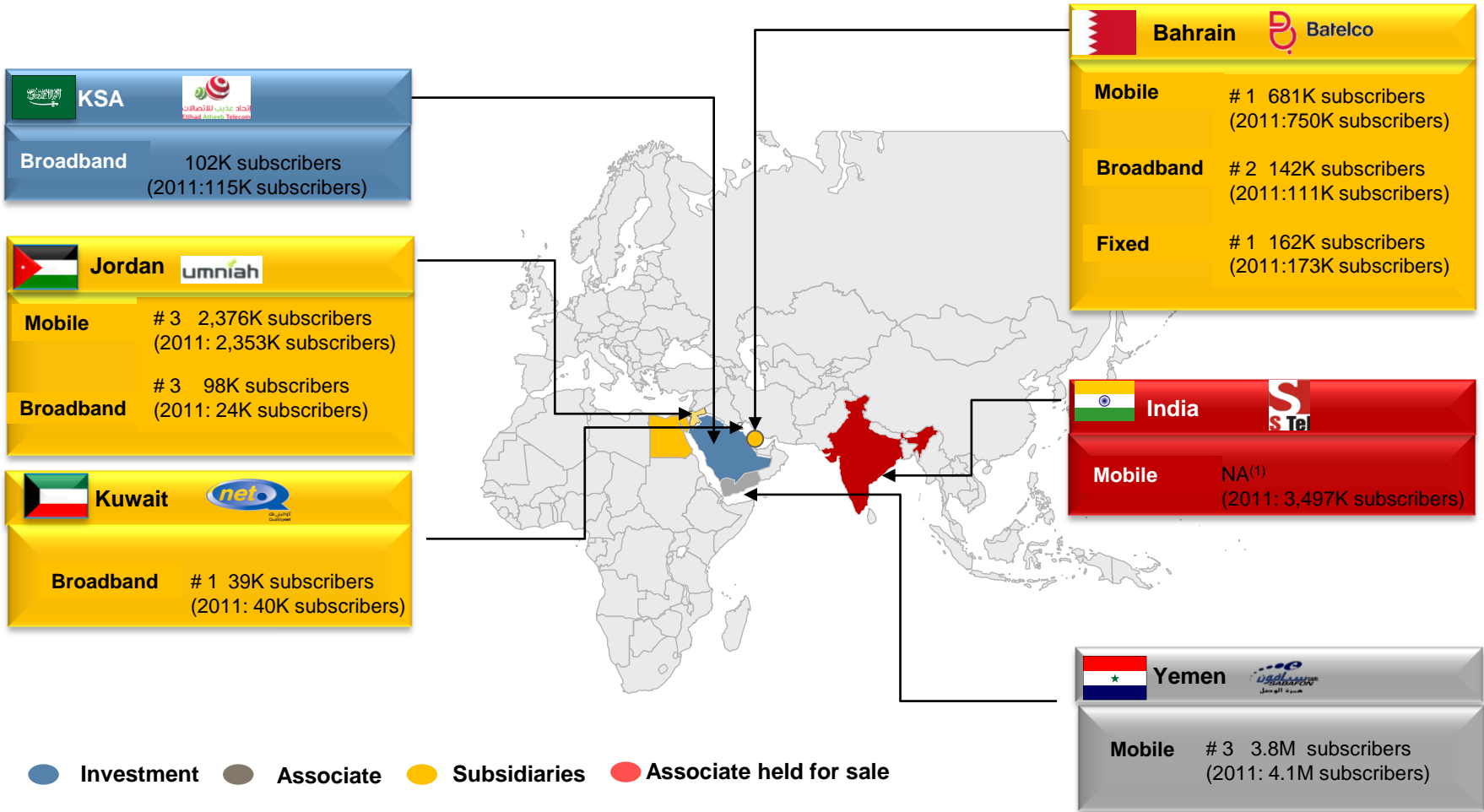


	Q3 2012	Q2 2012	% change	Q3 2011	% change
Mobile Subscribers¹ (K subs)					
Subsidiaries					
Batelco Bahrain	681	695	(2)	750	(9)
Umniah	2,377	2,332	2	2,353	1
Sub-Total	3,058	3,027	1	3,103	(1)
Associates					
Sabafon	3,778	3,526	7	4,103	(8)
STel	-	-	-	3,497	(100)
Sub-Total	3,778	3,526	7	7,600	(50)
Grand Total (Mobile Subscribers)	6,836	6,553	4	10,703	(36)
Total Broadband Subscribers	381	316	21	290	31
Total Fixed Subscribers	162	164	(1)	173	(6)

Competitive pressures resulted in decline in Bahrain mobile subscribers. Overall, Group subscribers at ~7.4M. Higher QoQ and lower 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 (*BD 20M savings Post 2014*)

3. India – STel:

- Complete sale during 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

Measure	Oct 2012 Guidance	
Revenue	Single digit decline	<p>Margins under pressure from intense competition in <u>Bahrain</u> and one-off restructuring costs</p>
EBITDA	Double digit decline ←	
Net Profit ¹	Single digit decline including one off gain on S Tel disposal	
Capex to revenue ratio	~23% (~10% excl 3G) ←	<p>Affected by one time investment in <u>3G licence and infrastructure in Jordan</u></p>
Free Cash Flow	~ USD 50M ←	
Dividends Subject to AGM	Payout consistent with past trend	

¹. Excludes effect of tower sale

4. Appendices

Condensed Consolidated Statement of Financial Position as at 30 September 2012



	30/09/2012	31/12/2011	Variance	%
Assets				
Property and equipment	187,464	185,019	2,445	1
Goodwill	124,800	124,682	118	-
Intangible assets	48,855	24,308	24,547	101
Investment in associate	76,045	78,580	(2,535)	(3)
Deferred tax assets	2,277	2,018	259	13
Available-for-sale investments	33,183	16,703	16,480	99
Cash and bank balances	86,721	107,893	(21,172)	(20)
Other current assets	123,825	120,104	3,721	3
Total Assets	683,170	659,307	23,863	4
Liabilities and Shareholders' Equity				
Current liabilities	152,741	133,868	18,873	14
Non-current liabilities	20,752	6,748	14,004	208
Total Liabilities	173,493	140,616	32,877	23
Shareholders' Equity				
Paid-up capital	144,000	144,000	-	-
Statutory reserve	76,847	76,719	128	-
General reserve	39,444	30,000	9,444	31
Foreign currency translation reserve	932	787	145	18
Investment fair value reserve	(860)	(3,397)	2,537	(75)
Retained earnings	238,345	257,731	(19,386)	(8)
Non-controlling interest	10,969	12,851	(1,882)	(15)
Total Shareholders' Equity	509,677	518,691	(9,014)	(2)
Total Liabilities and Shareholders' Equity	683,170	659,307	23,863	4

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 Nine Months ended 30 September 2012



	2012	2011	Variance	%
Gross Revenues	227,554	245,456	(17,902)	(7)
Network operating expenses	(87,487)	(86,178)	(1,309)	(2)
Staff costs	(39,704)	(37,015)	(2,689)	(7)
Other operating expenses	(26,983)	(29,259)	2,276	8
EBITDA	73,380	93,004	(19,624)	(21)
<i>EBITDA %</i>	32%	38%	(6)	
Depreciation and Amortization	(26,830)	(28,125)	1,295	5
Operating Profit	46,550	64,879	(18,329)	(28)
<i>Operating Profit %</i>	20%	26%	(6)	
Non Operating Items				
Share of profit/(loss) of associates(net)	227	(3,348)	3,575	107
Finance and other income (net of finance expenses)	1,479	622	857	138
Income tax expense	(2,671)	(2,854)	183	6
Total Non Operating items	(965)	(5,580)	4,615	83
Net Income before non-controlling interest	45,585	59,299	(13,714)	(23)
Non-controlling interest	(2,999)	(2,799)	(200)	(7)
Net Income after non-controlling interest	42,586	56,500	(13,914)	(25)
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 Nine Months ended 30 September 2012



	2012	2011	Variance	%
Cash receipts from customers	210,131	226,627	(16,496)	(7)
Net cash paid to suppliers	(96,184)	(97,660)	1,476	2
Cash paid to and on behalf of employees	(41,314)	(40,380)	(934)	(2)
Cash flows from operating activities	72,633	88,587	(15,954)	(18)
Acquisition of property, equipment and intangibles	(54,396)	(21,287)	(33,109)	(156)
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	1,984	919	1,065	116
Receipts from associate	2,762	-	2,762	100
Net proceeds from sale and maturity of investments	-	4,389	(4,389)	(100)
Cash flows from Investing activities	(64,582)	(15,979)	(48,603)	(304)
Dividend paid	(55,732)	(67,969)	12,237	18
Interest paid	(253)	-	(253)	(100)
Borrowings	26,937	-	26,937	100
Payments to charities	(448)	(1,983)	1,535	77
Cash flows from financing activities	(29,496)	(69,952)	40,456	58
Net Cash Flow changes	(21,445)	2,656	(24,101)	(907)
Beginning cash and cash equivalents	105,095	80,436	24,659	31
Ending cash and cash equivalents	83,650	83,092	558	1
Free Cash Flow (Operating Cashflows-Capex payments)	18,237	67,300	(49,063)	(73)
Normalised Free Cash Flow for one-off capital expenditures	47,526	67,300	(19,774)	(29)

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More information

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