



Press Release

For immediate release  
Thursday 20<sup>th</sup> July, 2017

## Batelco Group Announces Half Year 2017 Net Profit of BD19.0 Million

**Manama, Bahrain:** Batelco Group (Ticker: BATELCO), the international telecommunications company with operations across 14 countries, today announced its financial results for the six months ended 30 June 2017 (“the Period”). The Group continued with its promising start to the year with Net Profit showing improvement over Q1 2017.

### Financial and Subscriber Highlights for the Period

- Gross Revenues of BD181.1M (US\$480.4M);
- EBITDA of BD64.0M (US\$169.8M) representing a 35% margin;
- Consolidated Net Profit of BD19.0M (US\$50.4M);
- 59% of revenues and 52% of EBITDA sourced from markets outside Bahrain;
- Cash and bank balances of BD157.4M (US\$417.5M);
- Earnings per share of 11.4 fils with an approved interim cash dividend of 10 fils per share; and
- Subscriber base of over 9.5 million, an increase of 4% YoY.

The Group’s Gross Revenues of BD181.1M (US\$480.4M) have remained steady Year-on Year with a slight 1% decline compared to the same period in 2016. The gross revenues for the second quarter of 2017 show a 1% decrease compared to Q2 2016 but an increase of 2% compared to Q1 2017.

EBITDA for the period was BD64.0M (US\$169.8M), a 10% decline year over year, and quarter on quarter decline of 12% compared to Q2 2016. EBITDA for Q2 2017 was in line with that of the previous quarter with only a 2% marginal decline. The YoY drop in EBITDA is a partly due to increased operating expenses compared to 2016, mainly higher network and IT costs as a result of network enhancements and additional sites across the Group. Despite the reduction in EBITDA, the Group continues to sustain its robust EBITDA margin of 35%.

For the first six months of the year, the Group reported Net Profit of BD19.0M (US\$50.4M), a 16% decline compared to the corresponding period in 2016 and a quarter on quarter decline of 17% over Q2 2016. However, Net Profit is up by 32% compared to Q1 2017 as Q1 results were

impacted by the share of loss from the Group's investment in Sabafon, Yemen, due to the continued instability in the region caused by political unrest.

The Group's balance sheet remained strong; as of 30 June 2017 net assets were BD532.9M (US\$1,413.5M) with substantial cash and bank balances of BD157.4M (US\$417.5M). Earnings per share were 11.4 fils and the Board of Directors approved an interim cash dividend for shareholders of 10 fils per share for the six month period.

Commenting on the results for the first six months of 2017 Batelco Chairman Shaikh Mohamed bin Khalifa Al Khalifa said that Batelco Group continues to be immersed in a lengthy period of harsh competitive pressure and the impact of this is reflected in the Group's financial results.

"This operating environment is due to circumstances in the telecom industry, not just in Bahrain, but across the geographies in which we operate. However, our strategy is evolving so that we are prepared to meet the ongoing changes in the industry. We are investing in restructuring and training to ensure we have the right mix of skills and expertise across our management and general staff teams."

"Another key area where we are continuously evolving is on strengthening the relationship we have with our customers by focusing on the overall customer experience rather than just customer services. We are client and customer focused across all sectors from the general public to government, medical, banking and beyond."

"Additionally, our combined Group-wide efforts to pool resources is making good progress and helping to support our efforts to reduce costs," Shaikh Mohamed added.

### **Group Operational Review**

Batelco Group Chief Executive Ihab Hinnawi said that throughout the Group, in order to remain viable in the current digital era and to cater for the continuous digital demand from customers, Batelco's affiliates and subsidiaries are in the process of transforming their operations by digitizing all their touch points and internal processes in addition to introducing new digital services that will enhance the life of customers as part of the group digital strategy.

"The provision of full digital services will enable a superior customer experience which is always among our key priorities," added Mr. Hinnawi.

"All our operations place great importance on the quality of their networks and the quality of their customer services while working to implement new solutions to elevate our standards, and the success of their efforts has been reflected by increasing customer numbers."

"We are very pleased to announce that overall subscriber numbers are up 4% YoY and 3% since Q1 2017. At the end of the six month period, 59% of Revenues and 52% of EBITDA were attributable to operations outside of Bahrain. This is compared with 59% of Revenues and 57% of EBITDA in the first half of 2016."

“Across the Group a number of locations showed significant growth in their customer numbers with Dhiraagu mobile and Broadband subscribers up by 16% YoY. Sure Group has also made impressive gains with their fixed line customer base up by 11% YoY and Broadband subscribers up by 6%. We are particularly pleased to note that Broadband customers at Batelco in Bahrain are up by 34% over the first six months of 2016 and up by 8% over Q1 of this year.”

**Jordan – Umniah:** Umniah continues to focus on providing the Jordanian market with high quality and innovative solutions. During the second quarter of 2017, the company maintained its efforts to deliver unmatched customer experience, signing an agreement to upgrade and expand its network infrastructure, which will double the capacity of its mobile and home-based LTE solutions. The network expansion builds on Umniah’s ongoing strategy to continually improve its existing services. Umniah also partnered with a mobile payment service provider to launch an online payment system that transforms the way students use public transit, allowing them to pay for transportation electronically. Umniah also finalized an agreement with Jordan Post to connect its main office with its branches throughout the Kingdom. In May, Umniah was crowned by the TRC as the operator with the best overall customer satisfaction rate in Jordan. The company ended the quarter with a mobile subscriber base of over 2.4 million and YoY increases in broadband subscribers of 14%.

**Kuwait - Quality Net:** Qualitynet had a strong performance in Q2 in a market that remains highly competitive. While broadband customer numbers remain under pressure due to highly competitive MNO offerings Qualitynet is successfully retaining high value customers through product offering supported by excellence in customer service and support. The company recently became the first service provider in Kuwait to offer CDN Cache to Host Facebook and Instagram on a local network and also received Arabian Business’s “Best Telecommunications Provider in Kuwait” award.

**Maldives - Dhiraagu:** During the second quarter, Dhiraagu continued to perform well with strong growth on mobile and fixed broadband customers following successful acquisition campaigns. The principal highlight was the company unveiling its new branding with a completely fresh look, new colour and an updated logo to reflect the company’s pivotal role as the partner of choice for an increasingly digital world. Dhiraagu also launched its much anticipated IPTV service, DhiraaguTV, making Dhiraagu the only provider of wide-scale residential IPTV services via fixed broadband. In line with its commitment to provide the best customer experience, Dhiraagu continued expansion of its 4G network and high speed fibre broadband services across the country, with 4G now covering 79% of the population and fibre broadband available in 33 islands. These initiatives have contributed to YoY increases in mobile and broadband subscribers of 16%.

**Channel Islands, Isle of Man, South Atlantic & Diego Garcia – SURE Group:** SURE has continued to invest significantly in mobile networks with the rollout of LTE Advanced across the Channel Islands and Isle of Man. In addition, SURE’s fibre footprint continues to grow both on the Isle of Man and undersea with a new Dense Wavelength Division Multiplexing (DWDM) network linking SURE’s Jersey and Guernsey data centres to deliver high capacity connectivity to businesses. Pre-paid subscriber growth has been pleasing in this quarter, whilst the post-paid subscriber base has been maintained in a very competitive market. There has been a 6% increase in broadband subscribers, accompanied by a 2% growth in Average Revenue per Line (ARPL). Fixed voice line services have

also seen steady growth with an 11% increase in subscribers across the SURE Group. Importantly SURE continues to deliver enhanced levels of customer experience producing market leading customer satisfaction scores across its markets. In the South Atlantic, a new twelve year telecoms license has been issued to SURE in the Falkland Islands. The license provides SURE and the Falkland Islands with the certainty required to invest in a new fast 4G mobile broadband network and further increases in broadband capacity.

**Other JVs:** Sabafon, in which the Group has a 26.94% shareholding, was able to grow its subscriber base despite the difficulties operating in an environment with increased political challenges. Atheeb, in which Batelco holds a 15% stake, reported an impressive 95% YoY improvement in subscriber numbers.

### **Batelco Bahrain – Strengthening Customer Relationships**

Batelco Bahrain CEO Eng. Muna Al Hashemi said that ongoing investment to modernise Batelco Bahrain's systems and to implement innovative new solutions were key on the home operation's agenda.

"Among our key focus points currently is the modernization of our IT systems, which is well underway. Our efforts are designed to deliver a number of key benefits to our customers including enabling them to interact with us in an increasing digital and online way."

"Additionally the upgrade will significantly increase the speed and sophistication of our service delivery for our customers while also supporting our commitment to introduce new generation products and services on a more regular basis."

"Furthermore, and very important in this age of cyber threats, having the most up to date IT systems in place will meet the ever growing need for data protection solutions," added Eng. Al Hashemi.

Mr. Hinnawi continued by stating that Bahrain Batelco maintained a steady presence in the local market in spite of operating in a saturated playing field.

"Mobile subscriber numbers in Bahrain were up by 10% over the previous quarter but showed a decline year-on-year of 11%. However, both the fixed line and Broadband customer base has grown with an increase of 2% and 8% respectively over Q1 2017. Fixed line subscriber numbers are up by 6% YoY while Broadband numbers are up by a very impressive 34%. We are very pleased with this progress which reflects the strong uptake for our value-added-services and also the growing uptake of Batelco's fibre offers," said Mr. Hinnawi.

"To support our fibre service, Batelco in Bahrain recently introduced an innovative Fibre Experience Van, in collaboration with its partner Huawei, to allow customers to have a hands-on experience of its fibre broadband services. The Fibre Experience Van will be travelling around

various areas of the Kingdom of Bahrain where Batelco has developed its state of the art fibre network, to promote the services and present the best fibre deals.”

“In line with a commitment to broaden and strengthen our customer relationships we have invested in establishing a new Service Management Centre (SMC) and ICT Lab at our Headquarters in Bahrain. The SMC is a state-of-the-art facility designed and developed around the needs of Enterprise customers to provide end-to-end support for their needs while the ICT Lab, the only one of its kind in Bahrain, has been created to build and test communications solutions ahead of their roll-out to customers.

“During the first quarter of the year, we announced a mobile network enhancement deal for 2017-2018 with Ericsson, to improve mobile internet coverage and service quality and to enable us to start the journey to 5G. Following on from that, during Q2 we joined forces with Ericsson to successfully conduct the first-ever 5G trial in Bahrain at Batelco’s Headquarters in the presence of the Minister of Transportation and Telecommunications H.E. Eng. Kamal bin Ahmed Mohammed,” added Mr. Hinnawi.

### **Caring for our Communities**

Shaikh Mohammed bin Khalifa Al Khalifa, the Batelco Chairman continued by stating that Batelco gives high priority to its Corporate Social Responsibility (CSR) programme which aims to support initiatives across the fields of Health, Education, Sports and Culture.

“Continuing with our well established charitable efforts during Ramadan, 30,000 boxes packed with food items that are traditionally in high demand during the Holy Month, were delivered to families in need throughout Bahrain.”

For the first half of 2017 Batelco committed over BD700,000 to benefit the community via its sponsorship and donation programme and plans are in place to support a number of worthwhile causes in the second half of the year.

### **Looking Ahead**

Before concluding his remarks, Shaikh Mohammed extended a warm welcome to new members who recently joined the Board of Directors and also extended appreciation to those who have stepped down following the Group’s Annual General Meeting held in March.

“On behalf of the Board and executive management I welcome new members Mr. Jean-Christophe Durand and Mr. Yousif Malallah Alsabt who both bring a wealth of knowledge and experience in a number of fields to the Board.”

“Additionally, we extend grateful appreciation to outgoing Deputy Chairman Mr. AbdulRazak Al Qassim and Director Brigadier Khalid Al Mannaei for their tremendous efforts and invaluable contribution to Batelco Group over their years with the Board of Directors.”

Shaikh Mohammed continued by saying; “We’re a profitable company with some very strong businesses and we’re generating strong cash flow. We are confident that through our restructuring and cost transformation activities along with our efforts to provide the best customer experience, that we can support profitable growth and create further value for our shareholders.”

“Our confidence in our ability to strengthen our financial and operational performance throughout the rest of 2017 has been boosted by a number of improvements made during the second quarter and we look forward to adding to our achievement during the second half of the year,” Shaikh Mohammed concluded.

**Captions:**

1. Batelco Chairman, Shaikh Mohammed bin Khalifa Al Khalifa
2. Batelco Group Chief Executive Ihab Hinnawi
3. Batelco Bahrain CEO Eng. Muna Al Hashemi

**-Ends-**

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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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