



TRA Presentation

Kalaam Telecom

Sunday, Jan 30th 2005

❑ Introduction

- Who are we?
- Our Vision
- Background to the process
- Bahrain Telecommunication Map
- Proposed services

❑ Business opportunity

- Bahrain
- GCC Markets
- Current state of available technologies
- First mover advantage
- Regulatory environment
- Real government interest

❑ Major obstacles

❑ Conclusions

1. INTRODUCTION (I). Who are We?

- ❑ **Kalaam Telecom is a partnership between Kalaam Limited & the Shoabi Group. Headquartered in Bahrain**
- ❑ **Kalaam Limited** : established early 2003 to capitalize on business opportunities in a deregulating telecom Bahrain market. Partnered with Telstra, Australia in bidding for the 2nd GSM license in Bahrain.
- ❑ **Shoabi Group:**The Shoabi Group was established in 1973 to develop and carry out industrial and commercial activities in the Kingdom of Saudi Arabia, the Middle East and internationally. The Group's primary focus is in the Oil, Gas & Petrochemical, Power & Water, Information Technology and Telecommunications sectors; in addition to undertaking private equity investments. The Group's headquarters are in Al-Khobar. The Group counts amongst its partners Alcatel and Atos Origin.
- ❑ **Management Team:** Experienced CEO & CTO have been identified with combined experience in excess of 20 years in the telecoms industry
- ❑ **Lead Advisors**
 - o Legal & Regulatory issues: Bird & Bird
 - o Corporate law & establishment: KPMG
 - o Telecom Consultant: Wibrat Ltd

1. INTRODUCTION (II). Our Vision

Vision

“To become a leading Telecoms Operator in the Gulf Area”

We aim at accelerating true competition in the Bahraini and Gulf markets through the provision of the most advanced voice and data services at competitive prices

Bahrain will become our telecommunications hub for the Gulf



1. INTRODUCTION (III). Background to the Process

- ❑ **February 2004:** selection process of the telecom consultant
- ❑ **April 2004:** Wibral Ltd selected and started the feasibility study, completed in September 2004.
- ❑ **September 2004:** decision to proceed with project based on the findings of feasibility study.
- ❑ **September/October 2004:** Management selection process started and completed in December 2004.
- ❑ **November 2004:** engaged Bird & Bird as legal & regulatory counsel, KPMG for corporate & local law.

January 05:

Filing TRA the necessary licences

9 months

Infrastructures, network
and interconnections

**START OF
OPERATIONS**

1. INTRODUCTION IV.- Bahrain Telecommunications Map

	Mobile Services	Fixed Services	Internet Services
Players	<ul style="list-style-type: none"> • Batelco • MTC-Vodafone 	<ul style="list-style-type: none"> • Batelco 	<ul style="list-style-type: none"> • Batelco
Characteristics	<ul style="list-style-type: none"> • GSM network <ul style="list-style-type: none"> - 100% coverage • 540,000 subscribers <ul style="list-style-type: none"> - 65% penetration - 76% prepaid 	<ul style="list-style-type: none"> • Batelco is involved in the Fiber Optic Gulf Project (FOG) to link Gulf states enabling high quality digital transmission • 186,400 lines <ul style="list-style-type: none"> - 25% penetration (high penetration level within the region) 	<ul style="list-style-type: none"> • Bahrain has become a popular provider of internet services in the region • 140,000 internet users <ul style="list-style-type: none"> - 22% population online (second highest penetration rate in the region)
Sector development	<ul style="list-style-type: none"> • Second mobile licence granted April 2003 	<ul style="list-style-type: none"> • Deregulated July 2004 	<ul style="list-style-type: none"> • Deregulated 2003

Source: Press releases, Pyramid Research

Demand for telecom services is significant and liberalization of the market will help to drive further developments.

1. INTRODUCTION V.- Proposed Services

❑ Indirect Voice

- International CPS
- National CPS

❑ Wholesale

- Wholesale incoming and outgoing traffic will be offered to various carriers inside and outside Bahrain.

❑ BB & ISP services

- Direct Voice Service
- High Speed Internet Access
- Leased Lines and VPNs
- ISP Services
 - Email
 - FTP
 - Dial-up Internet
 - Hosting
 - IP Transit
 - Housing
 - Massive Storage



2. BUSINESS OPPORTUNITY (I) .- BAHRAIN



- ❑ **IDC** believes that there are significant opportunities considering leveraging the new competitive market environment in Bahrain.
- ❑ The recent move also makes **Bahrain the first country in the Middle East and North Africa to fully liberalize its telecommunications services** and infrastructure market.
- ❑ The domestic demand, given the high GDP per capita and **the high ARPU** is a powerful attraction to investors
- ❑ The most attractive market opportunity for major regional and global investors is in the area of **international services for enterprise and consumer customers into or out of Bahrain.**
- ❑ Bahrain could also be used as a hub for targeting regional service providers for wholesale intra-regional connectivity and wholesale connectivity to international destinations.

Source: IDC

2. BUSINESS OPPORTUNITY (I).- BAHRAIN



- ❑ **Newly deregulated market with growing international voice and data business.**
- ❑ **Relatively high tariffs and high international volume.**
- ❑ **Over 300 Financial Institutions and numerous foreign companies as potential customers**
- ❑ **Effective & Strong Regulatory Authority.**
- ❑ **Inexpensive license fee structure.**
- ❑ **No corporate or income taxes.**



2. BUSINESS OPPORTUNITY (II) GCC Market

Regional GDP: \$380bn

Average GDP per capita: \$15,968

Average GDP Growth: 4.9%

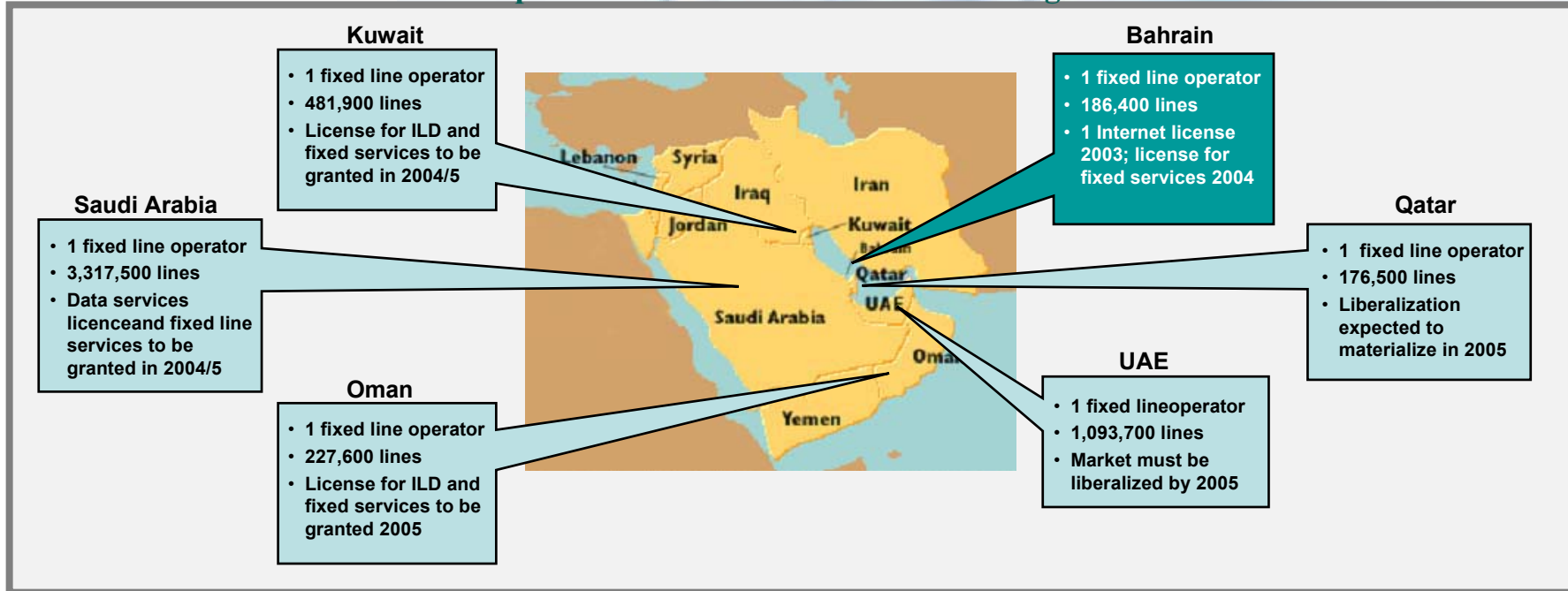
Total Population: 34.7m

The GCC represents a populous market of considerable wealth that has one of the fastest economic growth rates in recent years, and whose telecom sector is undergoing significant and rapid deregulation.



2.BUSINESS OPPORTUNITY (II) – Liberalization of the GCC Telecom Market

Map of liberalization initiatives in the Region)



The size and the liberalization process of the telecom sector in the region presents an interesting opportunity for foreign telecom investors

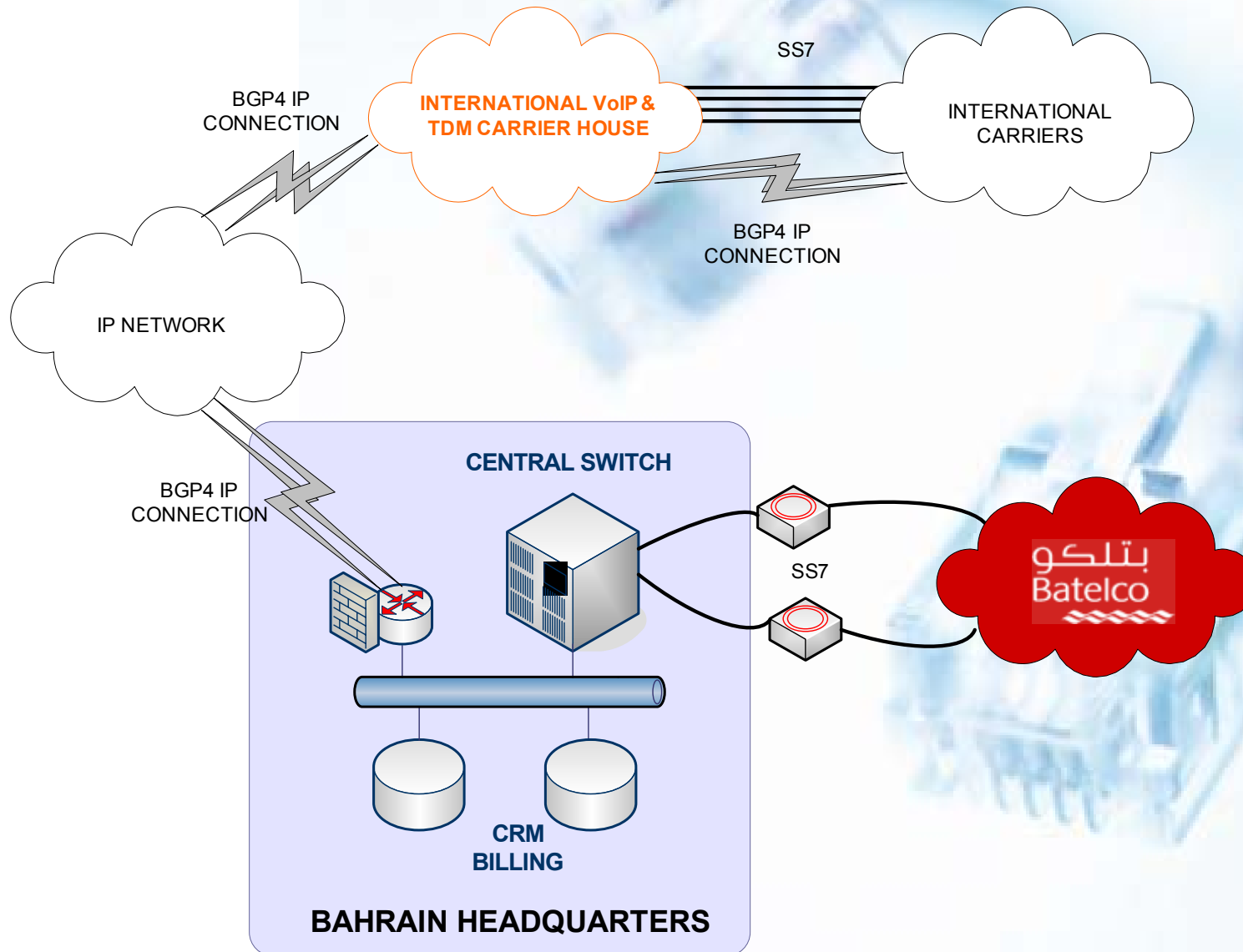
2.BUSINESS OPPORTUNITY (II): GCC

- ❑ **Committed to deregulation by 2005.**
 - Currently monopolies, competition generally focused on mobile
 - Bahrain deregulated as of July 2004.
 - Bahrain – pilot for regional play
- ❑ **Market Size**
 - >5 million lines and stabilized
 - > \$1bn international revenue
 - ARPUs remain at high levels
- ❑ **Replicable Bahrain business model for rapid entry to other GCC countries**

- ❑ **Economies of Scale are obvious**



2. BUSINESS OPPORTUNITY (III). Current state of available technologies

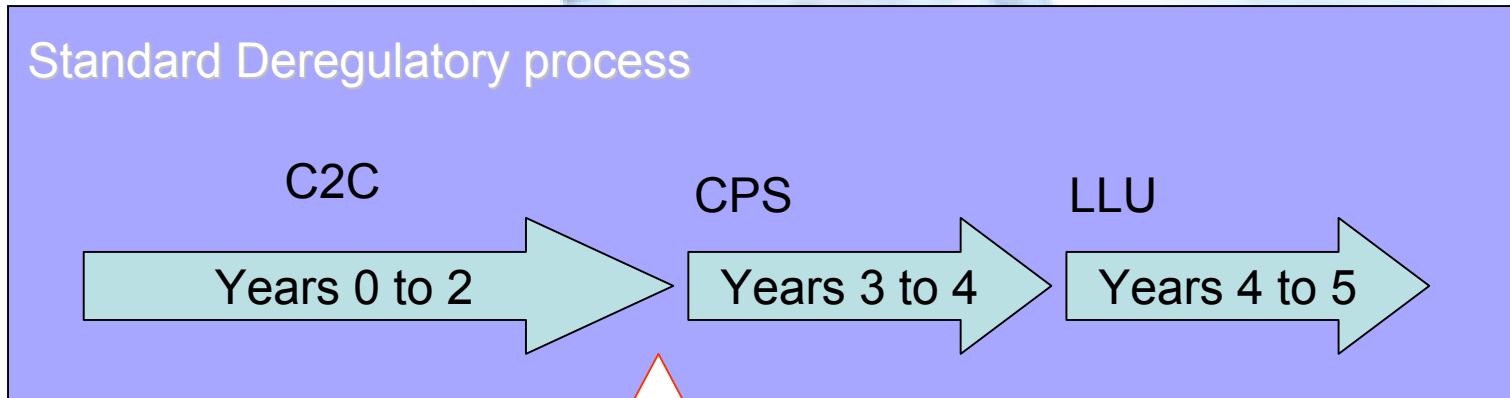


2. BUSINESS OPPORTUNITY (IV). First Mover Advantage

- ❑ Greater concentration of the supply
- ❑ Market less saturated
- ❑ Greater penetration in the market
- ❑ Greater initial influence on prices and demand
- ❑ Possibility of generating entrance barriers
- ❑ Product launching before the competition
- ❑ To compete in conditions of growth or maturity when additional competition arrives
- ❑ Benefit from a market hungry for new competition
- ❑ Consolidation of service and corporate image



2. BUSINESS OPPORTUNITY (V). Regulatory window of opportunity

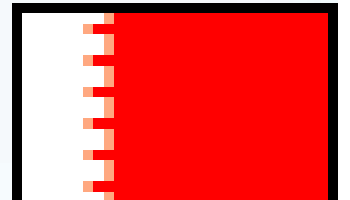


BAHRAIN STARTS HERE



2.BUSINESS OPPORTUNITY (VI): Real Government Interest

- ❑ Bahraini government has proven its ability to take this small, high GDP per capita island country from a monopoly market environment to a thriving competitive market – all within a relatively short timeframe. The TRA is an example.



3. MAJOR OBSTACLES

- Lack of cost efficient telecoms infrastructure
 - Limited size of the market
 - Limited market info
 - Recruitment
 - Dependence on incumbent on key aspects
 - Immature market -> The demand will have to be created
 - Non regulated available frequencies.
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4. CONCLUSIONS

- ❑ There is a compelling business opportunity both in Bahrain and GCC Market
- ❑ We are encouraged to support the deregulation process and will be thrilled to work with all the relevant agents to introduce true competition in the Bahrain's telecoms market

Thank you for your time