

NBK Capital**Kuwait****Head Office**

17th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq
P.O. Box 4950, Safat 13050,
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904

International Network**United Arab Emirates****NBK Capital Limited**

Precinct Building 3, Office 404
Dubai International Financial Center
P.O. Box 506506, Dubai
United Arab Emirates
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Turkey**NBK Capital**

Arastima ve Musavirlik AS
SUN Plaza, 30th Floor
Dereboyu Sk. No.24
Maslak 34398, Istanbul, Turkey
Tel: +90 212 276 5400
Fax: +90 212 276 5401

NBK Capital MENA Research

Tel: + 965 2224 6663

Fax: + 965 2224 6984

E-mail: menaresearch@nbkcapital.com**Disclaimer**

This document and its contents are prepared for your personal information purposes only and do not constitute an offer, or the solicitation of an offer, to buy or sell a security or enter into any other agreement. Projections of potential risk or return are illustrative, and should not be taken as limitations of the maximum possible loss or gain. The information and any views expressed are given as of the date of writing and are subject to change. While the information has been obtained from sources believed to be reliable, we do not represent that it is accurate or complete and it should not be relied on as such. Watani Investment Company (NBK Capital), its affiliates and subsidiaries accept no liability for any direct, indirect or consequential loss arising from use of this document or its contents. At any time, the employees of NBK Capital and its affiliates and subsidiaries may, at their discretion, hold a position, subject to change, in any securities or instruments referred to, or provide services to the issuer of those securities or instruments.

Batelco (BTEL.BH)**July 24, 2009**

- Batelco reported total revenue of BHD 160.5 million for 1H2008, an 18% increase over the same period last year. This was in line with our forecast of BHD 158.63 million (1.2% difference). We are still awaiting Batelco's full financial statements to determine which operation contributed the most to this growth.
- During 1H2008, EBITDA increased by 1%, compared to the same period last year, to BHD 65.93 million. This falls 6% short of our forecast of BHD 69.79 million mainly due to increase in network operating expenses by 38% in 1H2008, compared to 1H2007. Network operating expenses represented 27% of total revenues in 1H2007; it went up to 32% in 1H2008. Thus EBTIDA margin decreased in 1H2008 to 41% from 48% in 1H2007 versus our forecast of 44%.
- Net profit decreased by 3% to BHD 50.81 million in 1H2008 compared to the same period last year; 3% below our forecast.
- The drop in net profit could have been worse since Batelco's 1H2008 results include non-recurring gain on sale of land of BHD 6.8 million; 13% of the bottom line.
- Since our last sell recommendation on 10 April 2008, Batelco's share price has fallen to BHD 0.810 as of yesterday's closing price. For now we reiterate our view on Batelco and maintain our long term fair value per share at BHD 0.731; 10% below Batelco's closing price on 23 July. We will issue an update report on Batelco after we receive the full financial statements.

Analyst:*Diala Hoteit**Direct: +971-4-3652855**diala.hoteit@nbkcapital.com***Related Research**

- Batelco Update - 10 April 2008
- Batelco Update - 19Aug. 2007