

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or otherwise transferred all of your Shares, please send this document, together with the other accompanying documents, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Bahrain Telecommunications Company B.S.C.

Incorporated in Bahrain under the Commercial Companies Law 2001

Proposed acquisition of the CWC M&I Target Companies and Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 4 to 9 of this document in which the Directors unanimously recommend you to vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Notice of a General Meeting of the Company to be held at Batelco Staff Center-Batelco Headquarters, Hamala at 12.00 p.m. on 14 January 2013 is set out at the end of this document. A Form of Proxy for use at the General Meeting will be available at the Registrar's office and to be valid, should be completed, signed and submitted to Registrar's office as soon as possible but, in any event, no later than 12.00 p.m. on 12 January 2013.

For a discussion of certain risk factors which should be taken into account when considering what action you should take in connection with the General Meeting, please see Part V of this document.

This document includes statements concerning the Enlarged Group that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Enlarged Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any information contained in this document on the price at which shares or other securities in the Company have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance. The Company undertakes no obligation to publicly release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document.

Capitalised terms shall have the meanings ascribed to them in Part VII of this document.

CONTENTS

	PAGE
Part I: Letter from the Chairman of the Company	4
Part II: Summary of the Transaction Agreement	10
Part III: Unaudited pro forma summary income statement of the Enlarged Group	16
Part IV: Unaudited pro forma statement of net assets of the Enlarged Group	19
Part V: Risk Factors	22
Part VI: Additional information	33
Part VII: Definitions	35
Notice of General Meeting	39

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates and times given in the table below in connection with the Transaction are indicative only and are based on the Company's current expectations and may be subject to change (including as a result of changes to the regulatory timetable). If any of the times and/or dates below change, the revised times and/or dates will be notified by the Company to the Shareholders.

All times shown in this document are Bahrain times unless otherwise stated.

Announcement of the Transaction	3 December 2012
CWC General Meeting	9 January 2013
Latest time and date for receipt of Forms of Proxy	12.00 p.m. on 12 January 2013
Batelco General Meeting	12.00 p.m. on 14 January 2013
Expected date of Completion	March 2013

PART I

LETTER FROM THE CHAIRMAN OF THE COMPANY

(incorporated in Bahrain under the Commercial Companies Law 2001)

PO Box 14
Manama
Kingdom of Bahrain
30 December 2012

Dear Shareholder

Proposed acquisition of the CWC M&I Target Companies and Notice of General Meeting

1 Introduction

On 3 December 2012, the Company announced that Batelco International Group Holding Limited (a wholly owned subsidiary of the Company) (the “**Purchaser**”) and the Company had entered into an agreement with Sable Holding Limited (the “**Seller**”) and Cable & Wireless Limited (the “**Seller’s Guarantor**”), each wholly owned subsidiaries of Cable & Wireless Communications Plc (“**CWC**”), to acquire the majority of CWC’s Monaco & Islands (M&I) business unit.

The purpose of this document is to (i) explain the background to and reasons for the Transaction, (ii) provide you with information about the M&I Target Companies, (iii) explain why the Directors unanimously consider the Transaction to be in the best interests of the Shareholders as a whole, and (iv) recommend that you vote in favour of the Resolutions to be proposed at the General Meeting.

2 Recommendation

The Board considers the Transaction to be in the best interests of the Shareholders as a whole and unanimously recommends Shareholders to vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings of 4,005,308¹ Shares in aggregate, representing approximately 0.28 per cent of the issued share capital of the Company.

3 Background to and reasons for the Transaction

In the last decade, Batelco has grown from a national operator to an international telecommunications company with leading positions in various Middle Eastern markets. The Board believes the next logical step is to expand the scale and scope of the Company’s services whilst maintaining Batelco’s financial position. The Transaction is an important step towards fulfilling this strategy with the Enlarged Group becoming an increasingly important provider on an international scale and delivering significant benefits to customers and Shareholders.

Specifically, the Enlarged Group will have the following strengths:

¹ Shareholding as of 23 December 2012.

Increased scale

- Approximately US\$1.4billion in revenues and 12 million customers;
- A new presence in 17 countries with strategic clusters in the Middle East, Monaco, Indian Ocean, Channel Islands and the South Atlantic;

Strong and resilient businesses

- The M&I Target Companies are leading operators in the majority of their respective markets;
- The M&I Target Companies will increase exposure to mature and stable markets;

Diversified scope

- Economically and geographically diversified group formed around strategic clusters;
- Broadened product and services capability with mobile, fixed line voice and broadband services being complemented by solutions-to-operator, data centre and enterprise data centres offerings;

Innovation-driven growth in new markets

- Portfolio of strong brands offers platforms for expansion into high growth markets in several countries;
- Investment in cable infrastructure enables capture of further market share; and
- Multiple platforms for further acquisitions.

Batelco has a track record of integrating acquisitions for the benefit of Shareholders and generating cost savings for the benefit of customers. Merger benefits, of approximately US \$36 million (pre tax) over the next four years, prior to any one-off integration expenses, are expected mainly from savings in capital expenditure based on Enlarged Group bulk purchasing arrangements. The one-off expenses involved in obtaining overall synergies are anticipated to be approximately US\$ 5.6 million, all of which are expected to be incurred by December 2014.

Through the acquisition of the M&I Target Companies, the Enlarged Group will seek to maximise value opportunities for Shareholders, customers and employees. The Board believes that the Transaction will enhance its growth strategy.

The Shareholders are being asked to vote on the proposed Transaction Resolution approving and facilitating the Transaction. The Company's Directors are keen to engage the Shareholders in respect of this prospect through providing details of the Transaction in this document and seeking the Shareholders' approval by way of voting in favour of the Resolution to be proposed at the General Meeting. The Shareholders are also being asked to vote on the proposed Financing Resolution approving the proposed bond issuance by the Company in connection with the financing of the Transaction.

4 Information on Batelco

Batelco is Bahrain's leading provider of national and international telecommunications and networked IT services, including internet, mobile and broadband products and services. The Group generated gross revenues of US\$867 million and EBITDA of US\$334 million in 2011.

Current trading, trends and prospects

Group's YTD revenues for the third quarter of 2012 were US\$604 million with net profit of US\$113 million. Despite strong competitive pressures in Bahrain and across the MENA markets in which it operates, the Group has maintained its market position in Bahrain with

solid results delivered from overseas operations. The contribution from overseas operations continued to increase to 40% for revenues and 38% for EBITDA.

Operating revenues declined by 6% and 7% for the quarter and year-on-year respectively, mainly driven by mobile, Internet as well as wholesale decline but partially offset by increased device revenues. Year-on-year, staff costs have increased due to higher staff redundancy costs. Other operating costs have declined, enabling the Group to reach an EBITDA margin of 32% for the period.

Free cash flow for the period, adjusted for one-off items, represented a 65% EBITDA conversion resulting in a net cash position of US\$230 million, which is a significant continued positive contribution.

5 Information on the M&I Target Companies

The M&I Target Companies constitute substantially all of CWC's Monaco & Islands business unit. The Monaco & Islands operation incorporates a number of island nations, including Guernsey, Jersey, Isle of Man, Seychelles, the Maldives, Monaco and Afghanistan as well as various UK overseas territories such as the Falkland Islands and St Helena.

The M&I Target Companies operate through five primary divisions:

- Channel Islands and Isle of Man ("**CIIM**"): CIIM, operating through the 'Sure' brand, offers telephony services to the Channel Islands and the Isle of Man. It is the full service incumbent operator in Guernsey with market-leading positions in fixed-voice, mobile and broadband services. It is also an alternative carrier in Jersey and the Isle of Man. CIIM is currently operated through wholly-owned subsidiaries of CWC.
- Dhiraagu: Dhiraagu is the incumbent telecom operator in the Maldives. Dhiraagu is the market leader in mobile, broadband and fixed voice services. CWC owns a 52% stake in Dhiraagu and runs the business in partnership with the Maldives Government. In December 2011, the Maldives Government, which held the remaining 48% interest, completed an initial public offering of 5.9% of the share capital of Dhiraagu and a related offering of 0.3% of the share capital of Dhiraagu to the employees of Dhiraagu.
- Cable and Wireless Seychelles: Cable & Wireless (Seychelles) Limited is the full-service incumbent operator in Seychelles with market-leading positions in fixed-voice, mobile and broadband services. It is currently a wholly-owned subsidiary of CWC.
- Cable and Wireless South Atlantic and Diego Garcia ("**SADG**"): Cable & Wireless offers communications services to Diego Garcia and three British foreign territories in the South Atlantic: St Helena, Ascension Island and the Falklands. It is the exclusive operator in three out of these four markets and provides services to residents in Diego Garcia and the Falklands. Operations in these territories currently held through wholly-owned subsidiaries of CWC.
- Monaco Telecom: Monaco Telecom is the incumbent operator in Monaco. CWC (through its wholly owned subsidiary, CMC) holds 49% of the total share capital of Monaco Telecom and has voting and economic rights in respect of an additional 6% through a contractual arrangement with Compagnie Monégasque de Banque. The Principality of Monaco holds the remaining 45%. Monaco Telecom is the market leader and the only full service telecommunications operator in Monaco. In addition, Monaco Telecom owns 36.75% of Roshan, a leading mobile telecommunications operator in Afghanistan. Monaco

Telecom also has a Service-to-Operator division, which supplies the international country code and international carrier services to Kosovo and has a service contract with On Air, a company that provides passenger telephony solutions onboard aircraft. Monaco Telecom also owns Divona Algeria SPA, a telecommunications operator in Algeria, which is being retained by CWC and does not form part of the Transaction.

CWC reported revenue of the M&I Initial Companies for the twelve months ended 31 March 2012 was US\$319 million, EBITDA was US\$130 million and profit before tax was US\$73 million. During the year to 31 March 2012, M&I Initial Companies had an average of 1229 employees. At 30 September 2012, M&I Initial Companies had net assets of US\$172million and gross assets of US\$695 million. This information has been extracted without material adjustment from the CWC's circular to shareholders dated 19 December 2012.

The revenue of the CMC Companies for the twelve months ended 31 March 2012 was US\$248 million, EBITDA was US\$78 million and profit before tax was US\$47 million. During the year to 31 March 2012, the CMC Companies had an average of 412 employees. At 30 September 2012, the CMC Companies had net assets of US\$203 million and gross assets of US\$538 million. This information has been extracted without material adjustment from the CWC's circular to shareholders dated 19 December 2012.

Group has prepared its proforma financial statements as outlined in Parts III & IV considering only the M&I assets it has acquired.

Shareholders should read the whole of this document and should not rely solely on the summarised financial information set out above.

6 Financial effects of the Transaction

On a pro forma basis and assuming the Transaction completes on 30 September 2012, the Enlarged Group would have net assets of approximately US\$ 1,442 million (based on the net assets of Group and the M&I Target Companies as at 30 September 2012 as more fully described in Part IV: Unaudited pro forma statement of net assets of the Enlarged Group.

7 Terms of the Transaction

The Purchaser will acquire the entire issued share capital of CWC Islands Limited and CWC Holdco Limited, and 25% of the entire issued share capital (the "**CMC Minority Shares**") of Compagnie Monégasque de Communication S.A.M. ("**CMC**"), the company which holds CWC's 55% interest in Monaco Telecom (the "**Acquisition**"). Pursuant to the Acquisition, the Purchaser will acquire CWC's businesses in The Maldives, Channel Islands and Isle of Man, the Seychelles, South Atlantic and Diego Garcia.

The aggregate consideration (on a debt and cash free basis) for the Acquisition will be US\$680 million. This sum is subject to customary adjustments relating to the amounts of debt, cash and working capital at the Completion Date and is payable in cash at Completion, save that payment of part of the consideration may be delayed in the event that completion of the transfer of any of the Delayed Companies (which may include CWIG Limited, the holding company of the Seychelles Companies) is delayed by reason of non-receipt of the relevant regulatory approvals by the Completion Date.

Upon Completion, certain subsidiaries of CWC and certain of the M&I Initial Companies will enter into (i) a brand and trade mark licence under which such M&I Initial Companies will be granted an exclusive licence to use the name "Cable & Wireless" as part their corporate or trading name, and also certain trade marks, in their respective territories for a period of 12 months from Completion and (ii) a licence and maintenance services agreement under which such M&I Initial Companies will be granted an exclusive, royalty-free licence to use certain

key software for an initial period of two years from Completion (with options for extension). The Seller has also undertaken to provide, or to procure that a member of CWC's retained group provides, certain management services to the M&I Initial Companies for a period of 12 months after the Completion Date.

In addition, the Purchaser and the Seller have entered into put and call option arrangements (the "**Monaco Option**") which will, if the relevant conditions are satisfied and the option is exercised within one year of the Completion Date, result in the Purchaser acquiring the remaining 75% of the issued share capital of CMC (the "**CMC Majority Shares**") for additional consideration of US\$345 million (the Acquisition and the Monaco Option being together the "**Transaction**"). The additional consideration for the Monaco Option is subject to customary adjustments relating to the amounts of debt, cash and working capital in the CMC Companies at the completion date of the Monaco Option and is payable in cash at that date.

The Purchaser and the Seller have also entered into put and call option arrangements in respect of the CMC Minority Shares which will become exercisable if the Monaco Option is not exercised and will, if exercised, require the transfer of the CMC Minority Shares from the Purchaser to the Seller for an amount of US\$100 million.

Completion of the Transaction is subject to certain conditions, including obtaining necessary regulatory consents, the approval of the shareholders of CWC and the approval of the Shareholders by the passing of the Transaction Resolution at the General Meeting. The Transaction Resolution must be approved by a majority in number present and voting at the General Meeting, either in person or by proxy, representing not less than 50 per cent. in value of the Shares which are voted at the General Meeting (or any adjournment thereof). The Transaction Agreement will terminate if any of the conditions is not met. A more detailed summary of the proposed terms and conditions of the Transaction is set out in Part II (Summary of the Transaction Agreement) of this document.

8 Financing of the Transaction

The consideration for the Acquisition is intended to be funded by Batelco using a combination of available cash reserves, and drawing down funds under a short term bridge loan facility provided by international banks. Batelco is considering refinancing the short term bridge loan facility by accessing the international debt capital market on a conventional or Islamic basis, or entering into a new longer term loan facility.

The Financing Resolution is being proposed in order to allow Batelco access debt capital markets to raise finance (or refinance existing facilities) in connection with the Acquisition (or otherwise) if this is considered an appropriate form of financing (and having regard to the provisions of the Company's Articles of Association which require such capital markets issue to be approved by the Company's shareholders at a General Meeting).

9 General Meeting

Completion of the Transaction is conditional upon, among other things, Shareholders' approval being obtained at the General Meeting. Accordingly, you will find set out at the end of this document a notice convening a General Meeting to be held at Batelco Staff Center-Batelco Headquarters, Hamala at 12.00 p.m on 14 January 2013 at which the Transaction Resolution will be proposed to approve the Transaction. The Financing Resolution to approve the proposed capital market issuance (as described above) by the Company will also be proposed at this General Meeting. The notice of General Meeting has also been advertised in at least two Arabic daily newspapers on the date of this document.

The General Meeting will only be valid if it is attended by a number of Shareholders representing more than half of the Company's capital. Each Shareholder is entitled to a number of votes equal to the number of Shares held by him.

10 Irrevocable undertakings

Bahrain Mumtalakat Holding Company B.S.C., Amber Holdings Limited and Social Insurance Organization (together representing approximately 78 per cent. of the Company's issued voting share capital) have given irrevocable undertakings pursuant to which they have agreed and undertaken to vote in favour of the Transaction Resolution at the General Meeting.

11 Action to be Taken

Proxies should be submitted to Registrar's office 48 hours prior to the meeting.

12 Further information

Your attention is drawn to the further information contained in Parts II to VI of this document and in particular, to the Risk Factors in Part V.

Yours faithfully

Shaikh Hamad bin Abdulla Al Khalifa
Chairman

PART II

SUMMARY OF THE TRANSACTION AGREEMENT

The following is a summary of the principal terms of the Transaction Agreement.

1 Parties and structure

The Transaction Agreement was entered into on 3 December 2012 between the Seller, the Seller Guarantor, the Purchaser and the Company (as "**Purchaser Guarantor**") for: (i) the sale and purchase of the entire issued share capital of CWC Islands Limited and CWC Holdco Limited, and shares representing 25% of the issued share capital of CMC (together, the "**Completion Shares**"); and (ii) the grant of put and call options over shares representing 75% of the issued share capital of CMC.

2 Consideration

The total consideration for the Transaction is US\$1,025 million, such amount being split between the Acquisition and Monaco Option as follows:

The Acquisition

The consideration for the purchase of the Completion Shares is the sum of US\$680 million (the "**Purchase Price**"), less that portion of the consideration relating to the shares in any Delayed Company (such portion, as adjusted, to be paid on the date on which Completion in respect of the shares in the relevant Delayed Company occurs) and subject to customary adjustments relating to the amounts of debt, cash and working capital in the M&I Initial Companies at the Completion Date and payable in cash by the Purchaser to the Seller on Completion.

US\$580 million of the Purchase Price (the "**Islands Purchase Price**") is allocated to the shares in the capital of CWC Islands Limited and CWC Holdco Limited, and the remaining US\$100 million of the Purchase Price is allocated to the CMC Minority Shares.

Of the Islands Purchase Price, US\$405 million will be payable (subject to adjustments) at Completion for the acquisition of CWC's interests in Dhiraagu and Cable and Wireless Guernsey Limited. The remainder of the Islands Purchase Price is allocated to potential Delayed Companies as follows: (i) US\$110 million will be allocated to the Seychelles Companies; (ii) US\$50 million will be allocated to the shares in the capital of CWC Holdco Limited, of which US\$42 million will be allocated to Cable & Wireless South Atlantic Limited (US\$32.5 million to the Falkland Islands, US\$6 million to St Helena and US\$3.5 million to Ascension) and US\$8 million to Cable & Wireless (Diego Garcia) Limited; (iii) US\$15 million will be allocated to Cable & Wireless Jersey Limited, and US\$5 million to Cable & Wireless Isle of Man Limited.

The Monaco Option

In the event that the Monaco Option becomes exercisable and is exercised within one year of Completion, the consideration for the purchase of the CMC Majority Shares will be the sum of US\$345 million (subject to customary adjustments relating to the amounts of debt, cash and working capital in the CMC Companies at the date of completion of the CMC Acquisition) (the "**Option Consideration**").

In addition, in the event that the Principality of Monaco exercises the MT Put Option prior to Option Completion, the Purchaser will be required to acquire the relevant MT Minority Shares on Option

Completion for consideration equal to the fair market value of such MT Minority Shares. Further details regarding both the Monaco Option and the MT Put Option are set out in section 9 of this Part II below.

3 Conditions to Completion

The Transaction Agreement is conditional on the satisfaction of the following conditions:

- (i) the passing of the Transaction Resolution by the Shareholders;
- (ii) approval of the proposed change of control of Cable & Wireless Guernsey Limited and Dhiraagu pursuant to the transactions contemplated by the Transaction Agreement by the relevant regulatory authority in the Channel Islands and the Maldives respectively (the “**Regulatory Conditions**”);
- (iii) no Material Adverse Effect having occurred, having been notified by the Purchaser to the Seller (or by the Seller to the Purchaser) in writing, in each case between the date of the Transaction Agreement and the MAE Condition Date (inclusive), and remaining subsisting on the MAE Condition Date (the “**MAE Condition**”); and
- (iv) the passing of a resolution approving the arrangements described in the Transaction Agreement by the shareholders of CWC.

Completion is expected to take place in March 2013, subject to any alternative arrangement agreed in writing by the Seller and the Purchaser.

4 Delayed closings

If, at the Completion Date, any necessary regulatory approvals for the transfer of certain M&I Initial Companies are not satisfied, then the shares in CWIG Limited (the holding company of the Seychelles Companies), Cable & Wireless Jersey Limited, Cable & Wireless (Diego Garcia) Limited or Cable & Wireless South Atlantic Limited shall not be transferred to the Purchaser at Completion (as applicable) (each a “**Delayed Company**”) and Completion in respect of the shares in the relevant Delayed Company (including payment of the relevant purchase price for such Delayed Company as set out in paragraph 2 above) shall be delayed until such time as the relevant regulatory approval shall have been satisfied (each a “**Delayed Completion**”).

For the avoidance of doubt, Completion shall not be affected by, and shall occur irrespective of, any Delayed Completion. In the event that any of the relevant regulatory approvals are not satisfied prior to 2 September 2013 (the “**Second Long Stop Date**”) and the parties do not postpone the Second Long Stop Date by agreement in writing, the relevant Delayed Completion shall not occur and the Seller (or such other member of CWC’s retained group, as applicable) shall retain the shares in the relevant Delayed Company.

5 Seller’s and Seller Guarantor’s warranties and indemnities

The Seller has given warranties to the Purchaser which are customary for a transaction of this nature including, among other things, in respect of its power and ability to enter into the Transaction Agreement, title to the shares and assets being sold, accounts and financial matters, contracts, litigation, employees and pension matters, intellectual property, real estate matters and taxation. The Seller has also agreed to indemnify members of the Purchaser’s Group in respect of certain specific matters affecting the M&I Target Companies. The Purchaser’s ability to claim against the Seller for breach of warranty or under these indemnities is subject to certain customary limitations.

The performance and observance of the Seller's obligations, commitments and undertakings pursuant to the Transaction Agreement (and any other documents being entered into pursuant to the Transaction Agreement) are guaranteed by the Seller Guarantor. The Seller Guarantor has agreed to indemnify the Purchaser in respect of any breach of such obligations, commitments or undertakings by the Seller.

6 Purchaser's and Purchaser Guarantor's warranties and undertakings

The Purchaser and the Purchaser Guarantor have given warranties to the Seller in respect of their power and ability to enter into the Transaction Agreement and have also given certain undertakings to the Seller in respect of the Purchaser's financing arrangements.

The performance and observance of the Purchaser's obligations, commitments and undertakings pursuant to the Transaction Agreement (and any other documents being entered into pursuant to the Transaction Agreement) are guaranteed by the Purchaser Guarantor. The Purchaser Guarantor has agreed to indemnify the Seller in respect of any breach of such obligations, commitments or undertakings by the Purchaser.

7 Pre-Completion arrangements

Subject to certain exceptions, the Seller has agreed to (i) procure that each Controlled Company shall, and (ii) use its reasonable endeavours to exercise any such rights as it has as an indirect minority shareholder in each Non-Controlled Company to procure that each Non-Controlled Company shall, from the date of the Transaction Agreement until Completion, carry on its business in the ordinary and usual course as it is carried on in the 12 months prior to the date of the Transaction Agreement and, subject to the foregoing, the Seller shall not permit any Controlled Company to undertake any of certain specified acts or matters under the Transaction Agreement except with the prior written consent of the Purchaser.

8 Termination

The Transaction Agreement may be terminated by either the Seller or the Purchaser forthwith on written notice to the other if certain conditions to Completion, including the passing of the Transaction Resolution by the Shareholders and the Regulatory Conditions, are not fulfilled or waived on or before 2 June 2013 (the "**Long Stop Date**") and the parties do not postpone the Long Stop Date by agreement in writing.

If, on the MAE Condition Date, the MAE Condition is not satisfied by reason of any Material Adverse Effect having occurred and been notified either by the Seller to the Purchaser or by the Purchaser to the Seller, then, subject to that Material Adverse Effect subsisting as at the MAE Condition Date, then the Purchaser shall have the right to terminate the Transaction Agreement by notice in writing to the Seller on the MAE Condition Date. A material adverse effect ("**Material Adverse Effect**") means the occurrence of one or more facts, matters, events or circumstances specifically relating to and affecting the M&I Initial Companies which either individually or in aggregate, when taken together with any Material Positive Event, give rise to a material adverse impact (being an adverse impact on value of greater than US\$85 million) on the business, operations, turnover, profitability, assets, liabilities, financial condition or results of operations of the M&I Initial Companies taken as a whole subject to certain exclusions including, *inter alia*, any such fact, matter, event or circumstance which (i) has occurred prior to the date of the Transaction Agreement or occurs after the MAE Condition Date, (ii) individually has an adverse impact on value of less than US\$20 million or (iii) results from general changes affecting the relevant industries, markets or economic environment.

If the respective obligations of the Seller and/or the Purchaser under the completion arrangements contemplated by the Transaction Agreement are not complied with on the Completion Date, the Purchaser or, as the case may be, the Seller may terminate the Transaction Agreement by notice in writing to the other party.

9 Monaco Option Arrangements

(i) Monaco Option

The Seller and the Purchaser have entered into certain put and call option arrangements in respect of the CMC Majority Shares which, if either option becomes exercisable and is exercised within one year of Completion, would result in the transfer of the CMC Majority Shares from the Seller to the Purchaser in return for the payment of the Option Consideration.

The Monaco Option is conditional, *inter alia*, upon the Principality of Monaco approving the proposed change of control of Monaco Telecom pursuant to the Transaction (the “**CMC Condition**”) and no material adverse change having taken place between the date of the Transaction Agreement and the date of completion of the CMC Acquisition. The material adverse change condition is broadly the same as the Material Adverse Effect described in paragraph 8 above save that it relates only to the CMC Companies and the relevant impact must be greater than US\$65 million.

Subject to satisfaction of the CMC Condition, the Purchaser has the option to require the Seller to sell the CMC Majority Shares to the Purchaser for the Option Consideration, exercisable at any time during the period from and including the Completion Date to the first anniversary of the Completion Date (the “**Option Period**”).

Subject to: (i) satisfaction of the CMC Condition; and (ii) there having been no material adverse effect relating to the CMC Companies as described above, the Seller has the option to require the Purchaser to buy the CMC Majority Shares from the Seller for the Option Consideration, exercisable at any time during the Option Period.

(ii) Option arrangements in respect of the CMC Minority Shares

The Seller and the Purchaser have also entered into option arrangements in respect of the CMC Minority Shares which, if either option becomes exercisable and is exercised within the applicable option period, would result in the re-transfer of the CMC Minority Shares from the Purchaser to the Seller for an amount of US\$100 million.

The options will only become exercisable if the Monaco Option is not exercised by the end of the Option Period. In such case: (i) the Purchaser has the option to require the Seller to purchase the CMC Minority Shares back from the Purchaser for US\$100 million, exercisable at any time during the period from and including the date falling 18 months after the Completion Date to the date falling 19 months after the Completion Date; and (ii) the Seller has the option to require the Purchaser to transfer the CMC Minority Shares back to the Seller for US\$100 million, exercisable at any time during the period from and including the date falling 12 months after the Completion Date to the date falling 19 months after the Completion Date (and otherwise on the terms set out in Schedule 10 of the Transaction Agreement).

(ii) *Arrangements in respect of the MT Minority Shares*

The 45% interest in Monaco Telecom that is not held by CMC (the “**MT Minority Shares**”) is held by the Principality of Monaco, which has the right, at any time prior to April 2019, to require CMC to acquire some or all of the MT Minority Shares for fair market value (the “**MT Put Option**”). In the event that the Principality of Monaco exercises the MT Put Option prior to Option Completion, the relevant MT Minority Shares shall be acquired by the Seller (or another member of the CWC group) and then transferred to the Purchaser on Option Completion. The consideration payable by the Purchaser for the relevant MT Minority Shares in such case will be equal to the price paid by the Seller to the Principality of Monaco (the “**MT Put Option Price**”), provided that the MT Put Option Price had been determined by independent experts in accordance with the procedure set out in the shareholder arrangements relating to Monaco Telecom or the Purchaser had otherwise given its prior written approval to such MT Put Option Price.

10 Non-compete obligations

Subject to certain customary exceptions, the Seller has agreed that it will not, and to procure that no other member of the CWC group will, neither pending Completion (other than through any of the M&I Target Companies) nor for a period of 36 months after the Completion Date or, in respect of any Delayed Companies or CMC Companies, the date of completion of the relevant transfer): (i) compete with the business of any of the M&I Target Companies in certain territories as it is carried on at the Completion Date; and (ii) solicit, in respect of similar goods or services, customers to whom goods or services have been sold by any of the M&I Target Companies in the course of their business during the 24 months before the Completion Date, other than with the prior written consent of the Purchaser.

The Seller and the Purchaser have also given each other customary undertakings not to solicit certain employees of the other pending Completion and for a period of 12 months after the Completion Date (or, in respect of relevant employees, completion of the CMC Acquisition).

11 Miscellaneous

The Transaction Agreement also contains other customary provisions, such as a confidentiality obligation on the Seller not to disclose any confidential information belonging to the M&I Target Companies.

The Seller has undertaken to provide, or to procure that a member of CWC’s retained group provides, certain management services to the M&I Initial Companies for a period of 12 months after the Completion Date.

The Transaction Agreement is governed by English law.

12 Related Agreements

Upon Completion, the Seller will enter into a tax covenant under which it will undertake to indemnify the Purchaser against certain tax liabilities of the M&I Target Companies which are referable to events occurring or profits arising prior to Completion or which are referable to members of the Seller’s group other than the M&I Target Companies.

Upon Completion, CWC Communications Limited (the “**Trade Mark Licensor**”), a wholly-owned subsidiary of CWC, Cable & Wireless South Atlantic Limited, Cable & Wireless (Diego Garcia) Limited, Cable & Wireless Guernsey Limited, Cable & Wireless Isle of Man Limited, Cable & Wireless Jersey Limited and Cable & Wireless (Seychelles) Limited (each a “**Trade Mark Licensee**”) will enter into a brand and trade mark licence agreement under which the Trade Mark

Licensor shall grant to each Trade Mark Licensee an exclusive licence to use (i) certain trade marks in their respective territory on/or in relation to the telecommunications services and goods offered by each Trade Mark Licensee, and (ii) the name of "Cable & Wireless" as part of the Trade Mark Licensee's corporate name or trading name in their respective territory and as part of domain names registered in their respective territory for a term of 12 months from the Completion Date with respect to each Licensee.

Upon Completion, Cable & Wireless International HQ Limited (the "**CIS Licensor**"), a wholly-owned subsidiary of CWC, Cable & Wireless Guernsey Limited, Cable & Wireless Isle of Man Limited, Cable & Wireless Jersey Limited, Cable & Wireless (Seychelles) Limited and Dhiraagu (each, and collectively, a "**CIS Licensee**") will enter into a licence and maintenance services agreement under which the CIS Licensor shall grant to the CIS Licensee a non-exclusive, royalty-free licence to use (i) the CIS software in object code form and (ii) certain documentation and technical specifications in connection with the business of the CIS Licensee. The CIS Licensor will also provide the CIS Licensee with certain support services and, at the request of the Licensee, application development and/or consultancy services. The licence is for an initial term of two years from the Completion Date (with a one year extension at the CIS Licensee's option and the possibility of a further two year extension subject to the agreement of the parties).

PART III

UNAUDITED PRO FORMA SUMMARY INCOME STATEMENT OF THE ENLARGED GROUP (FOR ILLUSTRATIVE PURPOSES ONLY) FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

Set out below is an unaudited consolidated pro forma summary income statement of the Enlarged Group for the six months ended 30 September 2012. The pro forma summary income statement is prepared to illustrate the effect of the Transaction as if the Transaction had occurred at the beginning of the period. The information, which is produced for illustrative purposes only, by its nature addresses a hypothetical situation and therefore does not represent the Enlarged Group's actual results of the Transaction. The information below has been prepared by the Company based on the information available to it and has not been subject to any formal audit or review process or any other form of third party verification, save as described below.

(i) Summary income statement for the Enlarged Group for six months period ended 30 September 2012

All figures in USD Million	Batelco Note 1	M&I Initial Companies Note 2	Adjustments Note 3,4,7	Consolidated Completion I*	CMC Companies Note 5	Adjustments Note 3,6,7	Consolidated Completion II**
Revenues	397	157	-	554	113	-	667
Operating Expenses excl. D&A	(277)	(92)	(4)	(373)	(72)	(2)	(447)
EBITDA	120	65	(4)	181	41	(2)	220
Depreciation and amortisation	(48)	(23)	-	(71)	(12)	-	(83)
Results from operating activities	72	42	(4)	110	29	(2)	137
Finance and other income/(expense)	3	-	-	3	2	-	5
Finance expenses	(1)	(6)	(18)	(25)	-	(8)	(33)
Share of profit/ (loss) of associates(net)	6	-	-	6	3	-	9
Profit before taxation	80	36	(22)	94	34	(10)	118
Income tax expense	(3)	(7)	-	(10)	-	-	(10)
Profit for the period	77	29	(22)	84	34	(10)	108

* *Completion I refers to acquisition of M&I Initial Companies + CMC Minority Shares*

** *Completion II refers to Completion I+ acquisition of CMC Majority Shares*

KPMG Fakhro have performed limited agreed upon procedure on the above financial information which constitute neither an audit or review on these financial information in accordance with International Standards on Auditing or International Standards on Review Engagements.

NOTES

1. Batelco consolidated figures have been compiled and extracted without adjustments from Interim Financial Statements for the period ended 30 September 2012 and 31 March 2012.
2. Figures have been extracted from Part III of CWC Shareholder circular and adjusted with add back of management fee expenses.
3. Includes additional estimated transaction expenses until completion (I and II) of US\$6 million.
4. US\$18 million pertains to estimated interest costs for the six months period on incremental Batelco's borrowings. Batelco intends to finance Completion I with US\$650 million Bridge Facility for three months. Bridge Facility carries coupon estimated at 1.90%+ 1M LIBOR and estimated transaction fees of US\$6 million. No commitment costs assumed for the purposes of illustrative pro forma. The Bridge is replaced with long term Bond carrying estimated coupon rate of 5.40% and estimated transaction costs of US\$4 million.
5. Figures have been extracted from Part III of CWC Shareholder circular and adjusted with add back of management fee expenses.
6. US\$8 million pertains to estimated interest costs for the six month period on estimated incremental Batelco's borrowings for financing of Completion II. Batelco intends to finance Completion II with US\$345 million 3Year Term loan. The loan carries estimated coupon of 3.65% and estimated loan fees of US\$5 million.
7. The pro forma summary income statement does not include the impacts of *IFRS 3: Business combinations*.

(ii) Reconciliation to LTM 30 September 2012 EBITDA used in Batelco Press Release for valuation multiple purposes

All figures in USD Million		Notes Reference
M&I Initial Companies IFRS EBITDA for 06 months ended 30 September 2012	65	Note 1
CMC Companies IFRS EBITDA for 06 months ended 30 September 2012	41	Note 1
	<hr/>	
Total EBITDA for 06 months ended 30 September 2012	106	
Foreign exchange impact to Management Accounting EBITDA	1	Note 2
	<hr/>	
Adjusted Management Accounting M&I Target Companies EBITDA for 06 months ended 30 September 2012	107	
Management Accounting M&I Target Companies EBITDA for 06 months ended 31 March 2012	113	Note 3
	<hr/>	
Management Accounting M&I Target Companies EBITDA for 12 months ended 30 September 2012	220	
Completion I: Proportionate EBITDA including 100% of Management Fee add back and share of Associates' EBITDA	122	Note 4
Completion II: Proportionate EBITDA including 100% of Management Fee add back and share of Associates' EBITDA	165	Note 5

Notes

1. Figures have been extracted from Page 16, Part III of Company Shareholder Circular without adjustments. Figures are pre-management fee costs.
2. Adjustment for foreign currency translation impact to convert IFRS EBITDA to Management Accounting EBITDA.
3. Management Accounting EBITDA for six months ended 31 March 2012 provided by CWC.
4. Source: Transaction advisors. Includes proportionate share of EBITDA includes 52% for Dhiraagu, 14% for Monaco Telecom and 5% for Associates' EBITDA.
5. Source: Transaction advisors. Includes proportionate share of EBITDA includes 52% for Dhiraagu, 55% for Monaco Telecom and 20% for Associates' EBITDA.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP (FOR ILLUSTRATIVE PURPOSES ONLY)

AS AT 30 SEPTEMBER 2012

Set out below is an unaudited consolidated pro forma statement of net assets of the Enlarged Group as at 30 September 2012. The pro forma statement of net assets is prepared to illustrate the effect of the Transaction as if the Transaction had occurred on that date. The information, which is produced for illustrative purposes only, by its nature addresses a hypothetical situation and therefore does not represent the Enlarged Group's actual financial position as a result of the Transaction. The information below has been prepared by the Company based on the information available to it and has not been subject to any formal audit or review process or any other form of third party verification, save as described below.

All figures in USD Million	Batelco Note 1	M&I Initial Companies Note 2	Disposal Adjustments on M&I Initial Companies Note 3	Acquisition/Deb t Adjustments by Batelco Note 4, 5,11,12	Consolidated Completion I*	CMC Companies Note 6	Disposal Adjustments on CMC Companies Note 7	Acquisition/Deb t Adjustments by Batelco Note 8,9,10,11,12	Consolidated Completion II**
ASSETS									
Non-current assets									
Property and equipment	497	262	-	-	759	40	-	-	799
Goodwill and Intangible assets	461	67	-	375	903	292	-	304	1,499
Investment in associate	202	5	-	-	207	25	-	-	232
Deferred tax assets	6	2	-	-	8	11	-	-	19
Other receivables	-	238	(237)	-	1	87	(69)	-	19
Investments	88	-	-	100	188	-	-	(100)	88
Total non-current assets	1,254	574	(237)	475	2,066	455	(69)	204	2,656

All figures in USD Million

	Batelco Note 1	M&I Initial Companies Note 2	Disposal Adjustments on M&I Initial Companies Note 3	Acquisition/Deb t Adjustments by Batelco Note 4, 5,11,12	Consolidated Completion I*	CMC Companies Note 6	Disposal Adjustments on CMC Companies Note 7	Acquisition/Deb t Adjustments by Batelco Note 8,9,10,11,12	Consolidated Completion II**
ASSETS									
Current assets									
Investment in associate classified as held-for-sale	123	-	-	-	123	-	-	-	123
Inventories	9	8	-	-	17	2	-	-	19
Investments	10	-	-	-	10	-	-	-	10
Trade and other receivables	186	52	(1)	-	237	51	-	-	288
Cash and bank balances	230	61	51	(134)	208	30	68	(67)	239
Total current assets	558	121	50	(134)	595	83	68	(67)	679
Total assets	1,812	695	(187)	341	2,661	538	(1)	137	3,335
LIABILITIES									
Non-current liabilities									
Trade and other payables	5	15	-	-	20	2	-	-	22
Loans and borrowings	40	410	(410)	-	40	-	-	171	211
Deferred tax liability	10	4	-	-	14	5	-	-	19
Total non-current liabilities	55	429	(410)	-	74	7	-	171	252
Current liabilities									
Trade and other payables	374	88	(4)	-	458	86	(1)	-	543
Financial liabilities at fair value	-	-	-	-	-	242	-	-	242
Loans and borrowings	31	6	-	650	687	-	-	169	856
Total current liabilities	405	94	(4)	650	1,145	328	(1)	169	1,641
Total liabilities	460	523	(414)	650	1,219	335	(1)	340	1,893
NET ASSETS	1,352	172	227	(309)	1,442	203	-	(203)	1,442

* Completion I refers to acquisition of M&I Initial Companies+CMC Minority Shares

** Completion II refers to Completion I+ acquisition of CMC Majority Shares

KPMG Fakhro have performed limited agreed upon procedure on the above financial information which constitute neither an audit or review on these financial information in accordance with International Standards on Auditing or International Standards on Review Engagements.

NOTES

1. Batelco consolidated figures have been extracted from Interim Financial Statements for the period ended 30 September 2012.
2. The M&I Initial Companies figures have been extracted without adjustments from Part IV of CWC Shareholder circular.
3. Represents illustrative disposal adjustments by CWC for M&I Initial Companies and extracted without adjustments from Part IV of CWC Shareholder circular.
4. Goodwill of US\$375 million represents excess of cash consideration paid over the proportionate share of net assets acquired of M&I Initial Companies. Total cash consideration has been calculated as US\$680 million+US\$89 million of proportionate share of net cash and includes US\$100 million for CMC minority shares. The net cash consideration (source: CWC Shareholder circular) used is for pro forma and illustrative purposes only and does not represent net cash consideration and adjustments at completion.
5. Represents short term bridge facility of US\$650 million acquired for the purposes of financing Completion I. Coupon estimated at 1.90%+ IM LIBOR. No commitment costs assumed for the purposes of illustrative pro forma. Arrangement and other loan fees assumed paid at Completion I.
6. CMC Companies figures have been extracted without adjustments from Part IV of CWC Shareholder circular.
7. Represents illustrative disposal adjustments by CWC for CMC Companies and extracted without adjustments from Part IV of CWC Shareholder circular.
8. Goodwill of US\$304 million represents excess of cash consideration paid over the 100% share of net assets acquired of CMC Companies. 100% net assets of CMC Companies has been considered due to fair valuation of put option held by non-controlling shareholder of Monaco Telecom (shown under "current liabilities") in CMC Companies figures as at 30 September 2012. Cash consideration has been calculated as US\$345 million+US\$62 million of proportionate share of net cash. The net cash consideration (source: CWC Shareholder circular) used is for pro forma and illustrative purposes only and does not represent net cash consideration and adjustments at the Completion.
9. Non-current loans and borrowings represent US\$345 million 3 year term loan for financing Completion II of the transaction. The loan carries estimated coupon of 3.65% and estimated loan fees of US\$5 million. US\$171 million of estimated long term portion of US\$345 million loan facility has been classified under the non-current portion.
10. Current loans and borrowings represent estimated US\$169 million current portion of US\$345 million loan facility.
- 11 Working Capital adjustments that may arise at the Completion have not been considered for Illustrative pro forma summary of net assets.
- 12 Illustrative pro forma summary of net assets does not include the impacts of *IFRS 3: Business combinations*.

PART V

RISK FACTORS

You should consider carefully the risks and uncertainties listed below, which are described in detail below, and the other information in this document, before making a decision to approve the Transaction. If any of these risks and uncertainties were to occur, they could have an adverse effect on the market price of the Company's shares.

Risks relating to the Transaction

Batelco must obtain governmental and regulatory consents to complete the Transaction, which, if delayed, not granted, or granted with onerous conditions, may jeopardise or delay the Transaction, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the Transaction

The Transaction is conditional on, amongst other things, the receipt of governmental and regulatory clearances from authorities with jurisdiction over the operations of the M&I Target Companies. The authorities from which Batelco is seeking these clearances have discretion in administering the governing regulations. As a condition to their clearance of the Transaction, authorities may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the Enlarged Group's business. These requirements, limitations, costs, divestitures or restrictions could jeopardise or delay the consummation of the Transaction or may reduce the anticipated benefits of the acquisition of the M&I Target Companies to the Enlarged Group. Further, no assurance can be given that the required clearances will be obtained or that the required conditions to the Transaction will be satisfied, and, if all of the clearances are obtained and the conditions to the consummation of the Transaction are satisfied, no assurance can be given as to the terms, conditions and timing of the clearances. If Batelco agrees to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any clearances required to consummate the Transaction, these requirements, limitations, additional costs or restrictions could adversely affect the ability of Batelco and the M&I Target Companies to integrate their operations or reduce the anticipated benefits of the proposed acquisition of the M&I Target Companies to the Enlarged Group. This could result in a delay in completion of, or a decision not to complete, the Transaction or have a material adverse effect on the business and results of operations of the Enlarged Group following completion.

The success of the Transaction will be dependent upon the Company's ability to integrate the M&I Target Companies and to retain and attract key employees and management

The success of the Transaction and the actual earnings of the Enlarged Group will be dependent upon the Company's ability to integrate the M&I Target Companies without disruption to the Company's and the M&I Target Companies' existing business. In particular, the success of the Transaction will be dependent upon the Company's ability to integrate the operating systems and practices currently applied by the M&I Target Companies in the conduct of their businesses in to its own systems and practices. Such systems and practices of the M&I Target Companies could potentially differ substantially from those of the Company or the Enlarged Group, particularly as a result of the different geographical locations of the respective businesses and the different legal and regulatory frameworks that apply as a result.

The integration of the M&I Target Companies may involve particular challenges and will require management attention that would otherwise be devoted to running the business. The Company can offer no assurance that the Enlarged Group will realise the potential benefits of the Transaction to the extent and with the timeframe contemplated. If the Company is unable to

integrate successfully the M&I Target Companies, this could have a negative impact on the revenue, profit and financial condition of the Enlarged Group.

In addition, the recruitment and retention of highly skilled management and employees will be important to the successful integration of the M&I Target Companies. The number of suitable employees at higher levels may be limited, especially in certain geographic locations, and key employees may be difficult to replace. There can be no certainty that the Company's succession planning, retention policies and incentive plans will be successful in attracting and retaining the right calibre of key employees and management. The failure to retain and attract key employees and management could have a material adverse effect on the Enlarged Group's business, financial condition and results of operation.

We are raising finance from third party finance providers to finance the Transaction and should we be unsuccessful in doing so or should such funding not be available to us when needed by us we may be unable to complete the Transaction and we may incur liabilities to third parties as a consequence

As described elsewhere in this document we are seeking to obtain funding from third party finance providers which, together with existing funds available to us, are intended to be used to finance the Transaction. Should such funds not be available to us or available to us on terms that are satisfactory to us at the time when we need them then we may be unable to complete the Transaction and as a consequence we may incur liabilities to third parties (including the Seller).

The M&I Target Companies may not perform in line with expectations

If the financial results and cash flows generated by the M&I Target Companies are not in line with the Company's expectations, a write-down may be required against the carrying value of the Company's investment in the M&I Target Companies. Such a write-down may affect the Enlarged Group's business and may also reduce the Company's ability to generate distributable reserves to the extent of the write-down and consequently affect the Company's ability to pay dividends.

The M&I Target Companies are subject to similar operating risks to those applicable to us

Given the similarities of our respective businesses the M&I Target Companies are subject to all or most of the risk factors applicable to our group as set out below.

Risks relating to the Telecommunications Industry and Markets in which we operate

We may fail to compete effectively with existing competitors

We face competition in most areas and markets in which we operate. Certain of our competitors in some of these markets may have greater financial, capital, marketing or other resources, which may allow them to provide services more effectively and at a lower cost than us. These competitors, or potential competitors from other territories or market segments who choose to enter the markets in which we operate, may adopt more aggressive pricing policies, offer better services and features, develop and deploy more rapidly new or improved technologies, services and products, expand and enhance their networks and coverage more rapidly, undertake more extensive advertising and marketing campaigns or successfully replicate or impact our business models.

The telecommunications sector in the markets in which we operate may experience further consolidation, which could result in, among other things, competitors with greater scale operating aggressively in these markets.

To compete effectively with our competitors, we need to successfully market our products and services and to anticipate and respond to various competitive factors affecting the relevant markets, such as the introduction of new products and services by our competitors, pricing strategies adopted by our competitors, customer loyalty trends, demographic trends and changes in consumer preferences and general economic, political and social conditions. Failure of our

businesses to compete effectively could have a material adverse effect on our revenues, profitability and prospects.

We may face competition from new market entrants and new technologies

As the markets for some of our services expand, additional competition may emerge in our key markets. Despite taking steps to prepare for additional competition and the likely growth in market penetration and, therefore, the total size of the market available in our key territories, there is a risk that we will lose market share and our pricing, revenue and/or margins may come under pressure.

In general, the rapid development of new technologies, services and products has eliminated the traditional distinctions between and among local, long distance, wireless, cable and internet communications services and brought new competitors to the markets in which we operate, including other telephone companies, cable companies, fixed and mobile wireless service providers, satellite providers, content and service providers, aggregators, search engines, handset makers, electric utilities and providers of free Voice over Internet Protocol (“VoIP”) services. The direct relationship with customers is the source of value for the telecommunications operators and to lose all or part of it to new entrants could affect our revenue, margins, financial position and outlook.

New entrants are competing with telecommunications operators to offer integrated communications packages, notably by developing new applications compatible with fixed or mobile handsets, such as smartphone applications. Increased competition, particularly from Internet service providers, which are able to offer voice, messaging and content services directly to our customers, VoIP services and cable operators, which are able to offer fixed voice and broadband services, could pose a risk to our fixed and mobile voice calling and broadband revenue.

The impact of increased competition in the markets in which we operate could have a material adverse effect on our revenues, profitability and prospects.

We may not be successful in renewing the necessary regulatory licences, concessions or other operating agreements needed to operate our businesses and such licences may be subject to termination, revocation or material alteration in the event of a breach or to promote public interest or as a result of triggering a change of control clause

We believe that we have all the necessary regulatory licences, concessions and operating agreements that we need to operate our present businesses. These licences take a variety of forms and their terms, rights and obligations vary significantly. Some of our licences will fall for renewal in the next few years or are of a limited term; we may not be successful in obtaining renewed licences to operate. While we actively engage with the applicable governments and other regulatory bodies in advance of the expiry of our licences, concessions and operating agreements, there can be no guarantee that when such licences, concessions and operating agreements expire, we will be able to renew them on similar or commercially viable terms, or at all. Some of these licences may also include clauses that allow the grantor to terminate or revoke or alter them in the event of a default, other failure by us to comply with applicable conditions of the license or to promote public interest. Further, a number of our operating licences include change of control clauses, which may be triggered by the sale of a business to which those clauses relate, or certain types of corporate restructuring. Some of these change of control clauses may restrict our strategic options. Failure to hold or to continue to hold or obtain the necessary licences, concessions and other operating agreements required to operate our businesses could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be successful in acquiring future spectrum or other licences that we need to offer new mobile data or other services

We currently offer mobile data services through Global System for Mobile Communications (“GSM”) and UMTS licences in a number of markets. While these licences enable us to offer

mobile data services today, as technology develops and customer needs change, it may be necessary to acquire new spectrum licences in the future to provide us with additional capacity and/or offer new technologies or services. While we actively engage with regulators and governments to ensure that our spectrum needs are met, there can be no guarantee that future spectrum licences will be made available in certain or all territories or that they will be made available on commercially viable terms. Failure to acquire necessary new spectrum licences or other required licences for new services or products, or to do so on commercially viable terms, could have a material adverse effect on our business, financial condition and results of operations.

We may be affected by unforeseen changes in regulation and government policy

Typically, telecommunications licences, including our licences, contain extensive obligations with which the licensee is required to comply. These obligations may include network build-out requirements, restrictions on rates, capital investment requirements, minimum quality standards, service and coverage conditions. These licences also typically include provisions for the termination of the licences in specific circumstances, such as, for example, the non-compliance with licence conditions or for general public interest reasons. Licences could possibly be revoked or amended for other reasons, such as changes in regulation, laws, government policy and/or the economic or political environment.

In addition, in connection with the trend toward liberalisation of telecommunications services in most of the markets in which we operate, regulators have sought, and may continue to seek, to regulate the market in such a way that we are required to permit our competitors to use our networks instead of building their own and/or to increase competition generally. For example, Local Loop Unbundling, asymmetric termination rates, roaming regulation, price regulation, interconnection arrangements and provision of open access to mobile virtual network operators may be used to regulate the markets in which we operate.

Future changes to regulation or changes in political administrations or a significant deterioration in our relationship with relevant regulators in the jurisdictions in which we operate, as well as failure to acquire and retain the necessary consents and approvals or in any other way to comply with regulatory requirements, or excessive costs of complying with new or more onerous regulations and restrictions could have a material adverse effect on our business, reputation, financial condition and results of operations.

We may be adversely affected by local, national and global economic conditions

We operate in a number of different markets in emerging territories and offer fixed and wireless telecommunication services to residential and business customers. Our business is affected by general economic conditions and other related factors in each of the countries in which we operate, and given the broad interdependence among economies the world over, economic conditions in each of the countries in which we operate in turn are likely to be impacted by the broader trends currently affecting the major global economies.

The current uncertainty about economic recovery and the pace of growth may negatively affect the level of demand from existing and prospective customers. Additional factors that could influence customer demand include access to credit, unemployment rates, affordability concerns, consumer confidence and general macroeconomic factors. These factors drive levels of disposable income, which in turn affect many of our revenue streams. Business customers may delay purchasing decisions, delay full implementation of service offerings or reduce their use of services. Our residential customers may similarly elect to use fewer higher margin services, switch from fixed to mobile services resulting in the so-called traffic substitution effect, or choose to obtain products and services under lower-cost programs offered by our competitors. In addition, adverse economic conditions may lead to a rise in the number of our customers who are not able to pay for our services.

Adverse economic conditions can also have an adverse impact on tourism, which in turn can adversely impact our business in two ways. Lower levels of visitors may have a direct impact on us in the form of lower in-bound roaming revenues. In certain tourist destinations, levels of gross domestic products and levels of foreign investment linked to tourism are closely tied to levels of tourist arrivals and length of stay. These factors will in turn drive disposable income, with the corresponding impact on use of our products and services.

Should current economic conditions continue to deteriorate, there may be volatility in exchange rates, increases in interest rates or inflation and a further adverse effect on our revenue and profits. Recessional pressures or country-specific issues could, among other things, affect products and services, the level of tourism experienced by some countries and the level of local consumer and business expenditure on telecommunications. In addition, some of our operations are in developing economies, which historically have experienced more volatility in their general economic conditions.

The impact of poor economic conditions at a local or national level in the countries in which we operate or globally could have a material adverse effect on our business, financial condition, results of operations and prospects.

Technological changes in communication and information technology may render our products, services and supporting infrastructure obsolete or uncompetitive

The telecommunications industry is subject to significant changes in technology on a continuous basis. If we are unable to meet future advances in competing technologies on a timely basis or at an acceptable cost, we could lose customers to our competitors. Despite the strength of our existing networks and our investment in product development and supporting infrastructure, it is not possible to predict the effect of future technological changes and the associated licences on the industry and on our individual businesses, and the related impact on licensing and similar requirements. For example, as technology evolves, we may need to obtain new and/or additional regulatory licences, or make significant investments to upgrade our existing networks to be compatible with new technologies or new standards. We may become hampered by fixed assets that have become obsolete due to new technologies or shifts in customer demand compared to new entrants to the market. Competitors may also acquire rights to newer and more competitive technologies not available to us or we may become subject to competition from other companies that are not subject to regulation as a result of the convergence of communication technologies. Additionally, should items of mechanical and electrical plant remain in use beyond their anticipated service life, these assets may present a risk to our ability to provide reliable service that our customers have come to expect. The process of upgrading and updating our networks may not deliver expected improvements or cause disruptions to existing services. If we fail to cope with technological changes effectively, we could experience a material adverse effect on our business, financial condition, results of operations and prospects.

We may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which we operate

We operate in multiple jurisdictions and our profits are taxed according to the tax laws of such jurisdictions. Our effective tax rate may be affected by changes in tax laws or interpretations of tax laws in any given jurisdiction, including those tax laws relating to the utilisation of capital allowances, net operating losses and tax credit carry forwards, changes in geographical split of income and expense, and changes in management's assessment of matters, such as the ability to realise deferred tax assets.

Our effective tax rate in any given financial year reflects a variety of factors that may not be present in the succeeding financial year or years. As a result, our effective tax rate may increase in future periods, which could have a material adverse effect on our financial results. Specifically, our net income, cash flow and earnings may decrease.

In addition, some of the territories in which we operate offer low or favourable taxation environments, attracting large companies, several of which are also our customers. Changes to those tax regimes could result in customers moving their operations, resulting in the loss of those customers, which could have a material adverse effect on our business, financial condition and results of operations.

The insolvency or deterioration in the financial position of our business counterparties, or public perception of such insolvency or deterioration, may have a material adverse effect on us

In the ordinary course of business, we have contractual relationships with various financial institutions to manage our currency and interest rate risks, to process payments, to borrow money and to use other banking services. The inter-relationship among financial institutions has increased significantly as a result of trading, clearing, counterparty and other relationships. Were any of our financial institution counterparties to suffer liquidity or other constraints on lending, we could be materially adversely affected.

Similarly, trading counterparties and customers may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could also have a material adverse effect on our financial condition and results of operations.

Concerns about perceived or actual health risks related to mobile communications devices and facilities could have an adverse effect on our business

We provide mobile services across many of the markets in which we operate and also provide national and international network capacity to mobile services operators. Research and studies into the health risks posed by mobile telephone handsets and transmission facilities are continuing. For example, in May 2011, the International Agency for Research on Cancer, which is part of the World Health Organization, classified the radiation emitted by mobile telephone handsets as “possibly carcinogenic.” The World Health Organization is expected to release its Environmental Health Criteria on Radio Frequency Fields, containing new recommendations on radio frequency emissions in 2013.

We review scientific and medical research and studies, media, legal, regulatory and other developments, as well as the public perception of risk arising from the use of mobile telephone handsets and the location of transmission facilities.

New research and/or increased speculation regarding health risks associated with mobile telephone handsets and transmission facilities or any subsequent substantiation of such risks could have an adverse impact on our customer numbers or customers' usage of mobile devices or could expose us to litigation, regulatory intervention and/or new legislation, as it would for other industry participants. Perceived risk of the transmission facilities also may hinder the deployment of the infrastructure necessary to ensure quality of service, all of which could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to currency exchange and fluctuation risk

Our business is conducted in a number of jurisdictions and in a number of foreign currencies, some of which have been and may continue to be volatile or subject to devaluation, resulting from, among other things, inflationary pressure. Fluctuations in exchange rates between our reporting currency, the Bahraini Dinar, and these other currencies could result in the Bahraini Dinar equivalent of our foreign operating costs being higher and/or the Bahraini Dinar equivalent of our foreign revenue being lower than would be the case if exchange rates were stable. It is also possible that currencies in which our businesses operate which are currently pegged to the US dollar (which includes the Bahraini Dinar) might be reset or floated, leading to volatility and/or devaluation. Major devaluation or depreciation of any currencies in which we conduct our business

may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert such currencies into Bahraini Dinars, US dollars and other currencies for the purpose of making timely payments of interest and principal on our indebtedness. We manage and will continue to manage our exposure to movements in exchange rates through hedging and other activities. However, if we are unsuccessful in adequately managing such exposure, it could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to restrictions on the access to foreign currencies and the repatriation of funds

As we generate cash in a number of overseas markets and in a number of currencies, if any jurisdiction in which we now operate, or in the future will operate, imposes restrictions on access to foreign currencies or the repatriation of funds, such restrictions could have a material adverse effect on our financial condition and liquidity. Our ability to repatriate convertible currencies from any jurisdiction may be limited by the availability of convertible currency in such jurisdictions. In addition, the repatriation of funds may be limited by general laws of the jurisdictions in which we operate, such as, for example, the restrictions on the declaration of dividends by a company that does not have sufficient distributable reserves.

We may not accurately forecast demand for our products and/or services, and as a result, may have excess resources or suffer from resource shortages

The level of resources required in our business is sensitive to changes in the actual demand for our services compared with forecasts of such demand. Accurate forecasting of demand in volatile and dynamic telecommunications sectors such as those in which we operate can be very difficult, particularly in times of rapidly changing economic conditions and uncertain consumer demand. However, competition for customers drives telecommunications companies like us to invest in capacity and new technologies. We commit substantial capital expenditure each year to the development of our networks and technologies. If actual market conditions are less favourable than those projected, we will have excess resources because actual customer demand will fall short of projected customer demand. This also exposes us to the risk that we may be unable to recoup the investments made (whether in connection with acquisitions or with capital expenditures) and to asset impairment charges. In times of growing demand, either generally or for particular services, we may have insufficient resources and, as a result, may not be able to meet customer demand in a timely manner. Failure to meet customer needs may adversely affect customer relationships, weaken our competitive position and reduce our revenue and could have a material adverse effect on our business, reputation, financial condition and results of operations.

Developments in the telecommunications sector may result in substantial write-downs of the carrying value of certain assets

We regularly review the value of each of our assets and cash generating units to assess whether their carrying values can be supported by future cash flows expected to be derived from such assets and cash generating units, including in some case synergies included in their acquisition costs. Changes in the regulatory, business, economic or political environment may result in the necessity of recognising impairment charges on our goodwill, intangible assets, or fixed assets.

Although the recognition of impairments of tangible, intangible and financial assets results in a non-cash charge on the income statement, such charge could materially adversely affect our results of operations and, consequently, our ability to achieve growth targets.

Our operations in some markets are subject to local and regional political factors and economic and political conditions, which could have a constraining effect on such operations

We operate in a number of different countries and territories. The governments in these countries and territories differ widely with respect to political structure, constitution, economic philosophy,

stability and level of regulation. Many of our operations depend on governmental approval and regulatory decisions. Government regulation or administrative policies may change unexpectedly and negatively affect our interests. For example, there has been a general trend for governments to seek greater access to telecommunications records and to communications themselves for law enforcement purposes and a trend in certain countries experiencing civil unrest to restrict access to telecommunications on national security grounds. For various reasons, governments may seek to increase the regulation of the use of the Internet, particularly with respect to user privacy, content, pricing, distribution, and characteristics and quality of products and services. Governments may also seek to regulate content of communications in all of our revenue streams, which could reduce the attractiveness of our services. We may make decisions influenced by political and commercial considerations rather than fully exploiting our contractual or legal rights or all options available to us. Accordingly, our operations may be constrained by the relevant political environment and may be adversely affected by such constraints, as well as by changes to the political structure or government in any of the markets in which we operate.

In certain countries in which we operate, political, security and economic changes may result in political and regulatory uncertainty and civil unrest. Governments may expropriate or nationalise assets or increase their participation in the economy generally and in telecommunications operations in particular. In addition, certain countries in which we operate or in which we may operate in the future, face significant challenges relating to the lack, or poor condition, of physical infrastructure, including transportation, electricity generation and transmission. Such countries may also be subject to a higher risk of inflationary pressures, which could increase our operating costs and decrease consumer demand and spending power. Each of these factors could, individually or in aggregate, have a material adverse effect on our business, financial condition, results of operations and prospects.

Due to our complex structure, changes in tax law and the geographic scope of our operations, we may have to pay more tax than we currently expect

We operate in many countries, some of which have complex tax regimes. Due to the nature of our operations and our significant reorganisations in recent years, our tax affairs and those of our subsidiaries are complex. We and our subsidiaries are subject to routine tax audits by the respective local tax authorities. On-going and future tax audits may result in additional tax and interest payments which would negatively affect our financial condition and results of operations. Changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities in jurisdictions in which we operate may also have negative consequences.

Our effective tax rate in any given financial year reflects a variety of factors that may not be present in the succeeding financial year or years. As a result, our effective tax rate may increase in future periods, which could have a material adverse effect on our financial results. Specifically, our net income, cash flow and earnings may decrease.

Our ability to dispose of investments in certain subsidiaries and joint ventures may be constrained

Our investments in certain subsidiaries and joint ventures are subject to pre-emption rights that give our fellow shareholders a first option to acquire any shares in any such company that become available either on a resale or new issue. Should we wish to dispose of our shares in any such company, such pre-emption rights may restrict a commercial tendering process for these shares and, therefore, reduce the maximum value realisable upon a disposal. In addition, the agreements governing the rights and obligations of the other shareholders may require the shares to be sold at a pre-determined price or at a price determined pursuant to a specified formula. Such price could be materially lower than the price that could be obtained through a third-party tendering process. Moreover, our ability to dispose of interests in certain subsidiaries and joint ventures may be constrained by political factors in a particular jurisdiction and we may make decisions with regard to any such disposal based on political and commercial considerations rather than by reference to

our legal or contractual rights. Further, change of control of a subsidiary or a joint venture may require regulatory approval. Any inability to dispose of an interest in a subsidiary or joint venture at a time, at a price or to a third party of our choosing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Joint venture arrangements may not be successful

We are parties to or may enter into joint venture arrangements and minority investments for new projects and acquisitions. The successful operation of any joint ventures and minority investments entered into will be dependent on maintaining good relationships with the relevant joint venture partners and minority investors, who may have interests different to ours. If we are unable to maintain good relationships or resolve conflicts with the other joint venture parties and minority investors, our results of operations may be harmed. Any current or future acquisitions, joint ventures and/or minority investments may involve us making significant cash investments, issuing shares or incurring substantial debt. In addition, such acquisitions, joint ventures and/or minority investments may require significant managerial attention, which may be diverted from our other operations and could entail a number of additional risks, including problems with effective integration of operations, increased operating costs, exposure to unanticipated liabilities, and difficulties in realising projected efficiencies, synergies and cost savings.

We are subject to risks associated with acquisitions

Acquiring businesses involve a number of risks and financial, accounting, tax, regulatory, managerial and operational challenges, which could adversely affect our results of operations and financial condition. For example, the businesses that we acquire may underperform relative to the price paid or the resources committed by us, we may not achieve anticipated cost savings or we may otherwise be adversely affected by acquisition-related charges. The integration of the businesses into our existing operations may not proceed as efficiently as we expect due to cultural differences or for other reasons. Through our acquisitions, we may also assume unknown or undisclosed business, operational, tax, regulatory and other liabilities, fail to properly assess known contingent liabilities or assume businesses with internal control deficiencies. While we seek to mitigate these risks in most of our transactions through, among other things, due diligence processes and indemnification provisions, we cannot be certain that the due diligence processes we conduct are adequate or that the indemnification provisions and other risk mitigation measures we put in place will be sufficient.

Various regulatory approvals or consents are generally required prior to closing acquisitions, which may include approvals of regulatory authorities. These regulatory authorities may impose conditions on the completion of the acquisition or require changes to its terms that materially affect the terms of the transaction or our ability to capture some of the opportunities presented by the transaction. Any such conditions, or any associated regulatory delays, could limit the benefits of the transaction.

Some acquisitions we announce may not be completed if we do not receive the required regulatory approvals or if other closing conditions are not satisfied, which might deprive us of attractive opportunities or otherwise have an adverse impact on us due to our inability to offset the diversion of management time, internal costs and advisory fees related to an aborted acquisition.

Our network and/or information technology (IT) systems may be subject to interruptions or other failures, including due to natural disasters or climate change

Our networks are a critical asset in providing our customers with efficient and extensive telecommunications services. We rely on our IT systems for operation and management of our business, including our networks, the provision of services to our customers, customer billing and the provision of information regarding most aspects of our financial and operational performance. Like other telecommunications operators, our network and/or IT systems are vulnerable to interruption and damage from security breaches, software malfunction, terrorist action, power

outages, human error or other factors outside our control. Our network and/or IT systems are also vulnerable to interruption as a result of equipment failures, particularly for ageing equipment. Moreover, new technologies or different ways of using existing technologies may place undue stress on the capacity of existing networks. For example, smartphone and broadband usages such as TV viewing, may result in saturation of existing networks.

Our networks and operations are subject to interruption by natural disasters, including, but not limited to, hurricanes, fire, floods and earthquakes and other events beyond our control. As we operate in certain jurisdictions in which existing infrastructure and telecommunications equipment (such as cables) may not be able to withstand a major natural disaster and/or in which emergency response time may be significant, prolonged recovery time could be required to resume operations.

Moreover, certain countries in which we operate are exposed to the developing threat of climate change. In the future, certain countries in which we operate may be affected by the environmental impact of climate change, such as raised sea and air temperatures, extreme weather conditions or food shortages, which, in turn, could have an effect on the habitability of these countries and the cost and feasibility of providing telecommunications services.

We have in place business continuity and disaster recovery plans, including contingency equipment and suppliers, network monitoring and resilience plans. However, there can be no certainty that such plans and systems will be effective in the event that they need to be activated. The failure or interruption of all or part of our network and/or IT systems would restrict our ability to continue to operate at our current performance levels and may result in both the loss of customers and potential exposure to claims from customers based on loss of service, as well as reputational harm, penalties and costly repairs. Should we experience problems with the integrity of our data and the adequacy of some or all of the associated systems and processes, it could have an impact on our transformation initiatives and our ability to provide services and conduct our operations. Any insurance maintained to protect against certain of these risks may not be adequate to cover suffered losses, including lost sales or increased expenses. Each of these matters could have a material adverse effect on our business, reputation, financial condition and results of operations.

The consequences of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. Any insurance maintained to protect against certain of these risks may not be adequate to cover losses suffered, including lost sales or increased expenses.

Third parties may gain access to our network and/or sensitive data unlawfully

We are dependent on third-party suppliers for equipment, network infrastructure, components and services. For example, third-party suppliers carry sensitive data across networks globally on behalf of a number of our customers. Despite security management across our networks, there is a risk that third parties may gain access unlawfully to the networks and/or highly sensitive data. Should steps that we take to prevent occurrences of this unlawful conduct be unsuccessful, we could become subject to regulatory actions, or our customers could seek to claim compensation for breach of our contractual obligations or, in severe cases, terminate their contracts with us. Each of these matters could have a material adverse effect on our business, reputation, financial condition and results of operations.

We rely on third parties for equipment supplies and certain support activities

We rely on a number of suppliers for a majority of our telecommunications network infrastructure, handset and other equipment supplies. To the extent that we have minimum order commitments, we would be adversely affected in the event that we were unable to resell committed products or otherwise declined to accept committed products, and in the case of one supply agreement, such

effect could be material. In the event that third parties fail to deliver contracted activities and services and our service to our customers is interrupted, this could have a material adverse effect on our business, reputation, financial condition and results of operations. We also may not be able to recover monies paid to such third parties for their services or obtain contractual damages to which we may be entitled (if any) in such an event.

We rely on third-party standards and protocols

We are reliant on third-party standards and protocols in delivering communication services. The operation of our business depends on the efficient and uninterrupted operation of communication networks. Our mobile networks are predominantly based on GSM standards managed by the GSM Association and 3GPP standards managed by The 3rd Generation Partnership Project, and our IP networks are based on standards from IETF. These standards could be compromised due to various factors, including but not limited to, power loss, telecommunications failures, attacks, data corruption, security breaches, software malfunction, natural disasters or other acts not in our control. If any of these standards were to be compromised, or in the case of GSM, the encryption code breached, customers could lose faith in the integrity of the affected mobile networks. Any compromise in third party standards and protocols or customers moving to providers with alternative delivery methods could have a material adverse effect on our business, reputation, financial condition and results of operations of the affected telecommunications companies, including us.

We are exposed to the risks of internal fraud or illegal activities by third parties

As a telecommunications company, we face the risk of damage, theft or loss due to third parties or our employees, contractors or related parties utilising our communications networks for illegal activities. For example, hackers could use our broadband services to hack into websites and Internet accounts, or broadband users could download music content illegally. Although as an internet service provider we have limited liability for making the content available to the public, we may still be required by applicable laws to block access to content protected by copyright or similar laws and may be held liable for failure to do so. Information security countermeasures for smartphones, cloud services and other new information communication technology are becoming an increased concern, particularly with respect to unauthorised access and virus infections. We may be held liable for the loss, release or inappropriate modification of data of our customers or the wider general public that are stored on our servers or carried by our networks. Any such fraudulent or illegal activities could have a material adverse effect on our business, reputation, financial condition and results of operations.

PART VI

ADDITIONAL INFORMATION

1 Company

The Company is incorporated and registered in Bahrain under the Commercial Companies Law 2001 as a joint stock company.

The registered office of the Company is PO Box 14, Manama, Kingdom of Bahrain and its telephone number is +973 17881881.

2 Directors

The Directors and their principal functions are as follows:

Shaikh Hamad bin Abdulla Al Khalifa (*Chairman*)

Mr. Murad Ali Murad (*Deputy Chairman*)

Mr. Nedhal Saleh Al-Aujan (*Director*)

Mr. Ali Yusuf Engineer (*Director*)

Mr. Waleed Ahmed Al Khaja (*Director*)

Mr. Adel Hussain Al Maskati (*Director*)

Dr. Zakaria Ahmed Hejres (*Director*)

Mr. A. Razak Abdulla Al Qassim (*Director*)

Mr. Abdulrahman Fakhro (*Director*)

Mr. Khalid Mohammed Al Manna'ei (*Director*)

3 Major Shareholders

As at 23 December 2012 (being the latest practicable date prior to the publication of this document) the Company had been notified of the following holdings in the Company's issued share capital (each, a "Notifiable Interest"):

Shareholder	Number of shares (in thousands)	Percentage of total outstanding shares	Nationality
Bahrain Mumtalakat Holding Company BSC	528,000	37	Bahrain
Amber Holdings Limited	288,000	20	Cayman Islands
Social Insurance Organisation	296,098	21	Bahrain

Save as set out above, the Company is not aware of any other notifiable Interests.

4 Material litigation

4.1 The Group

No member of the Group is involved in any material governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability, save for the following:

BMIC Limited, a wholly owned subsidiary of the Company, has commenced proceedings to enforce an agreement with Siva Limited and recover an amount of US\$184.79 million. BMIC Limited has filed a claim in the UK High Court of Justice, Commercial Court, against Siva Limited and Mr. Chinnakannan Sivasankaran, for failing to adhere to a settlement agreement. The parties had agreed on 30 November 2011 to settle a dispute arising from their involvement in a commercial venture in India and accordingly executed a settlement agreement. BMIC Limited is now pursuing legal action to enforce its rights under this settlement agreement and ensure Siva Limited and Mr. Chinnakannan Sivasankaran meet all their obligations, as agreed and in accordance with the jurisdiction of the Courts in England and Wales.

4.2 M&I Target Companies

None of the M&I Target Companies is or has been involved in any material governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any M&I Target Company which may have, or have had during the 12 months preceding the date of this document, a significant effect on the M&I Target Companies' financial position or profitability.

Part VII – DEFINITIONS

The following definitions apply throughout this document, unless stated otherwise:

Acquisition	has the meaning given in section 7 of Part I of this document
Board	the board comprising the Directors
Business Day	a day (other than a Friday, Saturday or a Sunday) on which banks are open for business (other than solely for trading and settlement in euro) in London or Bahrain
CMC	Compagnie Monégasque de Communication S.A.M.
CMC Acquisition	the sale and purchase of the CMC Majority Shares following exercise of the Monaco Option in accordance with the terms of the Transaction Agreement
CMC Companies	CMC, Monaco Telecom, Monaco Telecom International S.A.M, Monaco Telecom Holdings (Cyprus) Limited, Telecom Development Company Afghanistan B.V., and Telecom Development Company Afghanistan Limited
CMC Majority Shares	shares representing 75% of the issued share capital of CMC
CMC Minority Shares	shares representing 25% of the issued share capital of CMC
Company or Batelco	Bahrain Telecommunications Company B.S.C.
Completion	completion of the Acquisition in accordance with the Transaction Agreement
Completion Date	the fourth Business Day following the day on which the last in time of the conditions to Completion will have been satisfied or waived or such other date as the Seller and the Purchaser may agree which is expected to be in March 2013
Completion Shares	has the meaning given in section 1 of Part II of this document
Controlled Companies	each of Monaco Telecom, Monaco Telecom International S.A.M., Monaco Telecom Holdings (Cyprus) Limited, Cable & Wireless (Diego Garcia) Limited, Cable & Wireless South Atlantic Limited, Cable & Wireless Jersey Limited, Cable & Wireless Guernsey Limited, Cable & Wireless Isle of Man Limited, Dhiraagu, CWIG Limited, Cable & Wireless (Seychelles) Limited, Atlas (Seychelles) Limited and Le Chantier Property Limited and “ Controlled Company ” shall be construed

	accordingly
CWC	Cable & Wireless Communications Plc
Directors	the directors of the Company, whose names are set out on page 33 of this document
Delayed Company	has the meaning given in section 4 of Part II of this document
Dhiraagu	Dhivehi Raajjeyge Gulhun plc
EBITDA	earnings before interest, tax, depreciation and amortisation, net other operating and non-operating income/(expense) and exceptional items
Enlarged Group	the Group following Completion
General Meeting	the general meeting of the Company to be held at Batelco Staff Center-Batelco Headquarters, Hamala on 14 January 2013 at 12.00 p.m. (or any adjournment thereof), notice of which is set out at the end of this document
Financing Resolution	the ordinary resolution to approve the capital market issuance by the Company as set out in the notice of General Meeting at the end of this document
Form of Proxy	the form of proxy for use by Shareholders in relation to the General Meeting
Group	the Company and its subsidiary undertakings
M&I Initial Companies	each of the M&I Target Companies excluding each of the CMC Companies
Islands Purchase Price	has the meaning given in section 2 of Part II of this document
M&I Target Companies	each of CWC Islands Limited, CWC Holdco Limited, CMC, Monaco Telecom, Monaco Telecom International S.A.M, Monaco Telecom Holdings (Cyprus) Limited, Cable & Wireless (Diego Garcia) Limited, Cable & Wireless South Atlantic Limited, Cable & Wireless Jersey Limited, Cable and Wireless Guernsey Limited, Cable & Wireless Isle of Man Limited, Dhivehi Raajjeyge Gulhun Plc, CWIG Limited, Cable & Wireless (Seychelles) Limited, Atlas (Seychelles) Limited, Le Chantier Property Limited, Telecom Development Company Afghanistan B.V., Telecom Development Company Afghanistan Limited and Seychelles Cable Systems Limited

MAE Condition Date	the earlier of the Long Stop Date (or, if Completion is postponed by the parties, the Long Stop Date so postponed) and the first date on which all the conditions to Completion (other than the MAE Condition) are satisfied or waived (as applicable) in accordance with the Transaction Agreement
Material Adverse Effect	has the meaning given in section 8 of Part II of this document
Material Positive Event	the occurrence of a fact, matter, event or circumstance specifically relating to, and affecting, the Group, which gives rise to a positive impact of US\$25,000,000 or more on the business, operations, turnover, profitability, assets, liabilities, financial condition or results of operations of the M&I Target Companies taken as a whole subject to certain exceptions pursuant to the Transaction Agreement
Monaco Option	the put and call option arrangement between the Seller and the Purchaser in respect of the CMC Majority Shares, as described in section 9 of Part II of this document
Monaco Telecom	Monaco Telecom S.A.M.
Non-Controlled Companies	Telecom Development Company Afghanistan B.V., Telecom Development Company Afghanistan Limited and Seychelles Cable System Limited and “ Non-Controlled Company ” shall be construed accordingly;
MT Minority Shares	has the meaning given in section 9 of Part II of this document
MT Put Option	has the meaning given in section 9 of Part II of this document
MT Put Option Price	has the meaning given in section 9 of Part II of this document
Option Consideration	has the meaning given in section 2 of Part II of this document
Option Period	has the meaning given in section 9 of Part II of this document
Resolutions	the Transaction Resolution and the Financing Resolution
Purchaser	Batelco International Group Holding Limited
Purchaser Guarantor	the Company
Seller	Sable Holding Limited
Seller Guarantor	Cable & Wireless Limited

Seychelles Companies	Cable & Wireless (Seychelles) Limited and its subsidiaries
Shares	the shares of 100 fils each in the capital of the Company
Shareholders	the holders of the Shares
Transaction	the Acquisition and the Monaco Option
Transaction Agreement	the share purchase agreement described in Part II of this document
Transaction Resolution	the ordinary resolution to approve the Transaction as set out in the notice of General Meeting at the end of this document

Bahrain Telecommunications Company B.S.C.

Incorporated in Bahrain under the Commercial Companies Law 2001

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Bahrain Telecommunications Company B.S.C. (the "**Company**") will be held at Batelco Staff Center-Batelco Headquarters, Hamala on 14 January 2013 at 12.00 p.m. to consider and, if thought fit, pass the following resolutions, each of which will be proposed as an ordinary resolution.

1. Transaction Resolution:

Ordinary resolution

THAT the acquisition by Batelco International Group Holding Limited, a wholly owned subsidiary of Bahrain Telecommunications Company B.S.C. (the "**Company**"), from affiliates of Cable and Wireless Communications plc ("**CWC**"), of:

- (i) 100% of the shares in the capital of CWC Holdco Limited;
- (ii) 100% of the shares in the capital of CWC Islands Limited; and
- (iii) 100% of the shares in the capital of Compagnie Monégasque de Communication S.A.M.(by way of a 25% initial purchase, with completion of the purchase of the remaining 75% subject to certain put and call option arrangements),

such companies together comprising the Monaco & Islands business of CWC operating in Monaco, Guernsey, Jersey, Isle of Man, the Maldives, the Seychelles, Afghanistan, the Falkland Islands, St Helena, Ascension and Diego Garcia (the "**Acquisition**"), on the terms and subject to the conditions set out in the Transaction Agreement (as defined in the circular to shareholders dated 30 December 2012 and described in detail in Part II therein, in particular section 2 (*Consideration*) of such Part II), be and is hereby approved and the Directors of the Company be and are hereby authorised to waive, amend, vary or extend any of the terms of the Transaction Agreement (provided that any such waivers, amendments, variations or extensions are not of a material nature) and to do all things as they may consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Acquisition and any matters incidental to the Acquisition.

2. Financing Resolution:

Ordinary resolution

THAT the issuance from time to time of debt instruments (whether in the form of notes, bonds or sukuk) in an amount outstanding from time to time of no more than USD1 billion (or its equivalent in other currencies) be and is hereby approved, with such securities capable of being issued either directly by the Company or indirectly by a special purpose company, on a standalone basis or pursuant to one or more programme(s) for the issuance of such instruments, and may be secured or unsecured, listed or unlisted, publicly or privately offered, and on such terms as the Board of Directors may approve and/or from time to time amend.

1. In connection with the foregoing, the Board of Directors be and is hereby authorised to:
 - (i) incorporate any special purpose vehicle corporate entity (whether as a wholly-owned subsidiary of the Company or otherwise) which is necessary or desirable to facilitate the issuance of such instruments as described above (subject to obtaining all necessary regulatory approvals in connection with the same and compliance with applicable laws in

the Kingdom of Bahrain), and the entry by the Company into transactions with such corporate entity in connection with such issuance be and is hereby approved;

- (ii) determine the terms, conditions and characteristics of the debt instruments including the issue date and price, based on market conditions and subject to applicable laws in the Kingdom of Bahrain;
 - (iii) seek all necessary approvals from any regulators or authorities in connection with any issuance of any debt instruments;
 - (iv) appoint such advisers and other service providers in connection with the foregoing as it considers appropriate;
 - (v) approve and execute all documentation to be entered into in respect of such instruments, including any amendments thereto as may be required from time to time; and
 - (vi) delegate any or all of its authority in respect of the foregoing to such person(s) as it may in its absolute discretion approve.
2. The issuance of any debt instruments shall, where necessary and applicable, be in accordance with the Commercial Companies Law (21 of 2001) and the Central Bank of Bahrain's Guidelines for the Issuing, Offering and Listing of Debt Securities (as amended or replaced from time to time). The shareholders authorise and delegate the power to the Chief Executive Officer (with the power to delegate his authority to other officers of the Company) to obtain all necessary authorisations and approvals from various regulatory bodies for the issue of any debt instruments and to effect any necessary amendments to the abovementioned resolutions as may be required by the Central Bank of Bahrain or any other regulatory bodies, in order to attain the objective of the above mentioned resolutions, without the need to revert to the shareholders.

By order of the Board,

Shaikh Hamad bin Abdulla Al Khalifa

Chairman

30 December 2012

Registered office:

PO Box 14
Manama
Kingdom of Bahrain

Notes

1. A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the General Meeting.
2. To appoint a proxy, the form of proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be submitted to Registrar's office and in each case so as to be received no later than 12.00 p.m. on 12 January 2013.
3. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company ("**nominated persons**"). Nominated persons may have a right under an

agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

4. Holders of shares are entitled to attend and vote at general meetings of the Company.
5. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.
6. A copy of this notice and other relevant information can be found at www.batelcogroup.com.
7. Members may attend, speak and vote at the meeting as advised by the Chairman during the meeting,