

**BAHRAIN TELECOMMUNICATIONS
COMPANY BSC**

**INTERIM CONSOLIDATED FINANCIAL
INFORMATION**

31 MARCH 2008

Bahrain Telecommunications Company BSC

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the three months ended 31 March 2008**

CONTENTS	Page
Financial highlights	1
Independent auditors' report on review of interim financial information	2
Interim consolidated financial information	
Condensed consolidated balance sheet	3
Condensed consolidated income statement	4
Condensed consolidated statement of cash flows	5
Condensed consolidated statement of changes in equity	6-7
Notes	8-11

**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the three months ended 31 March 2008**

Three months ended 31 March		2008	2007	% Increase / (Decrease)
Gross revenue	BD million	78.1	66.5	17%
Net revenue	BD million	59.1	54.2	9%
Expenses	BD million	56.9	42.6	33%
Profit attributable to Batelco shareholders	BD million	27.4	24.8	11%
Return on capital employed	%	27	28	(3%)
Number of issued shares	Million	1,440	1,200	20%
Earnings per share for the three months period (E.P.S for 2007 is based on adjusted no. of outstanding shares)	Fils	19.1	17.2	11%

Independent Auditors' Report on Review of Interim Consolidated Financial Information

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

23 April 2008

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Bahrain Telecommunications Company BSC ("the Company") as at 31 March 2008, and the related condensed consolidated statements of income, cash flows and changes in equity for the three-month period then ended ("the interim consolidation financial information").

The Directors of the Company are responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

CONDENSED CONSOLIDATED BALANCE SHEET
as at 31 March 2008

BD'000s

ASSETS	Note	31 March 2008 (reviewed)	31 December 2007 (audited)
Non-current assets			
Property, plant and equipment	6	208,685	214,636
Goodwill		124,380	124,380
Intangible assets		32,960	33,758
Investment in associate		62,932	62,446
Other investments		21,545	22,255
Total non-current assets		450,502	457,475
Current assets			
Inventories		3,536	4,474
Other investments		3,097	4,524
Trade and other receivables		53,004	49,468
Amounts due from telecommunications operators		7,522	4,926
Cash and cash equivalents		206,661	213,657
Total current assets		273,820	277,049
Total assets		724,322	734,524
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	7	144,000	120,000
Statutory reserve		73,262	68,434
General reserve		15,000	15,000
Foreign currency translation reserve		624	558
Retained earnings		172,633	200,942
Fair value reserve		1,343	1,595
Total equity attributable to shareholders of the parent company		406,862	406,529
Minority interest		9,754	10,277
Total equity (Page 6)		416,616	416,806
Non-current liabilities			
Trade and other payables		9,709	10,177
Borrowings		113,344	113,709
Deferred tax liability		6,312	6,456
Total non-current liabilities		129,365	130,342
Current liabilities			
Trade and other payables		93,531	104,533
Amounts due to telecommunications operators		6,792	4,073
Current tax liability		1,037	1,350
Borrowings		76,981	77,420
Total current liabilities		178,341	187,376
Total liabilities		307,706	317,718
Total equity and liabilities		724,322	734,524

The interim consolidated financial information which consists of pages 3 to 11, was approved by the Board of Directors on 23 April 2008 and signed on their behalf by:

Sh. Hamad bin Abdulla bin Hamad Al Khalifa
Chairman

Sh. Mohamed bin Isa Al Khalifa
Deputy Chairman

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2008

BD'000s

	Note	Three months ended 31 March 2008 (reviewed)	Three months ended 31 March 2007 (reviewed)
Revenue	8	78,136	66,531
Other income	9	7,136	1,290
		85,272	67,821
Network operating expenses	11	(25,361)	(17,760)
Employee benefits expenses		(11,654)	(9,912)
Depreciation and amortisation		(10,745)	(8,432)
General and administrative expenses	10	(9,095)	(6,606)
Results from operating activities		28,417	25,111
Finance income		2,114	421
Finance costs		(2,108)	(225)
Share of profit of associate (net of income tax)		486	-
Profit before income tax		28,909	25,307
Income tax expense		(637)	-
Profit for the period		28,272	25,307
Attributable to:			
Equity shareholders of the parent company		27,441	24,757
Minority interest		831	550
		28,272	25,307
Basic earnings per share for the period (Fils)	12	19.1	17.2

The interim consolidated financial information which consists of pages 3 to 11, was approved by the Board of Directors on 23 April 2008 and signed on their behalf by:

Sh. Hamad bin Abdulla bin Hamad Al Khalifa
Chairman

Sh. Mohamed bin Isa Al Khalifa
Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2008
 BD'000s

	Three months ended 31 March 2008 (reviewed)	Three months ended 31 March 2007 (reviewed)
Operating activities		
Cash receipts from customers	70,722	60,255
Cash paid to suppliers	(31,569)	(23,178)
Cash paid to and on behalf of employees	(17,227)	(11,970)
Cash paid to telecommunications operators	(3,412)	(4,391)
Cash flows from operating activities	18,514	20,716
Investing activities		
Acquisition of plant and equipment	(8,256)	(10,021)
Proceeds from sale of land	7,513	-
Net proceeds from sale and maturity of investments	1,453	1,885
Interest and investment income received	2,723	2,047
Cash flows from investing activities	3,433	(6,089)
Financing activities		
Dividend paid	(24,903)	(34,777)
Interest paid	(3,457)	-
Loan received	-	1,131
Cash paid to charities	(583)	(1,263)
Cash flows from financing activities	(28,943)	(34,909)
Decrease in cash and cash equivalents	(6,996)	(20,282)
Cash and cash equivalents at the beginning of the period	213,657	45,756
Cash and cash equivalents at the end of the period	206,661	25,474

The interim consolidated financial information consists of pages 3 to 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2008

BD'000s

2008

	Total equity attributable to shareholders of the parent Company						Minority interest	Total equity	
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Fair value reserve on investments	Retained earnings			Total
At 1 January 2008	120,000	68,434	15,000	558	1,595	200,942	406,529	10,277	416,806
Fair value changes	-	-	-	-	(252)	-	(252)	-	(252)
Foreign currency translation	-	-	-	66	-	-	66	193	259
Total recognised income and expense directly in equity	-	-	-	66	(252)	-	(186)	193	7
Profit for the period	-	-	-	-	-	27,441	27,441	831	28,272
Total recognised income and expense for the period	-	-	-	66	(252)	27,441	27,255	1,024	28,279
Final dividend (2007)	-	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Bonus issue (2007)	24,000	-	-	-	-	(24,000)	-	-	-
Donations (2007)	-	-	-	-	-	(2,537)	(2,537)	-	(2,537)
Directors' remuneration (2007)	-	-	-	-	-	(385)	(385)	-	(385)
Transfer to statutory reserve (2007)	-	4,828	-	-	-	(4,828)	-	-	-
Dividends to minority shareholders	-	-	-	-	-	-	-	(1,547)	(1,547)
At 31 March 2008	144,000	73,262	15,000	624	1,343	172,633	406,862	9,754	416,616

The interim consolidated financial information consists of pages 3 to 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2007

BD'000s

	Total equity attributable to shareholders of the parent Company						Minority interest	Total equity	
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Fair value reserve on investments	Retained earnings			Total
2007									
At 1 January 2007	120,000	60,000	15,000	113	-	167,563	362,676	8,488	371,164
Fair value changes	-	-	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	(41)	-	-	(41)	(13)	(54)
Total recognised income and expense directly in equity	-	-	-	(41)	-	-	(41)	(13)	(54)
Profit for the period	-	-	-	-	-	24,757	24,757	550	25,307
Total recognised income and expense for the period	-	-	-	(41)	-	24,757	24,716	537	25,253
Final dividends (2006)	-	-	-	-	-	(33,600)	(33,600)	-	(33,600)
Donations (2006)	-	-	-	-	-	(1,750)	(1,750)	-	(1,750)
Directors' remuneration (2006)	-	-	-	-	-	(330)	(330)	-	(330)
Transfer to statutory reserve (2006)	-	8,434	-	-	-	(8,434)	-	-	-
Dividends to minority shareholders	-	-	-	-	-	-	-	(1,241)	(1,241)
At 31 March 2007	120,000	68,434	15,000	72	-	148,206	351,712	7,784	359,496

The interim consolidated financial information consists of pages 3 to 11.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the three months ended 31 March 2008

BD'000s

- 1 The interim consolidated financial information as at and for the three months period ended 31 March 2008 comprise the interim consolidated financial information of Bahrain Telecommunications Company BSC ("the Company"), its subsidiaries (collectively "the Group") and its associate. The Group is principally engaged in the provision of public telecommunications and associated products and services.
- 2 The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting), which permits the interim financial information to be in summarized form.
- 3 The interim consolidated financial information have been prepared using the same accounting policies set out in the audited consolidated financial information for the year ended 31 December 2007.
- 4 The interim consolidated financial information are not audited but have been reviewed by KPMG. The comparatives for the condensed consolidated balance sheet have been extracted from the audited consolidated financial statements for the year ended 31 December 2007 and the comparatives for the condensed consolidated statements of income, cash flows and changes in equity have been extracted from the reviewed interim consolidated financial information for the three months ended 31 March 2007.
- 5 Due to the effect of seasonal variations, the results reported in these interim consolidated financial information may not represent a proportionate share of the overall annual income.

6 Property, plant and equipment

During the three months ended 31 March 2008, the Group acquired assets with a cost of BD 4,838 (31 March 2007: BD 7,771). Disposal of assets amounted to BD 1,223 (31 March 2007: BD 1,326).

7 Share capital

In the Annual General Meeting held on 27 February 2008, the shareholders of the Company approved issue of bonus shares in the ratio of one bonus share for every five shares held by capitalising retained earnings for BD 24,000, resulting in an increase in the number of shares from 1,200 million shares to 1,440 million shares.

8 Revenues

	Three months ended 31 March 2008 (reviewed)	Three months ended 31 March 2007 (reviewed)
Mobile telecommunications services	39,526	31,942
Fixed line telecommunication services	9,278	9,778
Internet	8,658	8,672
Data communication circuits	10,068	8,308
Wholesale	9,539	7,096
Other	1,067	735
	78,136	66,531

Information on geographic segments is set out in Note 15.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the three months ended 31 March 2008
 BD'000s

9	Other income	Three months ended 31 March 2008 (reviewed)	Three months ended 31 March 2007 (reviewed)
	Gain on sale of land	6,804	-
	Net loss on disposal of plant and equipment	(49)	(19)
	Others	381	1,309
		7,136	1,290
10	General and administrative expenses	Three months ended 31 March 2008 (reviewed)	Three months ended 31 March 2007 (reviewed)
	Marketing, advertising and publicity	2,569	3,040
	Other expenses	4,164	3,187
	Impairment allowances	2,362	379
		9,095	6,606
11	Network operating expenses	Three months ended 31 March 2008 (reviewed)	Three months ended 31 March 2007 (reviewed)
	Outpayments to telecommunications operators	10,798	8,328
	Telecom facility operating lease rentals	4,728	3,630
	Cost of sales of equipment	6,438	2,672
	Repair and maintenance	1,587	1,832
	Licence fee	1,810	1,298
		25,361	17,760

12 **Earnings per share:** The earnings per share ("EPS") have been computed and presented in accordance with International Financial Reporting Standards. The calculation of EPS is based on the net profit for the three months ended 31 March 2008 of BD 27,441 (31 March 2007: BD 24,757), attributable to 1,440 million (2007: 1,440 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the period.

13 **Commitments and contingencies**

(i) The Group has signed a Memorandum of Understanding ("MOU") with Atheeb Trading Company ("Atheeb") to form a consortium to jointly bid for an award of a License as a Facilities Based Provider for Fixed Services in the Kingdom of Saudi Arabia. As per the terms of the MOU, the Group has issued counter guarantees in favour of Atheeb for SR 122 million (BD 12.24 million) towards its share of the Spectrum Fee and Project Upfront License Fee, in the consortium.

(ii) **Operating leases**

The Group enters in to cancellable operating lease agreements in the normal course of business, which are principally in respect of buildings and equipment. These lease agreements are cancellable with one to three months notice.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the three months ended 31 March 2008
 BD'000s

(iii) Staff housing loans

The Group provides loans to its Bahraini employees for the acquisition of residential properties. The loans are funded through a local commercial bank and secured by a guarantee issued by the Group. The Group bears 75% (2007: 75%) of the loan interest. At 31 March 2008, the Group has guaranteed BD 5.3 million towards housing loans to staff (31 December 2007: BD 5.4 million).

(iv) As at 31 March 2008, the Group's banks have issued guarantees, amounting to BD 7.40 million (31 December 2007: BD 3.32 million) and letters of credit amounting to BD Nil (31 December 2007: BD Nil).

(v) The Group has capital commitments at 31 March 2008 amounting to BD 12.81 million (31 December 2007: BD 12.46 million).

14 Related parties

i) Transactions with related parties

The Company provides telecommunication services to various Government and semi government organisation and companies in the Kingdom of Bahrain. The Company also avails various services from Government and semi government organisation and companies in the Kingdom of Bahrain.

ii) 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 2008 (reviewed)	Three months ended 31 March 2007 (reviewed)
Short-term employee benefits	308	264
Post-employment benefits	22	11
Total key management personnel compensation paid	330	275
Directors' remuneration	385	330

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the three months ended 31 March 2008

BD'000s

15 Segment information

Geographic segments

For reporting purposes the Group's operation is geographically segregated between Bahrain, and other Middle East and North African ("MENA") countries. Segment information disclosed for the three months ended 31 March 2008 after elimination of inter company transactions is as follows:

Segment revenue and net profit	Three months ended 31 March 2008 (reviewed)			Three months ended 31 March 2007 (reviewed)		
	Other MENA			Other MENA		
	Bahrain	countries	Total	Bahrain	countries	Total
Revenue	51,404	26,732	78,136	49,558	16,973	66,531
Other income / (loss)	7,226	(90)	7,136	1,301	(11)	1,290
Net profit	25,100	3,172	28,272	23,384	1,923	25,307
Segment assets and liabilities						
Non-current assets	227,714	222,788	450,502	173,566	214,783	388,349
Current assets	228,697	45,123	273,820	52,426	26,461	78,887
Total assets	456,411	267,911	724,322	225,992	241,244	467,236
Current liabilities	123,686	54,655	178,341	41,508	38,572	80,080
Non-current liabilities	109,707	19,658	129,365	-	27,660	27,660
Total liabilities	233,393	74,313	307,706	41,508	66,232	107,740

16 Comparatives

The comparative figures for the previous period have been reclassified, where necessary, in order to conform to the current period's presentation. Such reclassifications do not affect the previously reported net profit, net assets or equity. The Group acquired a 20% equity stake in Yemen Company For Mobile Telephony Y.S.C ("Sabafon"), for a consideration of US\$ 158 million (BD 59.57 million) with effect from 22 April 2007. The interim consolidated financial information as at and for the three months period ended 31 March 2008 include the results of Sabafon for the three months ended 31 March 2008. Hence, the comparative figures presented for the corresponding period ended 31 March 2007 are not strictly comparable.