Conference Transcription

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Conference title	**:**	**Goldman Sachs UK – Batelco Q3 Results**

CONFERENCE DETAILS

Conference Date:	24 October 2012
Conference Time:	12:00 UAE
Conference Duration:	Approximately 49 minutes
Chairperson:	Matija Gergolet
Speakers:	Shaikh Mohamed bin Isa Al Khalifa (CEO) Marco Regnier (CFO) Peter Kaliaropoulos (CEO Strategic Assignments)

ACT Operator

Welcome to the Batelco Group Third Quarter 2012 Financial Results conference call on 24 October 2012. Throughout today's recorded presentation all participants will be in a listen-only mode. After the presentation there will be an opportunity to ask questions. If any participant has difficulty hearing the presentation, please press *0 on your telephone for operator assistance.

I will now hand the conference over to Matija Gergolet from Goldman Sachs, the host of today's call.

Matija Gergolet

Hello, thank you very much. Good morning ladies and gentlemen and on behalf of Goldman Sachs welcome to Batelco Group Third Quarter Nine Months 2012 Financial Results. Goldman Sachs is delighted once again to be hosting the call on behalf of Batelco. Today I have the pleasure of introducing our speakers which will be Shaikh Mohamed bin Isa Al Khalifa, the Group CEO. Mr Peter Kaliaropoulos, the CEO for Strategic Assignments and Mr Marco Regnier, Chief Financial Officer.

Following their comments the call will be opened for questions from participants. Before starting the call the Group would like to make the standard forward-looking safe harbor statement and I hand over to Batelco Management. Thank you.

Laila Danesh

Thank you Matija. Batelco Group notes that some of the forthcoming statements are expectations based on reasonable assumptions. These forward-looking statements are subject to numerous risks and uncertainties. These statements may not be regarded as a representation of anticipated results which will occur on the Group's expected objectives. The forward-looking statements are only valid until this date and Batelco Group does not undertake to update these in any form. With that I would now like to turn the floor over to Shaikh Mohamed bin Isa Al Khalifa, Group CEO of Batelco.

Shaikh Mohamed bin Isa Al Khalifa

Thank you Laila and thank you Matija for the introduction and to Goldman Sachs for hosting this call today to discuss Batelco Group's Third Quarter and Nine Months 2012 financial results. I would also like to thank each of you for taking the time to join me and the management team. With me today are Mr Marco Regnier, Group CFO who will walk you through the presentation of our results and performance and Mr Peter Kaliaropoulos who will join Marco and me in answering any questions you may have later on the call.

We are pleased foremost to continue to report growth of our subscriber base during the period and following the announcement of the sale of our stake in India last year. We have seen a 5% increase since last quarter and an impressive 12% gain in the Group's subscriber base when normalised for STel since the start of 2012. This marks the third consecutive quarter of growth and brings us to 7.4 million users and growing. Despite ongoing and aggressive competition in Bahrain and elsewhere in the MENA markets. This included 4% growth in the mobile segment supported by continued market leadership in Bahrain and steady increases from Umniah and Sabafon.

Similarly there was continued growth in broadband where subscriber numbers increased by a solid 21% quarter-over-quarter and 31% year-on-year. We were especially pleased with the growth reported out of Jordan during the quarter. The successful launch of 3.75G services in mid-June 2012 has delivered excellent results. Customer response has continued to exceed expected demand for the service. Since June nearly 70,000 new 3G subscribers have been added with greater uptake expected throughout the remainder of 2012. We also saw continued growth in Yemen this quarter following the rationalisation of the customer base earlier in the year and ongoing improvements in the domestic situation.

Now turning quickly to the financials performance for the period was significantly impacted by a number of factors in addition to the continued impact of ongoing aggressive competition which persists. While Marco will get into further details of these factors with you I would like to highlight that the lower than expected results were down to structuring costs and a number of other one-off adjustments without which EBITDA and margins were still healthy and in-line with prior periods.

Specifically impacting performance was a 12% drop in gross revenues versus the previous year in our home market due to increased competition and lower tariffs. Redundancy payments for a higher number of employees and an adjustment of mobile data revenues also contributed to lower quarter three profitability. We are doing all we can to become more competitive although in the shorter term our results have been adversely impacted. We are undertaking a significant restructuring to rationalise our cost structure across each of our markets of operation and in particular in Bahrain where innovation and cost leadership are essential to our ability to maintain both the top and bottom line.

Looking at the Group's overall financial position it is still robust. We are pleased to have closed out the period with strong cash generation and growth in customer numbers. We continue to enjoy steady cash flows, a solid balance sheet and a significant cash balance. This is essential as we pursue further growth which will allow us in turn to build and deliver greater value for our customers and shareholders. As we've said, we are working hard to continue to achieve further organic growth of our network. We've done a good job of that this year. We have also announced that we are pursuing opportunities to acquire other operations that can support profitable expansion as soon as possible. We hope to have further progress to report to you on both of these fronts in the coming periods.

With that I will now turn the call to Marco who will take you through the presentation and the details of the Group Financial Results and performance over the period. Marco?

Marco Regnier

Thank you Shaikh Mohamed and thank you ladies and gentlemen for joining the call for Q3 and First Nine Months of the year 2012. We will go to the first slide or slide number three which will cover the key highlights. We have for the first nine months of the year gross revenue of BD228 million with an EBITDA of BD73.4 million. Important here to point out that if we normalise with the items that Shaikh Mohamed mentioned in the introduction the restructuring cost and the one-off cost we would be at around BD84 million of EBITDA which would represent a 36% margin which is quite aligned actually with previous period. A net profit of BD42.6 million similarly if we normalise with the same items that are one-offs and restructuring cost we would see rather a BD54.2 million.

So despite those significant one-off capital investment in Q1 regarding Umniah and 3G licence we saw the period with healthy cash flow and bank balances at BD87 million. Debt remains very low at a bit less than BD27 million. The Group continues to be net debt negative and for the period the contribution from overseas operation grew to represent 40% of the revenue of the Group and 38% of the EBITDA. So this is really in-line with our focus on diversification.

Operationally the subscriber numbers excluding STel, like Shaikh Mohamed mentioned, grew to 7.4 million which is a 5% increase quarter-on-quarter. Now if we compare to last year and if we exclude STel there was a decline – a slight decline and it is essentially related to Sabafon which in 2011 had a review of the definition of their subscriber base. But on the Sabafon side though since the beginning of the year, there is a good catchup we will talk about that a little further in more detail.

We also announced and paid an interim dividend of 15 fils per share during the period. And as Shaikh Mohamed mentioned the initial launch of 3G services in Jordan in particular has been a great success with about 70,000 subscribers added in about three months.

If we go to the next slide, the slide number five, and we look at the Q3 results and we also have the year-to-date. First of all if we look at gross revenue at BD72.3 million, clearly what has affected the decrease versus Q2 for example is essentially an adjustment that was done on BlackBerry prepaid revenue; it was a free package that was offered to the customers and this was recognised as a revenue although it should not, it was an issue on the platform here that we have corrected. So this explains BD3.2 million, so you can see the impact that this would have had without that adjustment. If we look at the nine month - the nine month year-to-date so the BD227.6 million versus BD245 million. Now there is this one-off item that was just mentioned but there is also a strong competitive pressure in Bahrain and the revenue essentially in the Batelco Bahrain have been under pressure since the beginning of the year, a few items explain that, we will come back to that a bit later on.

On the gross margin side you can see a slight decline on gross margin; one essential point may be to mention there is the increased sale of handsets and dongles, in Umniah for example there was a 3G launch so this was very important to the success of the launch and in Bahrain as well in order to keep our high value customer this proves to be a good tool of retention. So since these are lower margin items that has an impact on the blended gross margin and eventually also the blended EBITDA margin. Now when we look at the EBITDA margin of the quarter at 24% and if we look at year-to-date at 32% if we normalise for the key items that were raised, additional packages that were paid for people that left the company since the beginning of the year, there is 86 people that left the company since the beginning of the year in the first nine months, the one-off adjustment of revenue of BD3.2 million, there is also some electricity unusual increase in Jordan, the electricity bill increased by more than two times; this was a government measure to address some shortage in budget there. This has effected Q3 essentially because the measure started at the end of June and there is also an aggressive marketing effort in Umniah in Jordan regarding dongles, acquisition costs, the launch of 3G etcetera. So about these additional items that are probably either one-off or unusual without these items we would be at a normalised EBITDA margin of about 36% for the first nine months and 34% for Q3.

If we look at the net profit year-to-date BD42.6 million taking into consideration the same item I just mentioned now we would normalise it at BD54 million which would represent something that is more in-line with the year-to-date result that we have in 2011.

If we go to the next slide and look at the diversified revenue per segment, if we break down the gross revenue by geography we can see that Bahrain was down by 12% year-over-year, this is the result as mentioned before of increased competition as mentioned also lower tariffs, slightly lower traffic as well on the prepaid side and lower roaming revenue; that explains a big portion of the revenue pressure in Batelco Bahrain. Right now Jordan represents 30% of the revenue from 27% last year and the other countries have remained pretty steady in terms of their contribution to the total at 11%.

In terms of profits, the profitability we see a 31% decline in Bahrain and as we have said although the profitability overall has been impacted by intense competition in the mobile market. Again this was accelerated by the decrease of some revenue but also higher redundancy cost and one-off items. So we are repeating a bit here but there is essentially four or five items that explain most of the results year-to-date and for Q3 decline. In Jordan the income was down 29% and this was the result as I just mentioned of the higher electricity cost, the electricity cost to give you an idea just for the quarter last year a JD1 million and this year JD2.7 million, so you can see there is a major increase actually, it is not just a 10% or 20% increase it is almost like 250%. And also what happened in Jordan is clearly a focussed and aggressive rollout of the 3G which was successful with 70,000 subscribers which is much higher than when we were expecting ourselves. In other countries we see an increase also of profit but this is essentially because at the end of 2011 we have reclassified STel as held for sale, so were no longer booking profit or losses regarding STel.

If we look at the next slide, the revenue per product, what we can see there is basically some shift from fixed and mobile voice that is replaced by growth in data, internet and wholesale type of revenue. There is also an increase in the other revenue and that represents essentially handsets and dongles which is increasingly used for retention of high value customer or acquisition of 3G subscribers in Umniah.

If we go to the next slide we look at CapEx and liquidity, in terms of CapEx the significant rise of CapEx in 2012 is essentially linked to the 3G launch and the 3G licence in Jordan. When we normalise from this lets say one-off investment the CapEx-to-revenue ratio would be around 13%. Now we will see later on, we will discuss a little bit about the guidance here. We had given a guidance of 23% CapEx-to-revenue ratio which took into consideration the 3G investment and we keep the same guidance on that matter.

In terms of free cash flow so despite declines in revenue and profitability the underlying strength of the Group's cash position and its ability to continue to generate strong cash flow also continued. We have a free cash flow for Q3 of about BD 22 million which is quite interesting. You can see on the table here that we have done an additional line just to show normalised free cash flow if it had not been the investment in 3G that we have done this year. The Group also ended the period with a strong cash, we mentioned BD87 million of cash at the end of the period. The debt is still very low so the company is net-debt negative so we can say not leveraged, which is a good thing, good news for future expansion and potentially leveraging the company for the projects that we have in mind. The only debt that we have in our books right now relate to the financing of a rights issue in Atheeb; we have a $46 million debt related to that and there is a $26 million debt that is related to Umniah, which is for general purposes but related essentially to the 3G launch.

If we go to the next slide, if we look more on an operational review at the moment. If we look at the Group subscribers, the slide number 10, we have discussed these points essentially before but as noted we have seen some steady growth in overall subscribers this year, 12% since the beginning of this year, and we finished the year with 7.4 million subscribers.

Sabafon had an interesting start of the year. Last year we saw a decline essentially because of the situation in Yemen, but also because we reviewed the definition of our subscribers and did a review of our database related to that. Since the beginning of the year we have seen nice pickup by Sabafon also due to the fact that the situation in the country seems to be more favourable.

If we look at maybe the broadband subscribers, maybe there is a good news to mention here, we can see the broadband subscribers at the bottom of the slide. We have an important increase of 21% quarter-on-quarter and 31% year-on-year, so clearly this is going with the trend pretty much everywhere in the Telco world and a good news for us.

If we go to the next slide. The next slide is just showing us our operation per geography where you can see our current subscriber number by geography. You can see - it's just a more visual slide about the situation here.

If we go to the slide number 13 which is about the key initiatives that we have, first of all about new acquisition. I guess we will probably discuss a little bit more afterwards but as we have said, we continue to actively pursue an acquisition of another wireless operator.

We confirmed during the period that we have expressed an interest to CWC, we can discuss that further to enter into a transaction involving Monaco and Island business units. At this point there can be no certainty that this will lead to a transaction but nevertheless we are working hard to identify some close acquisition that will help us enhance revenues and profitability.

About Batelco, in our home market we are pursuing our GEAR strategy. You have here just the GEAR strategy, G is for the growing mobility and broadband, the E for excelling in customer care, the A is for developing adjacent services and the R is for realigning our cost structure. We have mentioned that – Shaikh Mohamed in the introduction that we can now announce that we are leading a cost restructuring programme that will help us save BD20 million annually starting from 2014. So we will be very busy in the next 12 to 15 months on 42 initiatives all across the organisation, essentially in Bahrain for the moment, but we will be very busy on 42 initiatives to save BD20 million a year. So I guess this is a good news for the organisation and essentially it will realign the cost structure to face very intensive competition in Bahrain.

About the Indian market, we can expect to complete the sale of STel as planned during the fourth quarter. That said, we continue to look for opportunities in the Indian telecommunication market as we can see some potential prospect for the Group in the future. In Jordan we are extremely pleased with the rollout of the 3G, the uptake has exceeded the plan as we mentioned before, we remain focussed on completing this rollout nationwide with some good customer retention and growth. Regarding Atheeb, following – we have mentioned that maybe at the last quarter but, following a successful rights issue now the company is really focussing its customer base on high value segment and high value segment which has a much higher ARPU than the regular consumer base. The consumer base we speak of ARPU of about BD15 per month, when we speak about the B2B The Enterprise that we are now focussing on we speak more about BD700 to BD800 a month. So the company is focussing on realigning on that segment.

If we look at the other slide, the next slide, slide number 14. Just to give you an update on the guidance, in terms of revenue we expect single digit decline till the end of the year for the year 2012 essentially and this is broadly consistent with previous guidance that we have given. The EBITDA will see a double-digit decline with margins continuing to be under pressure from the competition in Bahrain and as a result, also of some one-off restructuring costs and 3G launch related cost.

About net profit, a single digit decline is expected and again that reflects those one-off that we have mentioned but that also includes a one-off gain on the sale of STel, so this is included in that guidance. The CapEx-to-revenue ratio, it remains pretty much the same guidance at 23%, that would be around 10%-11% if we exclude 3G investment that we did in 2012. In terms of free cash flow we expect a free cash flow that will be around $50 million at the end of the year. And finally about dividend payout, well it's always subject to Board approval but we will continue to be healthy and in line with the past trends.

So with that I will now open up the floor to questions if you have. Thank you.

ACT Operator

Thank you sir. If any participant would like to ask a question please press *1 on your telephone. If you wish to cancel this request, please press *2. Your questions will be polled in the order they are received. Our first question comes from Christian Kern of JP Morgan, please go ahead.

Christian Kern – JP Morgan

Good afternoon gentlemen and thank you very much for the highly valuable presentation. I think you have done a wonderful job helping us understand your company better. Nevertheless, I would like to understand a bit better what is happening with the traditional revenue streams in Bahrain, you haven't touched really on SMS traffic and voice traffic. Any colour you can shed on MOU developments, potential replacement pressure from data packages with regards say SMS traffic, any statistics and operation numbers you might have at hand would be very useful, thank you.

Shaikh Mohamed bin Isa Al Khalifa

OK just a few comments and then I will hand over to my colleagues here who maybe will give you more details. Of course the technology is forcing certain changes on the revenue streams and you touched upon SMS, we have seen a significant drop in SMS usage because a lot of smartphones are being used in our markets, specially in Bahrain. But in terms of details we have seen the drop, Marco do you have the exact number?

Marco Regnier

We had a slide actually that was not maybe extremely detailed but we can see a shift exactly about – and I guess this shift is not only here in the market in Bahrain but we see a shift from voice and SMS to data, there was a slide on that, and we can see that for example the mobile revenue essentially voice was representing 47% of our revenue last year, it's now 43%. We have seen a decrease of traffic on the voice side and a decrease of SMS as well. In terms of prepaid voice the traffic has even gone down by about 25%.

So the good thing about that is this seems to be essentially in our low-end customers while we are quite successful actually to maintain and retain our high-value customers. We have seen a much lower trend in decrease of traffic, actually a much, much lower trend in our postpaid and high-value customers.

Shaikh Mohamed bin Isa Al Khalifa

Peter, do you have anything to add?

Peter Kaliaropoulos

Certainly yes, if you look at - again the difference between prepaid and postpaid including data, our postpaid customers have both increased in numbers and increased in

ARPU by about BD 1. Also, if you look at the split there is a 7:1 ratio between postpaid revenue ARPU and a prepaid ARPU. So, customer base on the prepaid has declined, the same period last year by about just over 70,000. But then we have had an increase of about 15,000 customers in the postpaid. So we are again focusing on the high-value customers and focusing on data packages, and we are seeing the postpaid customers spending more on their ARPU increasing by about 5% year-on-year the numbers I am looking at. The ARPU for prepaid customers, which does include data, is declining. So we are seeing around about 20% decline in ARPUs of customers and that is because the SMS and some other all you can eat online prepaid packages. So we are seeing that shift in our customer base and the shift in ARPU.

Christian Kern – JP Morgan

Great, very useful. Thank you so much.

Shaikh Mohamed bin Isa Al Khalifa

Welcome.

ACT Operator

Thank you. The next question comes from Ranjan Sharma from JP Morgan, please go ahead.

Ranjan Sharma – JP Morgan

Hi, good afternoon and thank you for the call. Can you share with us what the margin is like on your data products and similarly on your voice and SMS products, just trying to get a sense of how the margin will evolve? Thank you.

Shaikh Mohamed bin Isa Al Khalifa

OK. Marco?

Marco Regnier

Sorry, just to give the answer....

Shaikh Mohamed bin Isa Al Khalifa

The question is on margins and how the evolution of these margins are on data.

Marco Regnier

I do not have the exact margin in front of me here, but clearly the data margins are very healthy. We can probably come back to you on precise numbers here, because we do have analysis, I just do not have the exact figure in front of me, I do not want to mislead you on the answer here.

Shaikh Mohamed bin Isa Al Khalifa

Mr Sharma, I just wanted to emphasise the point here, we do recognise of course as the business shifts because of new technology being deployed on these mobile devices and more data usage is increasing and we have seen the significant jump in data usage. We as Telco operators all have to start to change the way we price our services from minutes to bytes. And I think the challenge that we face in the market is to see who would be the first mover from the operators to actually shift the packages to be more data driven and priced accordingly than to just rely on the old pricing methodology of bundling all you can eat type of data services along with voice.

I hope that satisfies you in terms of how we are approaching it and how we are looking at it. But we will come back to you with more specific answer when it comes to the margins actually realised on data because right now the margins that we have are just blended margins really.

Peter Kaliaropoulos

As a sort of gross revenue we are still at the sort of 71% gross margin for both voice and data, and also wholesale. If you now look at wholesale, gross margin struggles to get double digits, so the 70% gross margin from our combined businesses comes from voice and data. So predominantly, again the voice network is sunk for a long time, depreciated; so there are fairly healthy gross margins of voice as it is, but the data margins as well, we are talking in excess of about 40% to 50%. So as Marco said, we will come back to you, but the 71% gross margins at a total business level comes predominantly from those two streams of voice and data.

Marco Regnier

And, we can add to that that when you look at gross margin there is a little pressure there on the gross margin. It is not related to the traditional services, it is not related to data here, it is essentially related to the fact that we have a bigger share of sales of handsets which have little or close to no margin. We are having those sales to stimulate retention of high-value customers. So if you see a drop, a slight drop in the gross margin it is not related to data. We will come back with the exact margin percentage.

Peter Kaliaropoulos

And, just to add to that question as well – we do share your concern about if there is any seismic shift between voice and data. At the blended rate there is not, and we are a company that believes in that as well because we are seeing a healthy growth of broadband customers, especially in the mobile side. So, the substitution and that is why especially with postpaid we are seeing an increase in ARPUs for postpaid customers. But when you see broadband customers they are increasing and their revenue from broadband customers is increasing. So, we will not be depleting voice revenues as quickly as maybe would have expected otherwise. So yes, the couple of SMS applications are there and few other applications, but customer behaviour is such that they are spending more for faster access and then we are substituting the loss of voice with a significant growth in broadband revenues.

Ranjan Sharma – JP Morgan

That is really helpful, thank you.

AT&T Operator

The next question comes from Nishit Lakhotia from SICO, please go ahead.

Nishit Lakhotia - SICO

Hi, good afternoon or good morning rather, thanks for this call. I have a couple of questions – one on the broader financials, I had a bad line so I think I missed some part in terms of the one-off. One more related to revenues, Marco had mentioned about BD3.2 million in BlackBerry prepaid data in terms of revenue, it impacted the revenues – did it also impact the net income or it was more of an accounting thing. And secondly, in terms of the one-offs which was recorded throughout the year. How much of the one-offs were recorded in the third quarter and what would have been the normalised net income for the third quarter if we removed the one-offs other than the employee redundancy cost if you can just share more colour on the one-offs aspect and that is my second question. And the third question is on the gadgets and smartphone sales that you are talking about more and more percentage of your revenues. Do you have any percentage currently of the total revenues that they comprise of that you can share with us. These are my three questions, thank you.

Shaikh Mohamed bin Isa Al Khalifa

OK, thanks. I just would like to refer you to the press release that we have put out yesterday, it contains a lot of information on these numbers and normalising; and Marco did cover it, he will give you a brief now on the normalised numbers. Of course the sales of handsets are becoming a significant part of our revenue stream. Last I checked it was almost 20% of our annual sales today, our handset sales. Now the breakdown of these handsets of how many of those are smartphones or how many are feature phones. I think the majority is the smartphones, everybody wants today either an iPhone 5 or at the time it was iPhone 4S or the Galaxy. So a good number of handsets are now out in the market and it would be interesting to know really a percentage of what Bahrain market has in terms of smartphones, I would think it is quite a high percentage. So Marco, maybe you just want to recap quickly on the adjustments for the one-offs?

Marco Regnier

There are a number of adjustments, actually just to complete here the answer. I guess you wanted to know if there is an impact directly on the net profit, the answer is yes. It was an error of revenue basically coming from a platform generating some revenue recognition for some free services. So basically, we just reversed that revenue so that would have a direct impact on the net profit, so that is BD3.2 million. Other one-offs that we had are for the ERP packages or the packages that we are paying for people leaving the organisation as part of the restructuring, there was an acceleration that was done this year. We have spent so far BD5.2 million since the beginning of the year.

The electricity one-off, its not a one-off in this case its not an adjustment but clearly it was something incremental that did not exist in the past, there is about a BD1 million more of electricity in one quarter only related to Jordan. On top of that there is all the dongles and marketing expenses related to the launch of the 3G in Jordan. Again, this is not an adjustment, this is just an acceleration that happened in Q3 2012. That would represent probably BD1 million or BD2 million.

There is also some additional M&A costs we may cover that a little bit more. There is lots of activity on that front, so clearly there is some additional fees there. Other than that - I guess that gives a full picture of the main one-off. There is some other small items that we are doing on a quarterly basis, some pluses and minuses but I guess we covered the main items here.

So the impact on the net profit, because we presented to you I guess in the summary sheet – summary slide – we mentioned what would be the normalised EBITDA. The normalised EBITDA from these one-offs would be instead of, if I remember well, instead of BD8 million net profit - we would speak more of a BD15.5 million net profit. So you can see that it’s up (*inaudible – technical difficulties*).

Nishit Lakhotia - SICO

OK thank you. And I have one more question if I can ask that. Thank you and this is with respect to the segment breakdown. I’ve seen in the profits slide where you show

Bahrain, Jordan and others, I see BD3 million net income growth in the other segment. I understand that other segment includes your Qualitynet operations, Yemen and Egyptian operations. Yemen contributed BD1.1 million in the quarter, so what contributed to the BD1.9 million net profit in the other segment in this quarter?

Shaikh Mohamed bin Isa Al Khalifa

Yes, I assume that that's going to be Qualitynet, Marco?

Peter Kaliaropoulos

Yes, both Qualitynet and Sabafon are growing quarter-on-quarter and year-on-year in terms of revenue and profit contribution. So as you said they are in that bucket. The Egyptian operation we have it's a very, very small operation, it's a node for international customers, there has not been any growth in those revenues so it's coming from the operation in Kuwait and Yemen.

Nishit Lakhotia - SICO

OK, so there was no one-off in there. OK.

Peter Kaliaropoulos

Yes, no one-offs.

Nishit Lakhotia - SICO

OK, thank you.

ACT Operator

Thank you. the next question comes from Waruna Kumargee from SICO please go ahead.

Waruna Kumargee - SICO

Hi, good morning gentlemen. I just have one question regarding the restructuring programme that you mentioned in the press release. I just want to know whether if you can give some guidance as to some forward looking statement regarding what's going to be the future cost that you could expect to incur, probably this year and next year.

Shaikh Mohamed bin Isa Al Khalifa

Well, we have already said that the target is to achieve a BD20.2 million savings on an annual basis but that will not be into effect fully until 2014. So we've started these initiatives, as Marco had mentioned in the explanation, 42 different initiatives that have reduction in headcount and changes in the mode of operation, outsourcing of certain activities. So the expected impact for the first two years is going to be building up of course towards that BD20 million. The 2013 numbers partially,…

Marco Regnier

We are talking about BD7 million to BD8 million impact next year and from 2014 where we benefit from the full year impact - from 2014 onwards it will be BD20 million annually.

Shaikh Mohamed bin Isa Al Khalifa

Hope that answers your questions Waruna.

Peter Kaliaropoulos

There will be thus some more one-off cost in quarter four as part of this restructuring programme.

Waruna Kumargee - SICO

OK, just to clarify this point what you mentioned was that you expect the benefit of about BD7 million to BD8 million in 2013 as a part of the programme but in terms of further cost related to the restructuring programme you mentioned there could be more costs incurred in quarter four 2012 right?

Shaikh Mohamed bin Isa Al Khalifa

We expect some costs associated with the restructuring. I think it depends really on the timing of the restructuring, whether it happens in quarter four or not, right now we see that more likely than quarter one of 2013 would start to see really some impact happening on some costs associated with the restructuring. Quarter four, right now the way it's going we don't see any additional costs associated out of the ordinary. We already mentioned of course that as of third quarter we've seen 86 reduction in terms of headcount, there are about 30 people still in the pipeline who are going to impact the quarter four results and that is expected - maybe the total the whole cost of people leaving the company at about BD8 million remainder now. We have spent already BD5.2 million, so an additional people who were applying up to the end of third quarter were still in the pipeline, these would be dismissed towards the end of the year.

Other than that, in terms of outsourcing costs and any other restructuring costs, it will start to impact in 2013 with hopefully the benefit of course kicking in by 2013, the savings of the headcount at least, the people who have left - over 113 by end of the year and of course in terms of OpEx – other OpEx non-FTE related OpEx would start to kick in in 2013.

Waruna Kumargee - SICO

OK. Just one follow up question will say offloading any towers or the like tower asset will that be a part of the restructuring programme?

Shaikh Mohamed bin Isa Al Khalifa

Well, we looked at the tower issue previously because of the nature of our markets because most of our towers are single tenant towers, the cost of offloading these towers came back quite expensive because we can still access very cheap funding, I hope that continues, from the financial markets as well as from the capital markets we expect a much competitive rate compared to selling and leasing back these towers. So right now they are not on the radar screens unless of course some regulatory changes happen and we hear of maybe the regulator discussing the issue of combining towers then it may be beneficial once they have more tenants on these towers.

Waruna Kumargee - SICO

All right. Thank you very much. That was very helpful.

Shaikh Mohamed bin Isa Al Khalifa

Thank you.

ACT Operator

Thank you. There are no further questions.

Shaikh Mohamed bin Isa Al Khalifa

OK. As there are no further questions. I would like to thank everybody who joined us this morning in this discussion and we look forward to our next meeting hopefully in January with the full year results. Thank you very much.

ACT Operator

Thank you. This concludes the Batelco Group Third Quarter 2012 Financial Results conference call. Thank you for participating, you may now disconnect.

END OF CONFERENCE