

# Market watch

## Mobile Internet market in Russia

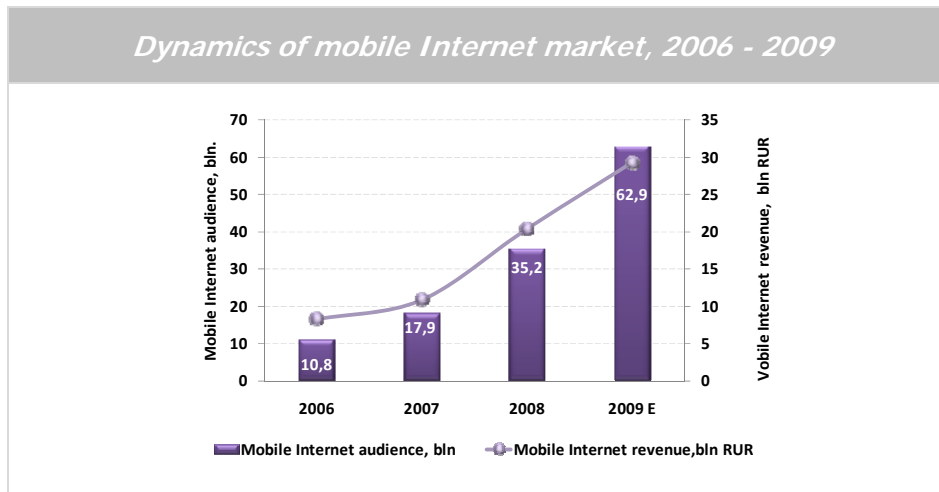
### Results of the first half of 2009



#### General results of 2008 and the first half of 2009:

- ✓ In 2008 mobile Internet revenues grew by 87% to 20.4 bln. rub., in the first half of 2009 revenues amounted to 13 bln. rub., that was 83% higher than in the first half of 2008.
- ✓ Number of mobile Internet users grew by 97% to 35.2 mln. in 2008, in the first half of 2009 [as compared to the first half of 2008] the number grew by 126% to 46.3 mln.
- ✓ The growth of ARPU in 2008 amounted to 16% and the indicator reached 61.1 rub., in the first half of 2009 [as compared to the first half of 2008] ARPU decreased by 14% to 53.1 rub.

J'son & Partners Consulting expects the number of mobile Internet users to increase up to 62.9 mln. while the revenue will reach 29.3 bln. rub. by the end of 2009.



Source: © J'son & Partners, data provided by companies

#### Development of 3G nets:

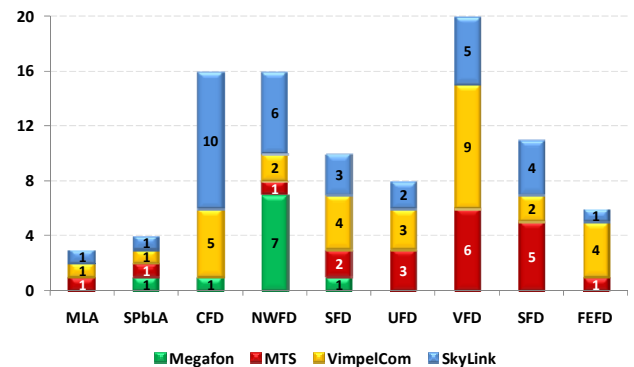
VimpelCom is the leader among the operators of the "big 3" in terms of the number of regions where 3G nets are deployed in spite of the fact that the operator launched the construction of the third generation network later than others (in September 2008).

Volga Federal District is ahead of all the other Federal Districts in Russia with the number of regions where 3G networks are already deployed (if networks of all 3G operators are considered, i.e. MTS, VimpelCom, Megafon and SkyLink). There are 20 such regions in Volga Federal District. The District is followed by North-Western and Central Federal Districts with 16 such regions in each of them and by Siberian Federal District with 11 regions.

### Number of regions with 3G networks, 1H 2009

District	MegaFon	MTS	VimpelCom	SkyLink
MLA	-	1	1	1
SPbLA	1	1	1	1
CFD	1	-	5	10
NWFD	7	1	2	6
SFD	1	2	4	3
UFD	-	3	3	2
VFD	-	6	9	5
SFD	-	5	2	4
FEFD	-	1	4	1
<b>Number of regions with 3G</b>	<b>10</b>	<b>20</b>	<b>31</b>	<b>33</b>

### Number of regions with 3G networks, 1H 2009



Source: © J'son & Partners, data provided by companies

Data transfer became the key and the most popular service of the companies in 3G networks, and this is true not so much for mobile phone users as for home-based users. According to the statistics provided by the operators, one third of the total number of USB modems sold in Russia were sold in branch offices of the regions with operating 3G networks, while Internet traffic usually increases 2-4 times with the launch of 3G.

**Subscriber equipment:** Currently user equipment can be grouped into 3 key categories which influence the development of the market for services based on mobile data transfer technologies:

- **Mobile phones:** conventional devices such as smart phones and communicators

This category of user equipment is presently the most widespread one. J&P Consulting estimates that by the end of the first half of 2009 Russian mobile communication users had more than 122 mln. devices. Most part of user equipment has at least basic functions which allow getting access to the services based on mobile data transfer [WAP support].

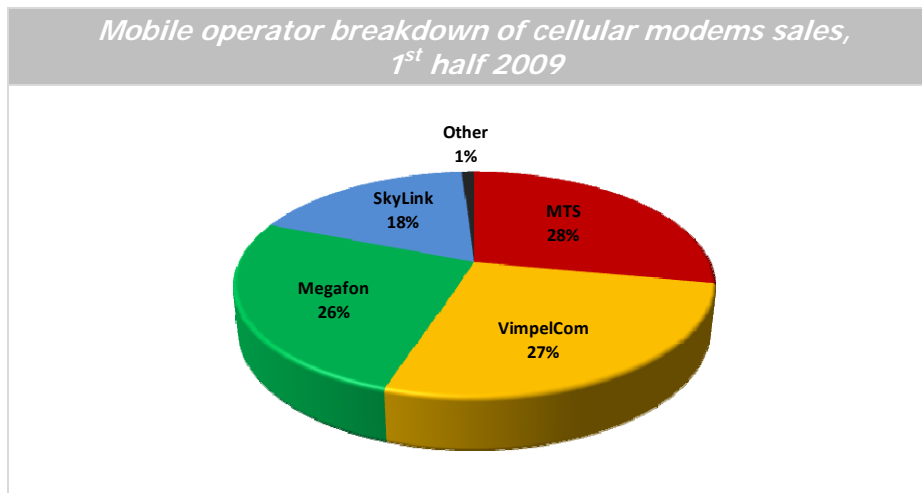
- **Cellular modems:** USB devices and PCMCIA cards

Initially cellular modem function was a solution integrated into a mobile phone. However, in 2003 devices which are intended to work as a cellular modem [the function of voice traffic transfer in such devices is either optional or unavailable] emerged in the market.

J&P Consulting estimates the number of devices sold in the first half of 2009 to be more than 1.1 mln.; average retail price of a device in the considered period amounted to about 80 USD (2 500 rub.).

Sales volume in the first half of 2009 exceeded the total number of modems sold in 2008 which is an evidence of an increased popularity of mobile Internet.

In the considered period all operators actively decreased the price of user equipment which boosted modem sales. Some additional marketing campaigns were launched which targeted mobile communication users who travel to the countryside.



*Source: © J'son & Partners, data provided by companies*

It is worth mentioning that GSM operators currently suggest their customers identical product lines of cellular modems, i.e. about 5 typed of devices. Operators are actually competing in terms of prices for devices as well as special features of tariffs.

Nearly all devices which are currently presented in the market support 3G, this is true not only for GSM modems but also for CDMA2000 equipment.

■ **Laptops** including netbooks

According to the research conducted by J&P Consulting, there is presently a trend of gradual replacement of conventional desktops for laptops in Russia. The following factors contribute to this process: decreased retail prices for this type of PCs, increased capacity of laptops, mobility of such devices. According to J&P Consulting, among all computers sold in Russia in 2008 about 40% were laptops (including netbooks).

FOR FURTHER INFORMATION PLEASE CONTACT:	
<p><b>Elena Poleschikova</b> Senior Consultant <a href="mailto:EPoleschikova@json.ru">EPoleschikova@json.ru</a></p> <p><b>Victor Chistyakov</b> Sales Director <a href="mailto:VChistyakov@json.ru">VChistyakov@json.ru</a></p>	 <p><a href="http://www.json.ru">www.json.ru</a></p>
INVESTMENT AND M&A OPPORTUNITIES	
<p><b>Renat Salikhov</b> Director Investment-strategic Consulting Department <a href="mailto:RSalikhov@json.ru">RSalikhov@json.ru</a></p>	 <p><a href="http://www.json.ru">www.json.ru</a></p>

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