



THE TELECOMMUNICATIONS REGULATORY AUTHORITY ISSUES ITS DETERMINATION ON BATELCO'S COST OF CAPITAL

MANAMA – 20 November 2005 – The Telecommunications Regulatory Authority (TRA) announced today the issuance of its determination on Batelco's cost of capital. In this determination the TRA has set Batelco's cost of capital at 12.2%. The cost of capital consists of the reasonable costs Batelco will incur in raising capital for investment.

This determination follows on from a consultation that the TRA published last August, in which it reviewed the various aspects of this issue and asked for public feedback, as is the practice with all TRA decisions. After considering the comments received, the TRA has once again decided that a single cost of capital should apply to all of Batelco's business units.

Commenting on the determination, the General Director of the TRA, Mr. A. Andreas Avgousti, said: "As the TRA has pledged, we have issued the second determination on Batelco's cost of capital. In reaching its decision, the TRA has considered all relevant information about the market as a whole as well as the regulatory regime affecting Batelco. The cost of capital has been set for a period of two years after which the TRA will review it again."

About the TRA

The Telecommunications Regulatory Authority (TRA) was established by Legislative Decree No. 48 of 2002 promulgating the Telecommunications Law. The TRA is an independent body and its duties and powers include protecting the interests of subscribers and users, and promoting effective and fair competition among established and new licensed operators. More information regarding the TRA can be viewed at www.tra.org.bh

- The TRA will be happy to provide hard copies of the determination document for interested parties who do not have access to the Internet. In addition, the TRA is happy to provide copies in Braille or large print upon request

and free of charge. The TRA can be contacted on telephone number 17 52 0044.

Notes to Editors :

What is meant by Batelco's cost of capital?

In order to invest in infrastructure, Batelco requires access to financial capital. The expected return on this financial capital forms one component of the revenue that Batelco is allowed to recover from customers - this is the cost of capital.

Why is the cost of capital important?

Because it ensures that investors in the business can be properly compensated for the risk they take in supplying capital to the business. A return that is greater than the cost of capital amounts to super-profit and is usually associated with some form of monopoly structure in the market, which is not in the best interests of consumers, whereas a low return prevents the company from obtaining the necessary capital for investing in future development.