



Batelco
Group

Financial Results Presentation

Q1 2013

22 May 2013

Forward looking Statement – important note

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

The statements:

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that could cause actual results, performance or events to differ materially from those in the statements as originally made;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

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



Quarter Ended 31 March 2013- Key Highlights



- Q1 2013 Gross Revenues of **BD 71M** *down QoQ and YoY*
- Q1 2013 EBITDA of **BD 22M** *with 31% margins*
- Q1 2013 Net Profits of **BD 13M**, *down QoQ due to lower revenues and significant positive one-offs in Q4 2012*
- Healthy Net Cash balances of **BD 76M** *despite dividend payments during the quarter*
- International operations contribute **42%** of revenues and **39%** of EBITDA in line with previously communicated diversification strategy of the Group
- Group subscribers at **~7.9M**. *Slight growth QoQ and higher YoY*
- Launch of 4G LTE in Bahrain - a first for the Kingdom
- Acquired operations across 10 markets from Cable & Wireless Communications on 3rd April 2013 for **USD 570M¹**. Controlled operations will be consolidated in Q2 2013

¹ 03rd April 2013 completion did not include Seychelles consideration of \$ 110M that is delayed

1. Q1 2013 Results Review





Q1 2013- Resilient Performance

BD M	Q1 2013	Q4 2012	% change	Q1 2012	% change
Gross Revenue	71.0	77.2	(8)	78.0	(9)
Outpayments and COS	20.9	20.9	(0)	23.7	12
Gross Margin	50.1	56.3	(11)	54.3	(8)
-margin	71%	73%		70%	
Staff cost	12.0	19.7	39	12.5	4
Non-Staff Opex	16.1	8.2	(98)	13.5	(19)
EBITDA	21.9	28.4	(23)	28.3	(22)
- margin	31%	37%		36%	
Depreciation & Amortization	9.6	9.5	(1)	8.6	(12)
Operating Profit	12.3	18.9	(35)	19.6	(37)
Non-operating income/ (expenses)	1.8	0.9	97	(2.7)	165
Non-controlling interest	0.7	2.0	67	0.8	15
Net Profit	13.4	17.8	(25)	16.1	(17)
- margin	19%	23%		21%	
EPS (fils)	8.5	11.2	(25)	10.2	(17)





Despite competitive pressures across MENA markets, Net Profit of BD 13.4M was reported for Q1 2013 with an EBITDA margin of 31% impacted by lower revenues

Revenues diversified by segment & geographies

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

	2013	2012	Var
Bahrain (% of total)	41.3 58%	48.1 62%	 14%
Jordan	22.2 31%	21.5 27%	 3%
Other Countries	7.5 11%	8.4 11%	 11%
Total	71.0	78.0	 9%

Profit * BDM

	2013	2012	Var
Bahrain (Note 1)	8.9 63%	14.4 85%	 38%
Jordan (Note 2)	1.9 14%	3.2 19%	 41%
Other Countries (Note 3)	3.3 23%	(0.7) (4%)	 571%
Total	14.1	16.9	 17%

Note 1: Profitability impacted by intense competition in mobile market

Note 2: Profitability impacted by higher electricity and depreciation costs

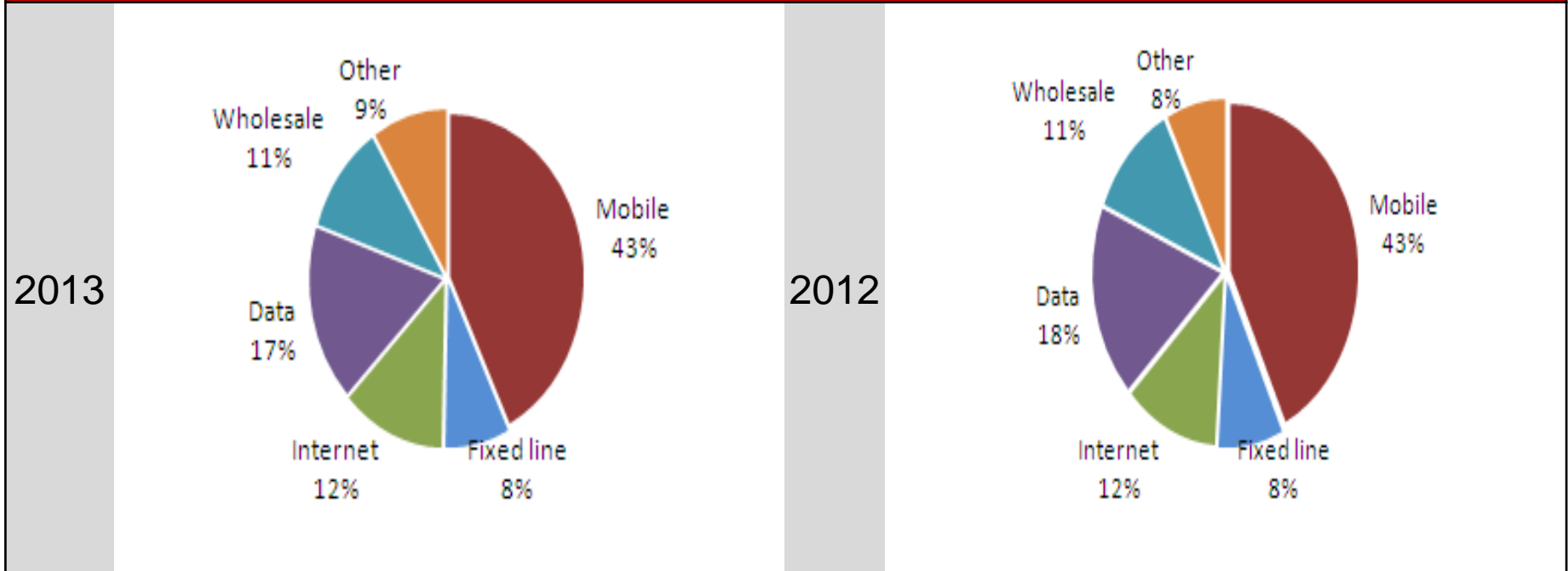
Note 3: Higher share of Sabafon profits

*Total Profit refers to Profit before Non-Controlling Interest

Totals and Percentages may vary due to rounding

Revenues Product Profile

Gross Revenues by Product As % of Total Revenues



- **Mobile revenues contribution in line with last year**
- **Other revenues higher due to higher handset and equipment sales¹**

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

CAPEX AND LIQUIDITY PROFILE

BD M	Q1 2013	Q4 2012	% change	Q1 2012	% change
CAPEX	4.1	11.0	63	33.3	88
CAPEX to Revenue ratio	6%	14%	.	43%	.
Free cash flows	10.5	22.5	(53)	17.0	(162)
Normalized free cash flows ¹	10.5	22.5	(53)	12.3	(15)
Simple FCF ²	16.3	19.0	(15)	-11.2	(246)
Net cash and bank balances	76.0	76.4	(1)	44.1	72

Q1 2012 Capex/Revenue Ratio (~43%) reflects investments in 3G License & Building acquisition in Jordan

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

² Simple FCF = EBITDA – Capex payments

2. Operational Review

Group Subscriber Summary

	Q1 2013	Q4 2012	% change	Q1 2012	% change
Mobile Subscribers¹ (K subs)					
Subsidiaries					
Batelco Bahrain	722	702	3	738	(2)
Umniah	2,410	2,382	1	2,287	5
Sub-Total	3,132	3,084	2	3,025	4
Associates					
Sabafon	4,121	4,112	-	3,400	21
Grand Total (Mobile Subscribers)	7,253	7,196	1	6,425	13
Total Broadband Subscribers	491	450	9	279	76
Total Fixed Subscribers	158	162	(2)	168	(6)

Overall, Group subscribers at ~7.9M. Higher YoY and stable QoQ

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

² In Bahrain and Jordan, Mobile subscribers include voice , data and dongles subscribers

3. M&I Overview, Strategy & Guidance

M&I Acquisition Overview

M&I Initial & CMC Companies

Revenues ¹	USD 567M
EBITDA ¹	USD 208M
Profit before Tax ¹	USD 120M
Net Assets ²	USD 375M
Gross Assets ²	USD 1,233M

All figures above refer to the aggregate financials for M&I Initial and CMC Companies



- 2nd December 2012 Batelco enters agreement with Cable and Wireless to acquire substantially all of CWC's Monaco and Island Assets
- 3rd April 2013 Completion of the M&I acquisition took place in relation to Maldives, Channel Islands and Isle of Man, South Atlantic and Diego Garcia for an amount of USD 570M*. This amount also includes 25% of CMC, which holds a 55% interest in Monaco Telecom
- Remaining Steps
 - Seychelles Batelco has agreed to acquire the Seychelles Companies for USD 110M*, but completion is delayed pending the receipt of relevant regulatory approvals
 - Monaco Put and call option arrangements entered, whereby if relevant conditions are met and exercised prior to 3 April 2014, Batelco will acquire the remaining 75% of the share capital of CMC for an additional consideration of USD 345M*. If this isn't exercised CWC will refund USD 100M on the return of 25% of the CMC holding
- The total consideration payable for the M&I transaction is USD 1,025M on a debt free and cash free basis

*Subject to customary adjustments relating to the amounts of debt, cash and working capital as at the M&I completion date

¹M&I figures refer to financials of all M&I Initial Companies + CMC Companies for the 12 month period ended 31st March 2012 (EBITDA and Profit before Tax are after management charges);

²M&I figures refer to financials of all M&I Initial Companies + CMC Companies assets as of 30th September 2012; ³Batelco has a 52% interest in Dhiraagu (Maldives); ⁴Subject to Monaco option completion, Batelco will have 55% interest in Monaco Telecom; ⁵Subject to Monaco option completion, Batelco will have a 20.2% interest in Roshan (Afghanistan)

Delivering the Strategy



¹Assumes full completion of the M&I transaction, including the Monaco option

²The acquisition of M&I is accretive after servicing the debt component utilised for purchasing the assets

Measure	2013 Guidance
Revenue¹	Double digit increase (%)
EBITDA¹	Double digit increase (%)
Net Profit²	Double digit decline (%)
Capex to revenue ratio	~13%
Free Cash Flow¹	> USD130 million
Dividends Subject to AGM	Payout consistent with past trend

¹Updated guidance includes Enlarged Group with M&I acquisition

² Net Profit impacted by financing and acquisition costs

4. Appendices

Consolidated Statement of Financial Position as at 31 March 2013



	2013	2012	Variance	%
Assets				
Property and equipment	180,963	185,865	(4,902)	(3)
Goodwill	125,623	124,377	1,246	1
Intangible assets	51,940	50,880	1,060	2
Investment in associate	77,642	77,417	225	0
Deferred tax assets	2,428	2,298	130	6
Available-for-sale investments	30,809	31,640	(831)	(3)
Cash and bank balances	297,758	94,922	202,836	214
Other current assets	117,608	121,969	(4,361)	(4)
Total Assets	884,771	689,368	195,403	28
Liabilities and Shareholders' Equity				
Current liabilities	347,255	149,136	198,119	133
Non-current liabilities	18,690	20,051	(1,361)	(7)
Total Liabilities	365,945	169,187	196,758	116
Shareholders' Equity				
Paid-up capital	158,400	144,000	14,400	10
Statutory reserve	77,676	76,847	829	1
General reserve	46,412	39,444	6,968	18
Foreign currency translation reserve	1,942	361	1,581	438
Investment fair value reserve	(3,234)	(2,403)	(831)	35
Retained earnings	231,401	256,099	(24,698)	(10)
Non-controlling interest	6,229	5,833	396	7
Total Shareholders' Equity	518,826	520,181	(1,355)	(0)
Total Liabilities and Shareholders' Equity	884,771	689,368	195,403	28

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

Note: All figures in thousands

Consolidated Income Statement for the three months ended 31 March 2013



	2013	2012	Variance	%
Gross Revenues	70,991	77,968	(6,977)	(9)
Network operating expenses	(27,472)	(29,299)	1,827	6
Staff costs	(12,011)	(12,543)	532	4
Other operating expenses	(9,570)	(7,866)	(1,704)	(22)
EBITDA	21,938	28,260	(6,322)	(22)
<i>EBITDA %</i>	31%	36%	(5)	
Depreciation and Amortization	(9,641)	(8,627)	(1,014)	(12)
Operating Profit	12,297	19,633	(7,336)	(37)
<i>Operating Profit %</i>	17%	25%	(8)	
Non Operating Items				
Share of profit/(loss) of associates(net)	2,257	(1,898)	4,155	219
Finance and other income (net of finance expenses)	100	733	(633)	(86)
Income tax expense	(586)	(1,557)	971	62
Total Non Operating items	1,771	(2,722)	4,493	165
Net Income before non-controlling interest	14,068	16,911	(2,843)	(17)
Non-controlling interest	(669)	(789)	120	15
Net Income after non-controlling interest	13,399	16,122	(2,723)	(17)

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Note: All figures in thousands

Consolidated Statement of Cash Flows for the three months ended 31 March 2013

	2013	2012	Variance	%
Cash receipts from customers	64,394	69,615	(5,221)	(7)
Net cash paid to suppliers	(31,898)	(31,524)	(374)	(1)
Cash paid to and on behalf of employees	(16,286)	(15,632)	(654)	(4)
Cash flows from operating activities	16,210	22,459	(6,249)	(28)
Acquisition of property, equipment and intangibles	(5,689)	(39,424)	33,735	86
Payments in respect of rights share issue	0	(17,713)	17,713	(100)
Interest and investment income received	233	959	(726)	(76)
Receipts from associate	2,032	-	2,032	100
Net proceeds from sale and maturity of investments	3,770	-	3,770	100
Cash flows from Investing activities	346	(56,178)	56,524	101
Dividend paid	(17,375)	(30,612)	13,237	43
Interest paid	(1,894)	-	(1,894)	(100)
Borrowings	205,301	17,707	187,594	1,059
Payments to charities	(50)	(152)	102	67
Cash flows from financing activities	185,982	(13,057)	199,039	1,524
Net Cash Flow changes	202,538	(46,776)	249,314	533
Beginning cash and cash equivalents	92,167	105,095	(12,928)	(12)
Ending cash and cash equivalents	294,705	58,319	236,386	405
Free Cash Flow (Operating Cashflows-Capex payments)	10,521	(16,965)	27,486	162
Normalised Free Cash Flow for one-off capital expenditures	10,521	12,325	(1,804)	(15)
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Note: All figures in thousands

More information

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