

**Bahrain Telecommunications
Company BSC**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

31 March 2016

Bahrain Telecommunications Company BSC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016**

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the three months ended 31 March 2016**

Three months ended 31 March	2016 BD million	2015 BD million	Variation %
Gross revenue	90.9	93.7	(3%)
Expenses	72.8	75.0	3%
Profit attributable to Batelco shareholders	9.6	14.2	(33%)
Return on net worth – Annualised (%)	7.2	9.3	(23%)
Weighted average number of shares outstanding during the period	1,663	1,663	-
Basic earnings per share for the period (Fils)	5.8	8.6	(33%)

Independent auditors' report on review of the condensed consolidated interim financial information

The Board of Directors
Bahrain Telecommunications Company BSC
Manama, Kingdom of Bahrain

5 May 2016

Introduction

We have reviewed the accompanying 31 March 2016 condensed consolidated interim financial information of Bahrain Telecommunications Company BSC (the "Company") and its subsidiaries (together "the Group"), which comprise:

- the condensed consolidated statement of financial position as at 31 March 2016;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three period ended 31 March 2016;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2016
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2016; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2016

BD'000

	Note	31 March 2016 (reviewed)	31 December 2015 (audited)
ASSETS			
Non-current assets			
Property and equipment		262,252	264,283
Goodwill		168,024	168,826
Intangible assets		157,315	163,110
Investment in associate		76,324	76,324
Deferred tax assets		5,219	4,905
Post- employment benefit assets		4,071	4,210
Other investments		48,121	48,597
Total non-current assets		721,326	730,255
Current assets			
Inventories		5,144	4,607
Trade and other receivables		105,634	110,158
Cash and bank balances	3	174,076	159,962
Total current assets		284,854	274,727
Total assets		1,006,180	1,004,982
EQUITY AND LIABILITIES			
Equity			
Share capital		166,320	166,320
Statutory reserve		84,116	84,116
General reserve		45,890	45,890
Foreign currency translation reserve		(7,401)	(3,580)
Investment fair value reserve		(2,804)	(2,488)
Post-employment benefit actuarial reserve		(4,605)	(4,605)
Retained earnings		225,591	242,180
Total equity attributable to equity holders of the Company		507,107	527,833
Non-controlling interest		47,871	45,220
Total equity		554,978	573,053
Non-current liabilities			
Trade and other payables		5,136	5,010
Loans and borrowings	4	220,807	222,469
Deferred tax liabilities		18,144	19,195
Total non-current liabilities		244,087	246,674
Current liabilities			
Trade and other payables		201,846	181,743
Loans and borrowings	4	5,269	3,512
Total current liabilities		207,115	185,255
Total liabilities		451,202	431,929
Total equity and liabilities		1,006,180	1,004,982

The condensed consolidated interim financial information which consist of pages 3 to 14 were approved by the Board of Directors on 5 May 2016 and signed on its behalf by

Hamad Bin Abdulla Al Khalifa
Chairman

Abdul Razak Abdulla Al Qassim
Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the three months ended 31 March 2016 BD'000

		Three months ended 31 March	
	Note	2016 (reviewed)	2015 (reviewed)
REVENUE	5	90,928	93,663
EXPENSES			
Network operating expenses		(33,298)	(33,167)
Staff costs		(13,630)	(13,309)
Depreciation and amortisation		(17,027)	(17,033)
Other operating expenses		(8,861)	(11,528)
Total expenses		(72,816)	(75,037)
Results from operating activities		18,112	18,626
Finance and other income		1,594	1,145
Finance and other expenses		(6,623)	(2,009)
Impairment on available-for-sale investments		-	(784)
Share of profit of associate (net)		-	383
Profit before taxation		13,083	17,361
Income tax expense		(837)	(1,226)
Profit for the period		12,246	16,135
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss:</i>			
Foreign currency translation differences – foreign operations		(3,819)	(5,101)
Investment fair value changes – available-for-sale financial assets		(316)	(430)
Net fair value changes transferred to profit or loss on impairment		-	784
		(4,135)	(4,747)
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurement of defined benefit asset including related tax		-	290
		-	290
Other comprehensive income, net of tax		(4,135)	(4,457)
Total comprehensive income for the period		8,111	11,678
Profit for the period attributable to:			
Equity holders of the Company		9,595	14,232
Non-controlling interest		2,651	1,903
		12,246	16,135
Total comprehensive income for the period attributable to:			
Equity holders of the Company		5,460	9,788
Non-controlling interest		2,651	1,890
		8,111	11,678
Basic earnings per share (Fils)	6	5.8	8.6

The condensed consolidated interim financial information which consist of pages 3 to 14 were approved by the Board of Directors on 5 May 2016 and signed on its behalf by:

Hamad Bin Abdulla Al Khalifa
Chairman

Abdul Razak Abdulla Al Qassim
Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2016

BD'000

	Note	Three months ended 31 March	
		2016 (reviewed)	2015 (reviewed)
OPERATING ACTIVITIES			
Results from operating activities		18,112	18,626
Adjustment for:			
Depreciation and amortisation		17,027	17,033
		35,139	35,659
Working capital Changes:			
Decrease/(increase) in trade and other receivables		3,773	(9,055)
Increase in inventories		(578)	(122)
Decrease in trade and other payables		(2,065)	(2,359)
Cash generated from operating activities		36,269	24,123
Taxes paid			
Payment to charities		(1,470)	(2,620)
		(13)	(223)
Net cash from operating activities		34,786	21,280
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(11,069)	(6,393)
Net cash for (purchase)/sale of investments		(19,549)	13,989
Interest and investment income received		1,272	802
Net cash (used in)/from investing activities		(29,346)	8,398
FINANCING ACTIVITIES			
Dividend paid		(25,368)	(25,587)
Interest paid		(1,002)	(360)
Borrowings (net)		-	566
Net cash used in financing activities		(26,370)	(25,381)
(Decrease)/increase in cash and cash equivalents		(20,930)	4,297
Cash and cash equivalents at 1 January		103,064	95,732
Cash and cash equivalents at 31 March		82,134	100,029

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The condensed consolidated interim financial information consist of pages 3 to 14.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2016

BD'000

2016	Equity attributable to equity holders of the Company							Total	Non - controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post- employ- ment benefit actuarial reserve	Retained earnings			
At 1 January 2016	166,320	84,116	45,890	(3,580)	(2,488)	(4,605)	242,180	527,833	45,220	573,053
Profit for the period	-	-	-	-	-	-	9,595	9,595	2,651	12,246
Other comprehensive income										
Foreign currency translation differences	-	-	-	(3,821)	-	-	2	(3,819)	-	(3,819)
Investment fair value changes	-	-	-	-	(316)	-	-	(316)	-	(316)
Net fair value change transferred to profit or loss on impairment	-	-	-	-	-	-	-	-	-	-
Remeasurement of defined benefit liability including related tax	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	(3,821)	(316)	-	2	(4,135)	-	(4,135)
Total comprehensive income for the period	-	-	-	(3,821)	(316)	-	9,597	5,460	2,651	8,111
Contributions and distributions										
Final dividends declared for 2015	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations declared for 2015	-	-	-	-	-	-	(1,238)	(1,238)	-	(1,238)
Total Contributions and distributions	-	-	-	-	-	-	(26,186)	(26,186)	-	(26,186)
At 31 March 2016	166,320	84,116	45,890	(7,401)	(2,804)	(4,605)	225,591	507,107	47,871	554,978

The condensed consolidated interim financial information consist of pages 3 to 14.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2016

BD'000

2015	Equity attributable to equity holders of the Company							Total	Non - controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post- employ- ment benefit actuarial reserve	Retained earnings			
At 1 January 2015	166,320	83,160	46,464	3,056	(589)	(2,293)	235,950	532,068	46,990	579,058
Profit for the period	-	-	-	-	-	-	14,232	14,232	1,903	16,135
Other comprehensive income										
Foreign currency translation differences	-	-	-	(5,088)	-	-	-	(5,088)	(13)	(5,101)
Investment fair value changes	-	-	-	-	(430)	-	-	(430)	-	(430)
Net fair value change transferred to profit or loss on impairment	-	-	-	-	784	-	-	784	-	784
Remeasurement of defined benefit liability including related tax	-	-	-	-	-	290	-	290	-	290
Total other comprehensive income	-	-	-	(5,088)	354	290	-	(4,444)	(13)	(4,457)
Total comprehensive income for the period	-	-	-	(5,088)	354	290	14,232	9,788	1,890	11,678
Contributions and distributions										
Final dividends declared for 2014	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations declared for 2014	-	-	-	-	-	-	(1,234)	(1,234)	-	(1,234)
Total Contributions and distributions	-	-	-	-	-	-	(26,182)	(26,182)	-	(26,182)
At 31 March 2015	166,320	83,160	46,464	(2,032)	(235)	(2,003)	224,000	515,674	48,880	564,554

The condensed consolidated interim financial information consist of pages 3 to 14.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016**

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1 REPORTING ENTITY

The condensed consolidated interim financial information as at and for the three month period ended 31 March 2016 comprise the condensed consolidated interim financial information of Bahrain Telecommunications Company BSC ("Batelco" / "the Company") and its subsidiaries (collectively "the Group") and the Group's interests in an associate entity. . The Group is principally engaged in the provision of public telecommunications and associated products and services.

2 BASIS OF PREPARATION**(a) Statement of compliance**

The condensed consolidated interim financial information have been prepared in accordance with International Accounting Standard 34 – 'Interim Financial Reporting'. These do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

(b) Accounting policies

The accounting policies and risk management framework applied by the Group in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2015, except for the adoption of relevant new IFRSs, amendments and interpretations issued by IASB that are effective for annual periods beginning on or after 1 January 2016. The adoption of these new standards / amendments did not have a significant impact on the condensed consolidated interim financial information.

The condensed consolidated interim financial information are not audited but have been reviewed by KPMG Fakhro. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2015 and comparatives for the condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity have been extracted from the reviewed condensed consolidated interim financial information for the three months period ended 31 March 2015.

Due to the effect of seasonal variations, the results reported in the condensed consolidated interim financial information may not represent a proportionate share of the overall annual income.

(c) Judgements and estimates

In preparing these condensed consolidated interim financial information, management make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016

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3 CASH AND BANK BALANCES

Cash and bank balances include BD 91,942 (2015: BD 48,665) on account of short-term deposits with maturities exceeding three months and unclaimed dividends. These have been excluded for the purposes of condensed consolidated statement of cash flows.

4 LOANS AND BORROWINGS

Non-current loans and borrowings consist of bonds with a face value of BD 178.3 million. The bonds are listed for trading in the Irish Stock Exchange. The bonds have a tenor of 7 years, are unsecured and were priced at 325 points over 7 years US Treasuries, for a yield of 4.342% and coupon of 4.250% payable semi-annually.

Loans and borrowings also include a long term loan facility with a total available amount of BD 58.5 million (of which BD 49.2 million drawn as of 31 March 2016) which has been utilised by a group company to fund the company's working capital and license fees. The facility bears an interest rate of PLR – 3.35% per annum. As at 31 March 2016, BD5.3 million of the outstanding amount was classified under current liabilities being due within the next 12 months.

Current loans and borrowings also include an overdraft facility with a total available amount of BD 4.5 million of which BD nil has been utilised. The facility bears an interest rate of PLR – 3.35% per annum.

5 REVENUE

	Three months ended 31 March	
	2016 (reviewed)	2015 (reviewed)
Mobile Telecommunication Services	48,367	50,258
Data Communication Circuits	15,677	15,031
Fixed Broadband	11,347	11,761
Fixed Line Telecommunication Services	8,060	8,550
Adjacent Services	3,286	3,377
Wholesale	4,191	4,686
	90,928	93,663

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016**

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6 EARNINGS PER SHARE

	Three months ended 31 March	
	2016 (reviewed)	2015 (reviewed)
Profit for the period attributable to equity holders of the Company (million)	9.6	14.2
Weighted average number of shares outstanding during the period (million)	1,663	1,663
Basic earnings per share (Fils)	5.8	8.6

7 COMMITMENTS AND CONTINGENCIES**a) Guarantees**

- (i) The Company has furnished guarantees amounting to BD 4.5 million (2015: BD 4.9 million) to suppliers on behalf of an investee company in Kingdom of Saudi Arabia relating to the equipment supply contracts.
- (ii) As at 31 March 2016, the Group's banks have issued guarantees, amounting to BD 4.2 million (2015: BD 5.9 million) and letters of credit amounting to BD 0.6 million (2015: 14.8 million).
- (iii) The Group has furnished a comfort letter for BD 1.9 million (2015: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

b) Commitments

The Group has capital commitments at 31 March 2016 amounting to BD 8.1 million (2015: BD 25.2 million).

c) Contingent liabilities

The Group was previously involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices which are currently not expected to result in a contingent liability (2015: BD 5.0 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016

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8 RELATED PARTIES**a) Transactions with related parties**

The Company qualifies as a government related entity under the definitions provided in the Revised IAS 24. The Group provides telecommunication services to various Government and semi government organisation and companies in the Kingdom of Bahrain. The Group also avails various services from Government and semi government organisation and companies in the Kingdom of Bahrain. Such transactions are in the normal course of business and are not considered to be material.

b) Transactions with key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. During the period, the Group paid the following compensation to the key management personnel.

	Three months ended	
	31 March	
	2016 (reviewed)	2015 (reviewed)
Short-term employee benefits	513	483
Post-employment benefits	251	192
Total key management personnel compensation	764	675
Directors remuneration (including sitting fees)	174	169

9 APPROPRIATIONS

The shareholders of the Company in their meeting held on 21 March 2016 approved a cash dividend of BD 24.95 million and donations of BD 1.24 million.

10 COMPARATIVES

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016

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11 FAIR VALUE

The Group's financial assets and financial liabilities are measured at amortised cost except for certain available-for-sale investments, which are carried at fair value. Fair values measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measures:

- (i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured as at 31 March 2016, by the level in the fair value hierarchy into which the fair value measurement is categorized:

31 March 2016	Fair value			Total fair value
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Other investments	33,788	12,940	567	47,295
Financial assets not measured at fair value				
Other investments			826	826
Financial liabilities measured at fair value				
Contingent consideration (Other Payables)		-	2,126	2,126
Financial liabilities not measured at fair value				
Loans and borrowings	220,341	-	-	220,341

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016

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11 FAIR VALUE (continued)

	Fair value			Total fair value
	Level 1	Level 2	Level 3	
31 December 2015				
Financial assets measured at fair value				
Other investments	47,204	-	567	47,771
Financial assets not measured at fair value				
Other investments	-	-	826	826
Financial liabilities measured at fair value				
Contingent consideration (Other Payables)	-	-	2,113	2,113
Financial liabilities not measured at fair value				
Loans and borrowings	225,981	-	-	225,981

There were no transfers between any of the categories during the period. The Bonds have been fair valued using its quoted prices. Other loans and borrowings are repriced at frequent intervals and hence the carrying value is a reasonable approximation of its fair value. The Group has not disclosed the fair value for financial instruments such as short term trade and other receivables, trade and other payables and cash and bank balances, because their carrying amounts are a reasonable approximation of fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016

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12 SEGMENT INFORMATION*Operating segments*

The Group's operations are segregated between Bahrain, Jordan, Maldives, CIIM (Guernsey, Jersey and Isle of Man) and other countries. Other countries include South Atlantic, Diego Garcia, Kuwait, Yemen and Egypt. Segment information disclosed for the three months ended 31 March 2016 is as follows:

	As at 31 March 2016 (reviewed)							As at 31 March 2015 (reviewed)						
	Bahrain	Jordan	Maldives	CIIM	Other countries	Inter - segment elimination	Total	Bahrain	Jordan	Maldives	CIIM	Other countries	Inter - segment elimination	Total
Segment revenue and profit														
Revenue (external customers)	36,519	18,211	16,254	11,381	8,563	-	90,928	38,395	20,168	14,310	12,125	8,665	-	93,663
Inter-segment revenues	444	247	-	-	512	(1,203)	-	481	234	1	-	521	(1,237)	-
Profit	6,435	(818)	5,481	76	9,021	(7,949)	12,246	9,463	571	3,768	731	1,579	23	16,135

	As at 31 March 2016 (reviewed)							As at 31 December 2015 (Audited)						
	Bahrain	Jordan	Maldives	CIIM	Other countries	Inter - segment elimination	Total	Bahrain	Jordan	Maldives	CIIM	Other countries	Inter - segment elimination	Total
Segment assets & liabilities														
Non-current assets	173,368	267,375	102,126	73,211	115,662	(10,416)	721,326	165,221	260,270	104,332	95,503	125,186	(20,257)	730,255
Current assets	163,310	20,301	41,011	16,167	74,932	(30,867)	284,854	183,797	15,486	32,864	14,353	46,900	(18,673)	274,727
Total assets	336,678	287,676	143,137	89,378	190,594	(41,283)	1,006,180	349,018	275,756	137,196	109,856	172,086	(38,930)	1,004,982
Current liabilities	138,799	62,794	19,073	8,910	27,168	(49,629)	207,115	126,420	54,471	18,540	8,753	28,742	(51,671)	185,255
Non-current liabilities	176,902	48,290	8,164	7,079	198,687	(195,035)	244,087	176,826	47,558	8,239	7,600	6,451	-	246,674
Total liabilities	315,701	111,084	27,237	15,989	225,855	(244,664)	451,202	303,246	102,029	26,779	16,353	35,193	(51,671)	431,929