

For immediate release
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Batelco Group Announces Third Quarter 2017 Profits of BD25.2Million (US\$66.8 Million)

Manama, Bahrain: Batelco Group (Ticker: BATELCO), the international telecommunications Group with operations across 14 countries, today announced its results for the nine-month period ended 30 September 2017 ("the Period"). The Group has maintained stable revenues with increases over the previous quarter and over Q3 2016.

Financial and Subscriber Highlights

- Gross revenues of BD277.6M (US\$736.3M) for the period;
- EBITDA of BD91.2M (US\$241.9M) representing a 33% margin;
- Consolidated net profit of BD25.2M (US\$66.8M) for the period;
- Subscriber base has grown to over 9.6 million, an increase of 7% YoY;
- Substantial cash and bank balances of BD151.1M (US\$400.8M); and
- Earnings per share of 15.2 fils.

For the nine-month period, the Group's Gross Revenues are up by 2% year-on-year to BD277.6M (US\$736.3M) supported by improved revenues in the Bahrain operation, Umniah in Jordan and Dhiraagu in the Maldives. Gross Revenues also showed an improvement of 6% over the previous quarter in 2017 and 7% over Q3 2016.

EBITDA for the period was BD91.2M (US\$241.9M), a 13% decline year over year, 14% quarter-on-quarter decline over Q2 2017 and 20% quarter-on-quarter decline over Q3 2016. The drop in EBITDA is mainly attributed to restructuring costs incurred in Q3 2017. However, the Group continues to sustain a robust EBITDA margin of 33%.

The Group ended the nine month period with Net Profit of BD25.2M (US\$66.8M), a 22% decline compared to the corresponding period in 2016 and quarter-on-quarter decline of 43% compared to Q2 2017 and 37% compared to Q3 2016. The reduced net profits for the period are mainly impacted by the lower EBITDA due to restructuring and the share of loss from the Group's investment in Sabafon, Yemen due to the ongoing political unrest.

The Group's balance sheet remains strong; as of 30 September 2017 net assets were valued at BD522.6M (US\$1,386.2M) with cash balances of BD151.1M (US\$400.8M). This includes the impact of

the interim dividend (10 fils per share) announced and paid during the quarter. Earnings per share for the period stood at 15.2 fils.

The Q3 financial results were announced following a meeting of the Board of Directors at Batelco Headquarters on Monday October 30th, 2017.

Commenting on the results for the first nine months of the year, Batelco Chairman Shaikh Mohamed bin Khalifa Al Khalifa said that Batelco's operations are evolving and transforming to meet the challenges of the communications industry and to cope with the competitive environments throughout the Group's locations.

Shaikh Mohamed noted that the Group's efforts are focussed on transforming operations to achieve a competitive edge and long-term operational excellence. The communications world is shifting due to a thirst for more content and digital transformation. Batelco continues with its efforts to be positioned as a leading digital solutions and services provider.

Group Operational Review

Batelco Group Chief Executive Ihab Hinnawi said that the Group is pleased to report that gross revenues are up year-on-year, the first year to show top line improvement in several years, as a result of the Company's investment in fibre and both fixed and mobile LTE.

"We are also delighted that our focussed strategy supported by Batelco Board of Directors has helped us to grow market share in Bahrain, the Maldives and Jordan," he added.

The Group CEO continued by saying that Batelco recognises the onset of a new digital era and the continuous enhanced demands of its customers.

"We are at the forefront of defining and creating an environment that seeks to bring together the digital and telecommunications worlds and realising that both have unique and complementary strengths that can be used to address the needs of nations and individual consumers. In doing so, we understand that issues to be solved are not one of corporate culture, technology or of capital alone, but really all of them together, and therefore we have put into place a multi-pronged strategy to address all of these simultaneously."

"We are very pleased to announce that overall subscriber numbers are up 7% year-over-year and 1% since Q2 2017. At the end of the nine month period, 59% of Revenues and 56% of EBITDA were attributable to operations outside of Bahrain. This is compared with 59% of Revenues and 55% of EBITDA in the first nine months of 2016."

"Across the Group a number of locations showed significant growth in their customer numbers with Dhiraagu Mobile subscribers up by 8% versus the same period of 2016 and Broadband subscribers up by an impressive 46% over the same timeframe. Sure Group has made pleasing gains, with their Fixed Line customer base up by 11% YoY and Broadband subscribers up by 4%. Umniah's Broadband subscriber

base is up by 33% thanks to their advanced fixed Broadband network and state-of-the-art mobile network and also the introduction of superfast Fibre services.”

During the third quarter of 2017 Umniah continued to invest in its infrastructure, launching the first phase of its fibre optic services for individual and enterprise customers. The launch covered a number of key areas in Amman, with infrastructure extending over 70 km and reaching 16,000 households and offices. This was accompanied by the deployment of 700 additional sites nationwide, which will further reinforce Umniah’s network.

Similarly, Dhiraagu continued its growth on mobile and fixed broadband customers, focusing on FTTH (Fibre to the Home) expansion across the country and enhancement of the recently launched Dhiraagu TV service. FTTH was rolled out in 10 new islands and 23 popular channels were added to Dhiraagu TV.

In the Channel Islands and Isle of Man, SURE completed the roll out of its 4G+ network and further enhanced 4G coverage resulting in data usage continuing to drive revenue growth. Fixed broadband also continues to receive investment leading to significant enterprise customer wins. This quarter also witnessed the announcement that SURE has been selected as the preferred supplier for the Isle of Man Government’s 6000 mobile services, the delivery of which will commence before year end.

In the South Atlantic, access issues worsened during the quarter with visitor numbers to Ascension and Saint Helena well below expectations which impacted revenues. In the Falkland Islands, SURE has commenced a substantial investment in a fast 4G mobile broadband network following the issuing of a new twelve-year license.

In Kuwait, the quarter saw Qualitynet delivering the first successful implementation of visual telebanking in the country. In traditional services, broadband customer numbers remain under pressure due to highly competitive MNO offerings though Qualitynet is successfully retaining high value customers through product offerings supported by excellent customer service.

Sabafon, in which the Group holds a 26.94% shareholding, continues to be impacted by the difficult operating environment in Yemen. Although the company is still operational and has reported a 31% year on year increase in its subscriber numbers, the continued political instability has affected the company financially with a BD2.0M share of loss reported in the Group’s financial results in Q1 2017.

Batelco Bahrain

Batelco Bahrain CEO Mohamed Bubshait stated that investment and strategic efforts have resulted in growing customer numbers across mobile, fixed and Broadband, which is very good news.

“The Broadband customer base has grown by 34% year over year, while fixed line subscribers are up by 8% and the mobile customer base is up by 23%. We are delighted to see that the initiatives that our teams have worked hard to implement have delivered promising results. It gives us confidence that our products and value added services are meeting our customers’ needs.”

Batelco became an Amazon Web Services (AWS) partner earlier in the year and building on that relationship Batelco was recently announced as an AWS Direct Connect partner. This placed Batelco as the first provider from Bahrain to enable customers around the region to connect directly to AWS infrastructure using the service. Batelco is also an AWS authorised channel and public sector reseller.

In further collaborations with Amazon, Batelco sponsored the organisation's first Middle East Summit which took place in Bahrain in September, with the event bringing together leaders in the cloud computing community from Bahrain and the region to connect, collaborate and learn. During the event, Batelco demonstrated its digital solutions including products and services from AWS such as Amazon WorkSpaces, Amazon WorkMail and AWS Direct Connect.

Following on from its successful participation last year, Batelco took part at GITEX 2017 under the umbrella of the Kingdom of Bahrain pavilion. Batelco's involvement reflects the Company's commitment to the ICT industry and the tremendous efforts it makes in developing relevant solutions which help to maintain Bahrain's leading position on the international market.

As part of an ongoing commitment to enhance support services for customers, Batelco unveiled a new look City Centre Mall shop following a major redesign. In line with Batelco's digitisation strategy all processes at the new look outlet have been revised and digitised to put the latest systems in place and ensure delivery of services more efficiently than ever before.

Looking Ahead

Before concluding, the Batelco Chairman noted that Batelco continues to give high priority to its Corporate Social Responsibility (CSR) programme which aims to support initiatives across the fields of Health, Education, Sports and Culture and in line with this has committed over BD1M during the first nine months of 2017.

"For the last quarter of the year, we will be focused on pushing forward with a new era of transformation, ensuring the right teams are in place to drive our multi-pronged strategy forward."

"Industry trends change, technology changes and customers' needs change so we understand that to benefit from the opportunities delivered by ongoing change that Batelco needs to continuously transform."

"On a continuous basis Batelco strives to support initiatives and programmes that are in line with the government's commitment to deliver crucial communications solutions for all sectors including health, education, banking and security. New services and solutions are needed to drive the Kingdom's economic growth and Batelco is fully committed to playing a key role in this delivery," Shaikh Mohamed concluded.

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This press release has been issued by Batelco Corporate Affairs department.
For further information, please contact Batelco Public Relations Office
Public.Relations@btc.com.bh / Fax +973 17611898

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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