

BATELCO REPORTS NET PROFITS OF BD3.5M COMPARED TO BD37.6M IN 2016, A DECLINE OF 91%, ALSO STRONG REVENUE OF BD379.4M FOR THE FULL YEAR 2017

- Net profit down from BD37.6M (US\$99.7M) to BD3.5M (US\$9.3M), A 91% drop due to impairment losses related to the Group's investments in Yemen and Jordan
- Q4 2017 net loss of BD21.7M (US\$57.6M) compared to a net profit of BD5.2M (US\$13.8M) in Q4 2016, a 518% decline
- Revenue grew 3% year-on-year from BD367.1M (US\$973.7M) to BD379.4M (US\$1,006.4M)
- Operating profit up 2% year-on-year excluding voluntary employee retirement costs
- Earnings per share for the full year in 2017 stood at 2.1 fils, compared with 22.6 fils reported in 2016
- Dividend consistent with prior years at 25 fils per share
- Intention to acquire up to 10% treasury shares, subject to required approvals

Manama, Bahrain – 25 February 2018: Batelco (Ticker: BATELCO), the regional telecommunications group with operations across 14 countries, today announced the year end financials with net profit of BD3.5M (US\$9.3M) compared to BD37.6M (US\$99.7M) reported in 2016, a 91% year over year decline. The reduced net profits for the period are mainly impacted by non cash impairment losses related to the Group's investments in Yemen and Jordan. The Group also reported a Q4 2017 net loss of BD21.7M (US\$57.6M) compared to a net profit of BD5.2M (US\$13.8M) in Q4 2016, a 518% decline.

The Group ended the year with a 3% increase in gross revenues, reaching BD379.4M (US\$1,006.4M) for the full year 2017, as compared to BD367.1M (US\$973.7M) in 2016.

Organic gross revenue, which grew for the first time since 2009, was boosted by double-digit growth in broadband and digital services, reporting 16% and 13% growth respectively. Quarter on quarter gross revenues also reported an 8% increase compared to 2016 of BD101.9M (US\$270.3M) in Q4 2017 compared to BD94.1M (US\$249.6M) in Q4 2016.

The Board of Directors has recommended a full year cash dividend of BD41.6M (US\$110.3M), at a value of 25 fils per share to be agreed at the Group's Annual General Meeting, of which 10 fils per share was already paid during the third quarter of 2017 with the remaining 15 fils to be paid following the AGM in March 2018. The dividend is consistent with previous years and is an example of Batelco's commitment to its shareholders.

Batelco's Chairman Shaikh Mohamed bin Khalifa Al Khalifa, said: "We continue to progress well in order to execute our strategic plan. However, some of our international businesses continue to feel the impact of the political and economic instability across the region and we are providing them with all the support necessary to get them through this difficult period.

"Overall, I am pleased to see that our hard work is paying off. We have maintained a robust cash position and we will pay our shareholders a dividend this year consistent with prior year payouts. I am highly optimistic for the future of Batelco Group as we continue into 2018. We have a sound strategy, an accomplished executive team and a pipeline of products and services to support us in our path forward. As we look ahead, our goal is to build on this recent success and continue to be a national champion for Bahrain."

Financial and Operational Highlights

	2017		2016		Growth %
	BDM	US\$M	BDM	US\$M	
Gross revenues	379.4	1,006.4	367.1	973.7	+3
EBITDA	124.7	330.8	135.2	358.6	-8
Operating profit	58.4	154.9	65.4	173.5	-11
Consolidated net profit	3.5	9.3	37.6	99.7	-91
Alternative performance measures:					
Subscriber base	9.4 million		9.4 million		—
Contribution to revenues by international operations	59%		59%		—
Contribution to EBITDA by international operations	56%		53%		+6

Group Financial Review

EBITDA for the year was BD124.7M (US\$330.8M), a decline of 8% YoY from BD135.2M (US\$358.6M) in 2016. The decline in EBITDA is mainly attributable to BD8.1M (US\$21.5M) voluntary employee retirement costs incurred in Batelco Bahrain.

The Group ended the year with net profit of BD3.5M (US\$9.3M) compared to BD37.6M (US\$99.7M) reported in 2016, a 91% year over year decline. The reduced net profits for the period are mainly impacted by impairment losses related to the Group's investments in Yemen and Jordan which were acquired in 2007 and 2006 respectively in line with International Financial Reporting Standards (IFRS) requirements.

The Group's net profits have previously been impacted by the reduction in the carrying value of its international investments and goodwill; whereas management and the Board of Directors prudently and promptly took the necessary impairments to reflect the fair value of these investments.

Sabafon, in which the Group has a 26.94% shareholding and acquired in 2007, faced unique operating challenges as a result of the ongoing conflict in Yemen and currency decline. These factors have increased the economic impact on the company and as a result Batelco has impaired the carrying value of its investment by BD30.0M (US\$79.6M). However, Batelco continues to believe that Sabafon has solid business fundamentals. The business is still generating positive EBITDA and the market, once it stabilizes, has significant growth potential. The impairment was isolated to Yemen and represents a prudent decision in line with IFRS due to geopolitical/ macroeconomic events and is not reflective of the Group's financial health.

The Group's balance sheet and financial position remain resilient despite the difficult operating environment. As of 31 December 2017, net assets were BD502.5M (US\$1,332.9M) compared to BD537.0M (US\$1,424.4M) with substantial cash and bank balances of BD158.7M (US\$421.0M).

Batelco Group CEO Ihab Hinnawi commented: "2017 saw Batelco Group perform well despite a challenging regional operating environment, as demonstrated through our strong financial performance and transformational programmes, which saw a 3% increase in revenues from the previous year. The growth from the past year was mainly driven by our operations in Bahrain, Jordan and the Maldives, and through our diversified revenue streams – primarily digital and broadband services."

"While we reported a decline in net profit, this was primarily due to the prudent and conservative strategy of our management team to impair certain assets in Yemen and Jordan."

Group Operational Review

Batelco Bahrain Highlights

Commenting on the group's domestic performance, Batelco Bahrain CEO Mohamed Bubashait said, Bahrain remains one of Batelco's most robust markets, reporting a 3% year-on-year increase in revenue for 2017, boosted by the growing success of fixed broadband and digital services. Batelco's domestic growth in broadband services was driven by heavy investment in its Fibre Rollout Programme to accommodate the demand for faster internet services, which contributed to a 32% YoY increase in broadband subscribers.

"Looking ahead, we will continue to invest in Bahrain's digital future and to contribute to the Kingdom's social and economic growth, specifically through investing in world class datacenter services, fintech solutions and new technologies. All of this supports the Kingdom's transition to a digital and diversified economy," Bubashait added.

International Highlights

Overall performance across the Group was supported by sustained customer numbers in the majority of the Group's operations.

Jordan (Umniah): While Umniah, which was acquired in 2006, still tops Batelco's revenue from its overseas operations and reported 8% YoY growth in revenues and 40% YoY increase in broadband subscribers, high telecom taxes and increased electricity costs on telecom companies contributed to an impairment of goodwill of BD20.0M (US\$53.1M).

- **Kuwait (Quality Net):** Qualitynet remains market leader in the Fixed Data Communication and Internet Services and ICT industry in the State of Kuwait. The company continues to evolve into a total solutions provider for reliable, scalable, secure and cost effective state of the art internet, data and ICT solutions.
- **Maldives (Dhiraagu):** Dhiraagu ended the year with strong financial results with 5% YoY revenue increase due to growth across mobile data, Fibre-to-the-home (FTTH), enterprise and adjacent services. Mobile subscribers grew by 9%, while fixed broadband customers grew by 31% driven by the roll out of FTTH. Overall broadband subscriber base grew by 53% and the Maldives remains one of the Group's best performing markets.
- **Channel Islands, Isle of Man, South Atlantic & Diego Garcia (Sure Group):** The significant investments made to its mobile and fixed networks enabled Sure to resist competitive pressures and to boost mobile subscriptions by 6% and broadband subscriptions by 4%. Customers were attracted to Sure's network speeds which, in the Channel Islands, were independently measured as being the fastest and to its innovative tariffs.

Guidance and outlook for 2018

The Group has stated its intent to seek the necessary approvals to acquire up to 10% of its paid-up capital as treasury shares as the Group believes the shares are undervalued and trading at a discount

Additionally, the Group remains focused on executing Batelco's growth strategy, which includes:

- Transforming all operators to increase group profitability results;
- Developing new partnerships to boost short-term earning;
- Continuing to invest in its digital technology;
- Expanding and improving the quality and speed of its LTE networks across all markets; and
- Enhancing its cybersecurity capabilities and its risk assessments.

Commenting on the strategy and outlook for the upcoming period, **Batelco's Chairman Shaikh Mohamed said:** "Looking ahead, we are planning to expand our business scope, scale and performance to enhance customer value as much as we can. Our core focus areas are digital services, fixed and mobile data, and multi-play offerings."

"We are confident in our future guidance, and believe we have a solid strategy in place to help achieve our target revenue and net profit for the full year 2018," he concluded.

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ABOUT BATELCO

Batelco Group is headquartered in the Kingdom of Bahrain and listed on the Bahrain Bourse. Batelco has played a pivotal role in the country's development as a major communications hub and today is the leading integrated communications' provider, continuing to lead and shape the local consumer market and the enterprise ICT market. Batelco has been growing overseas via investing in other market-leading fixed and wireless operators.

Batelco Group has evolved from being a regional Middle Eastern operation to become a major communications company with direct and indirect investments across 14 geographies, namely Bahrain, Jordan, Kuwait, Saudi Arabia, Yemen, Egypt, Guernsey, Jersey, Isle of Man, Maldives, Diego Garcia, St. Helena, Ascension Island and the Falkland Islands.

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