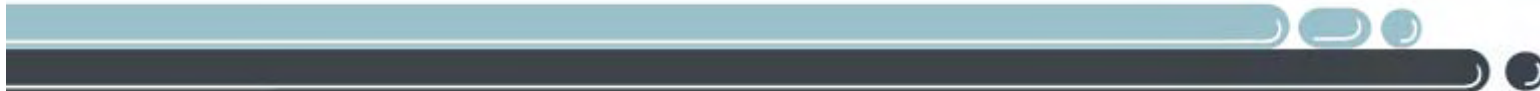


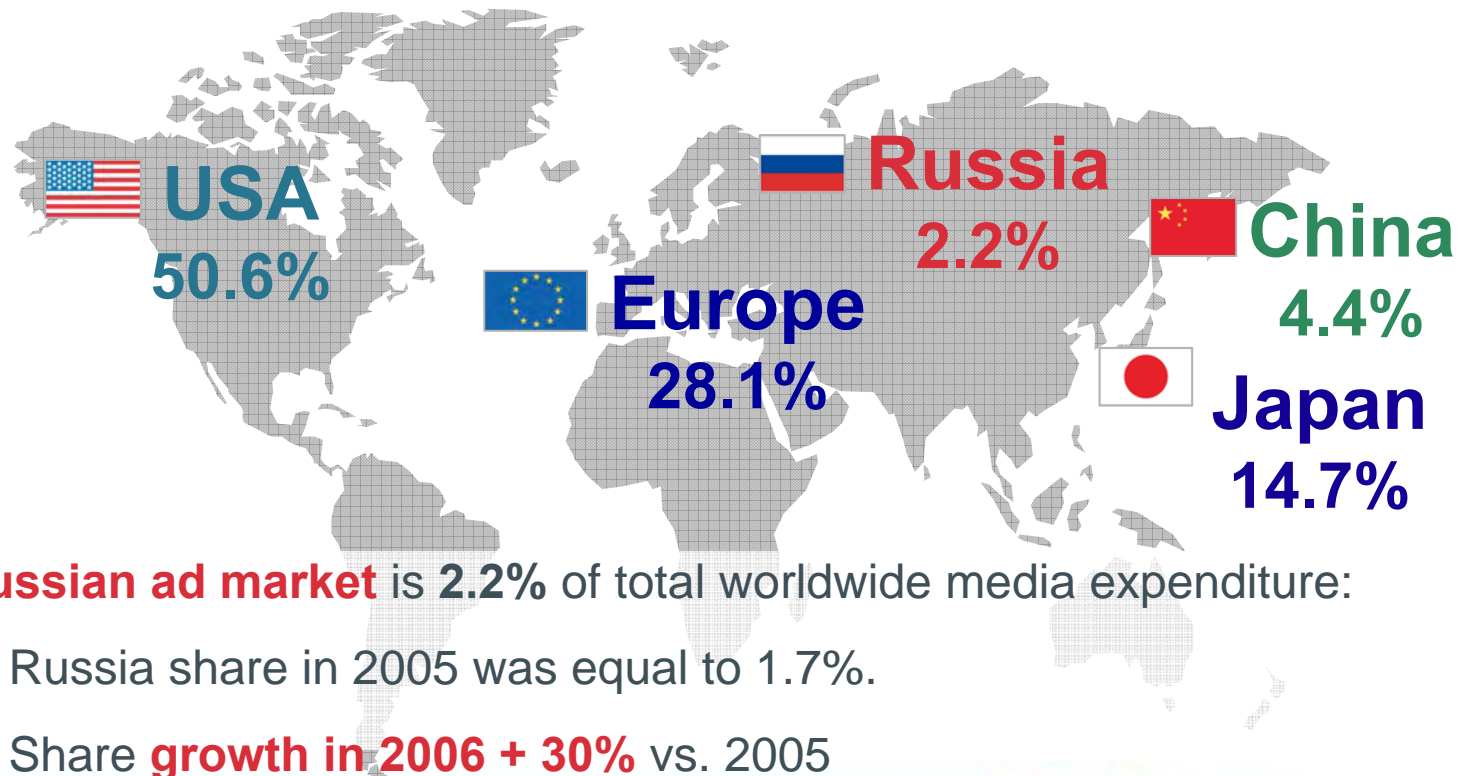


# Russian Media

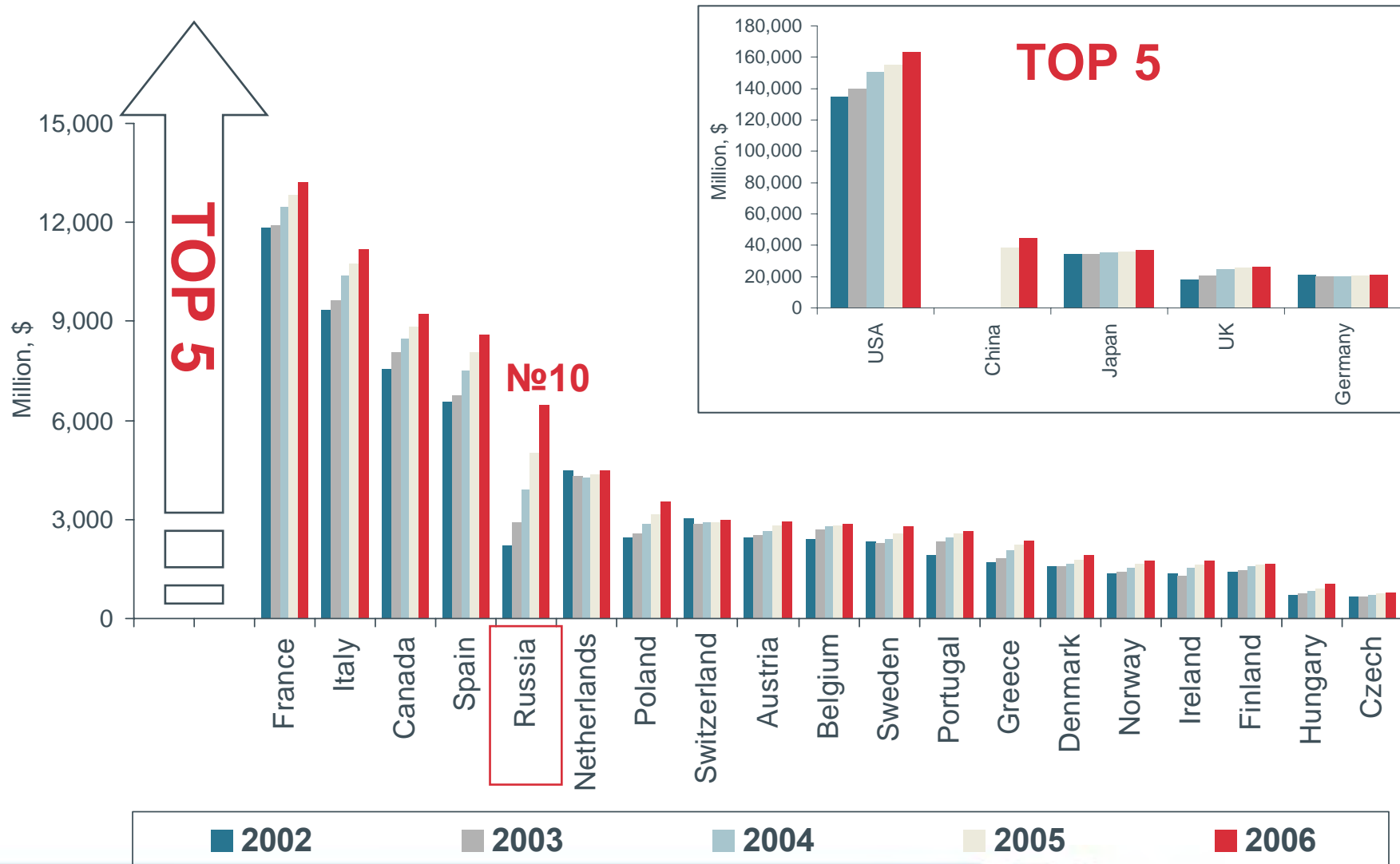


## Worldwide market share

# Total 2006 W9 : 225 Bil. €



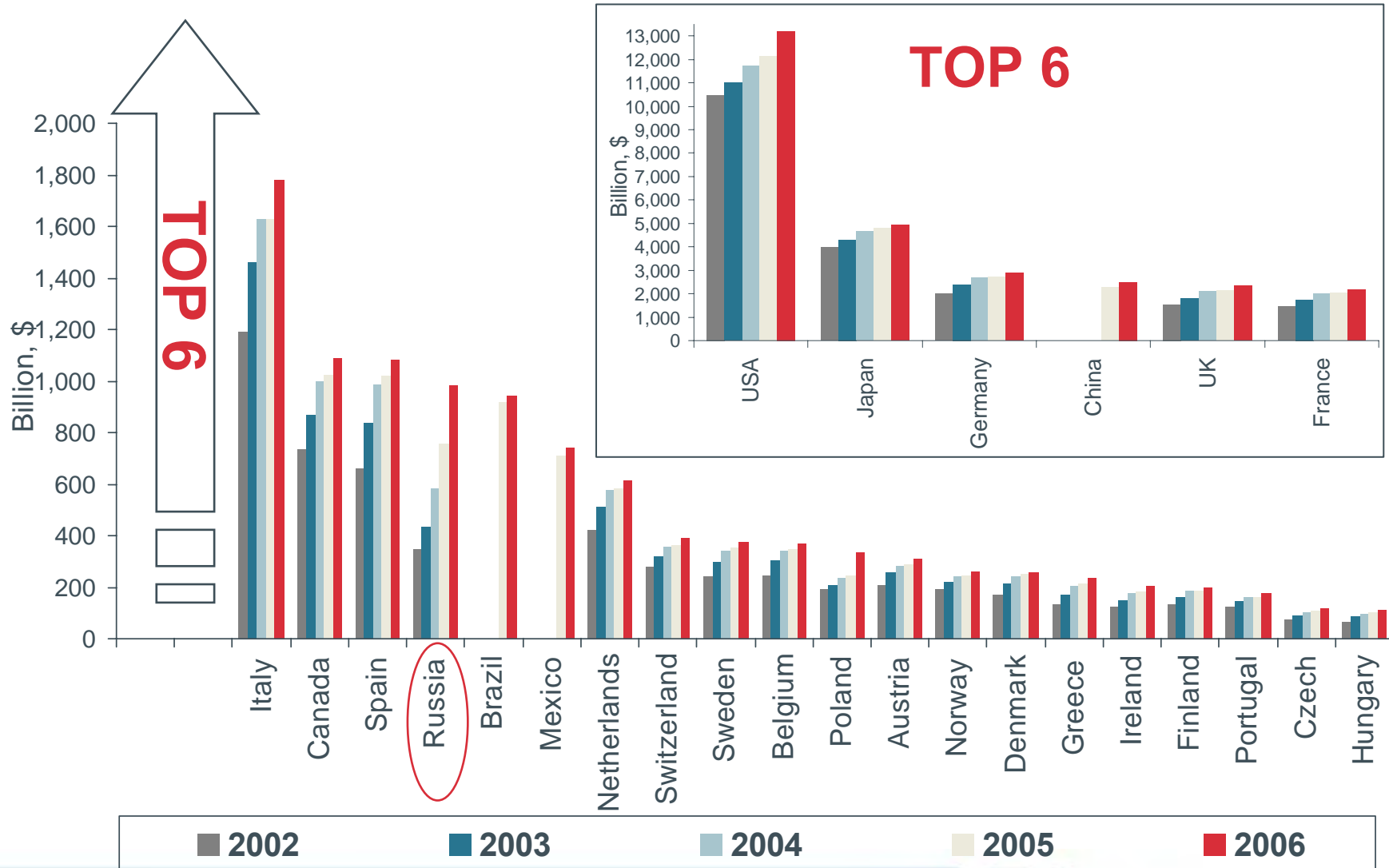
# Worldwide Ad Expenditures (USD) 2002 –2006



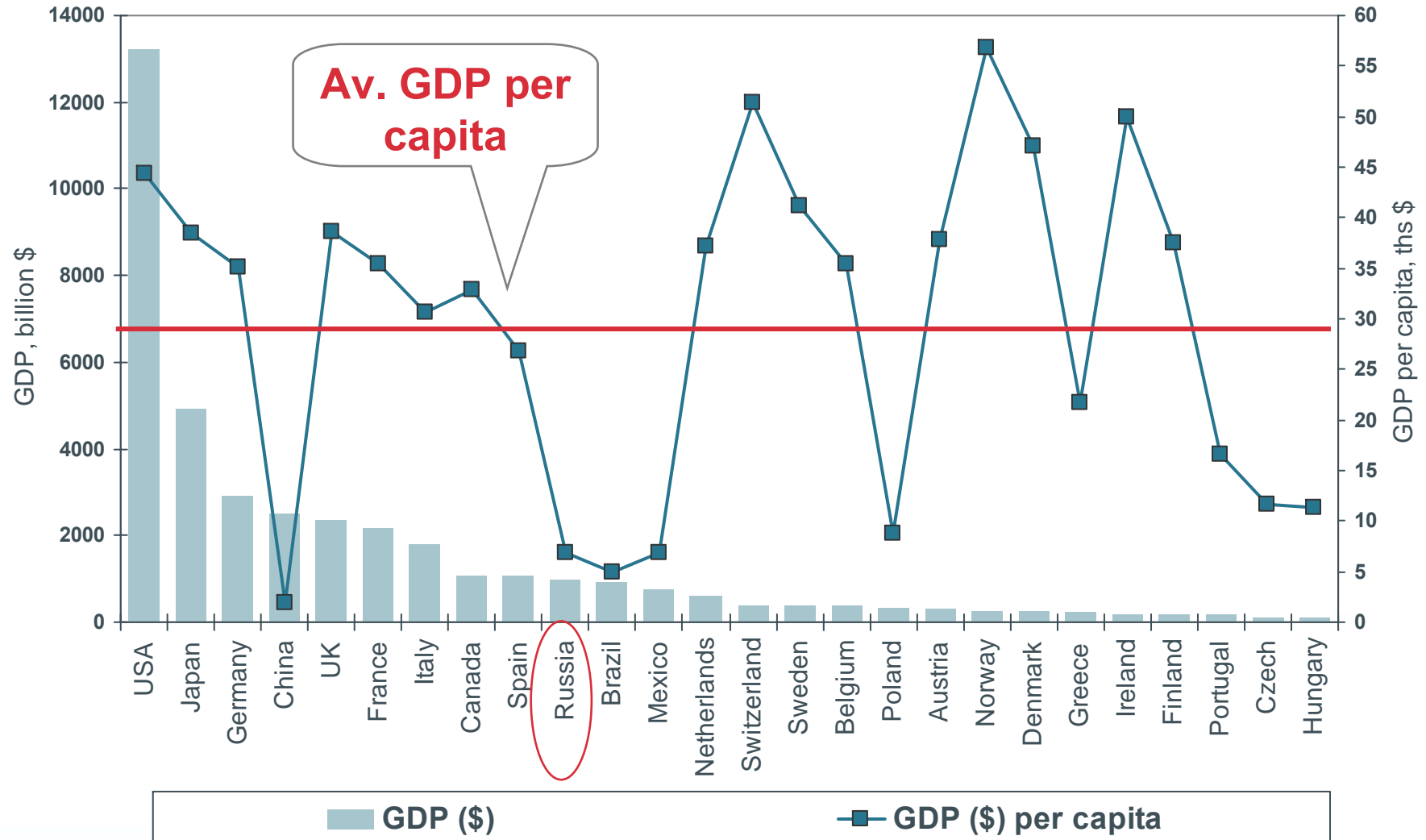
# Worldwide Ad Expenditures (USD) and Growth rate 2006 vs 2005



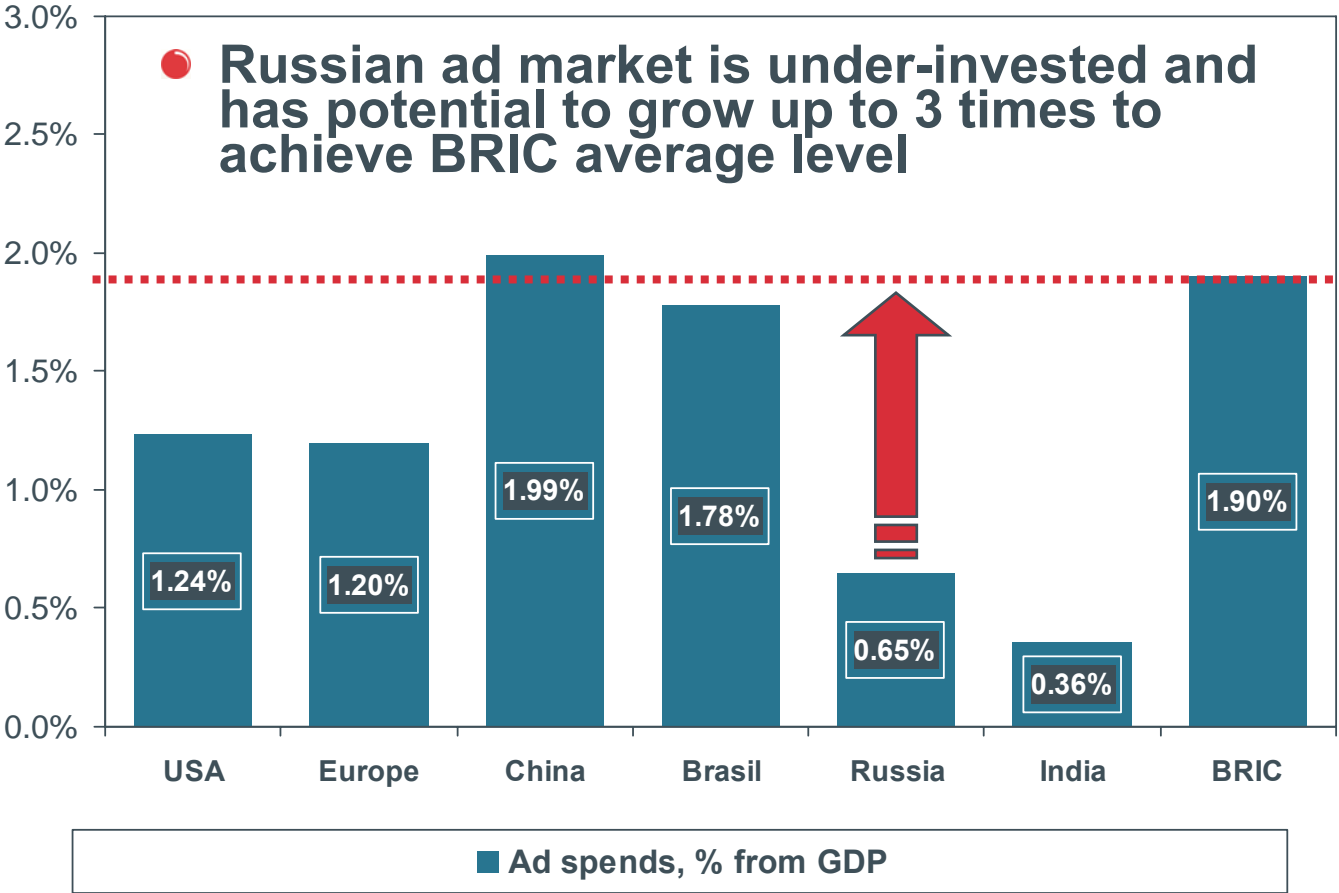
# Gross Domestic Product (USD) 2002–2006



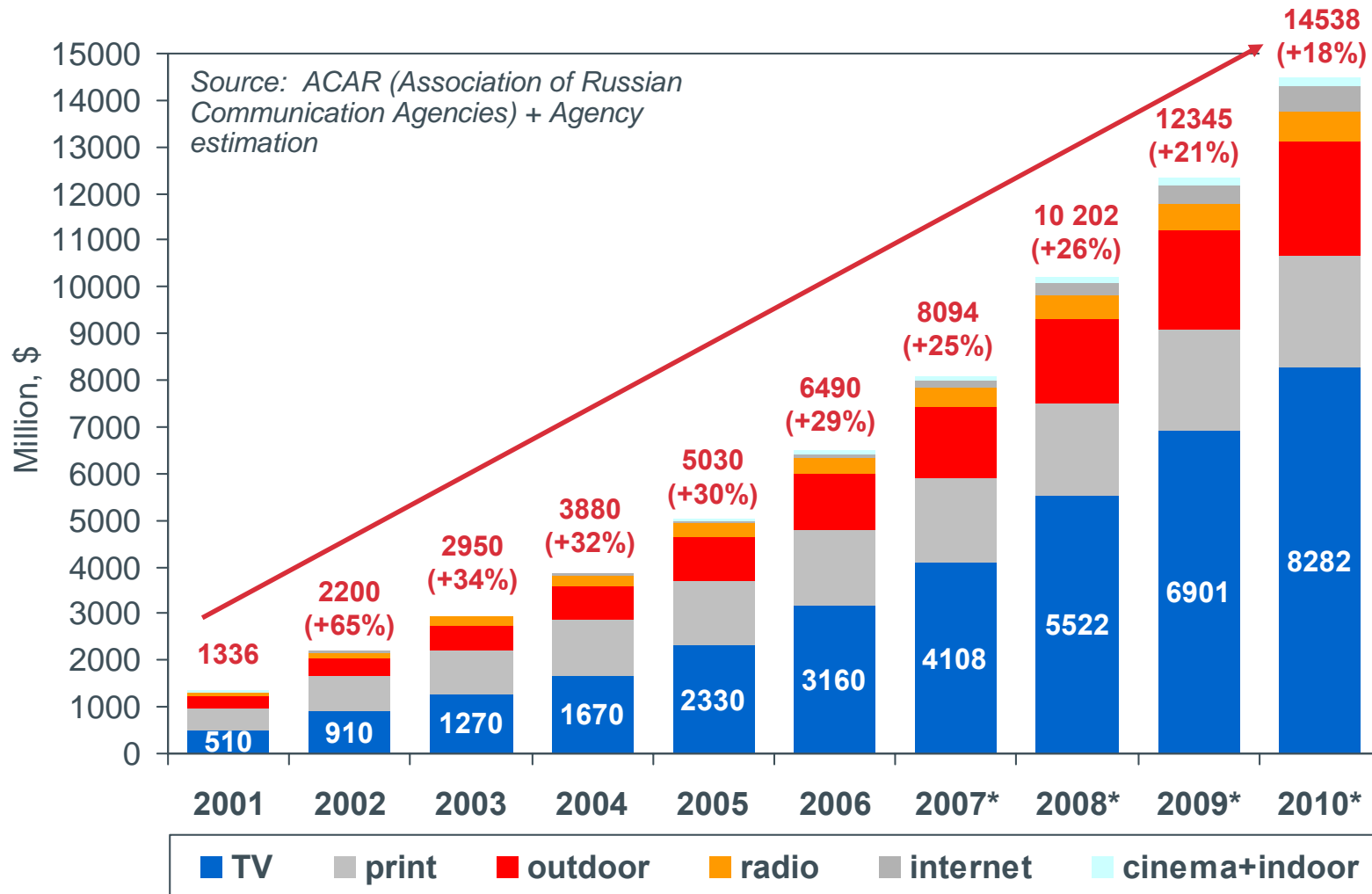
# GDP (USD) & GDP (USD) per capita 2006



# 2006 ad spends as % from GDP Comparison by countries



# Russia. Media Market Forecast

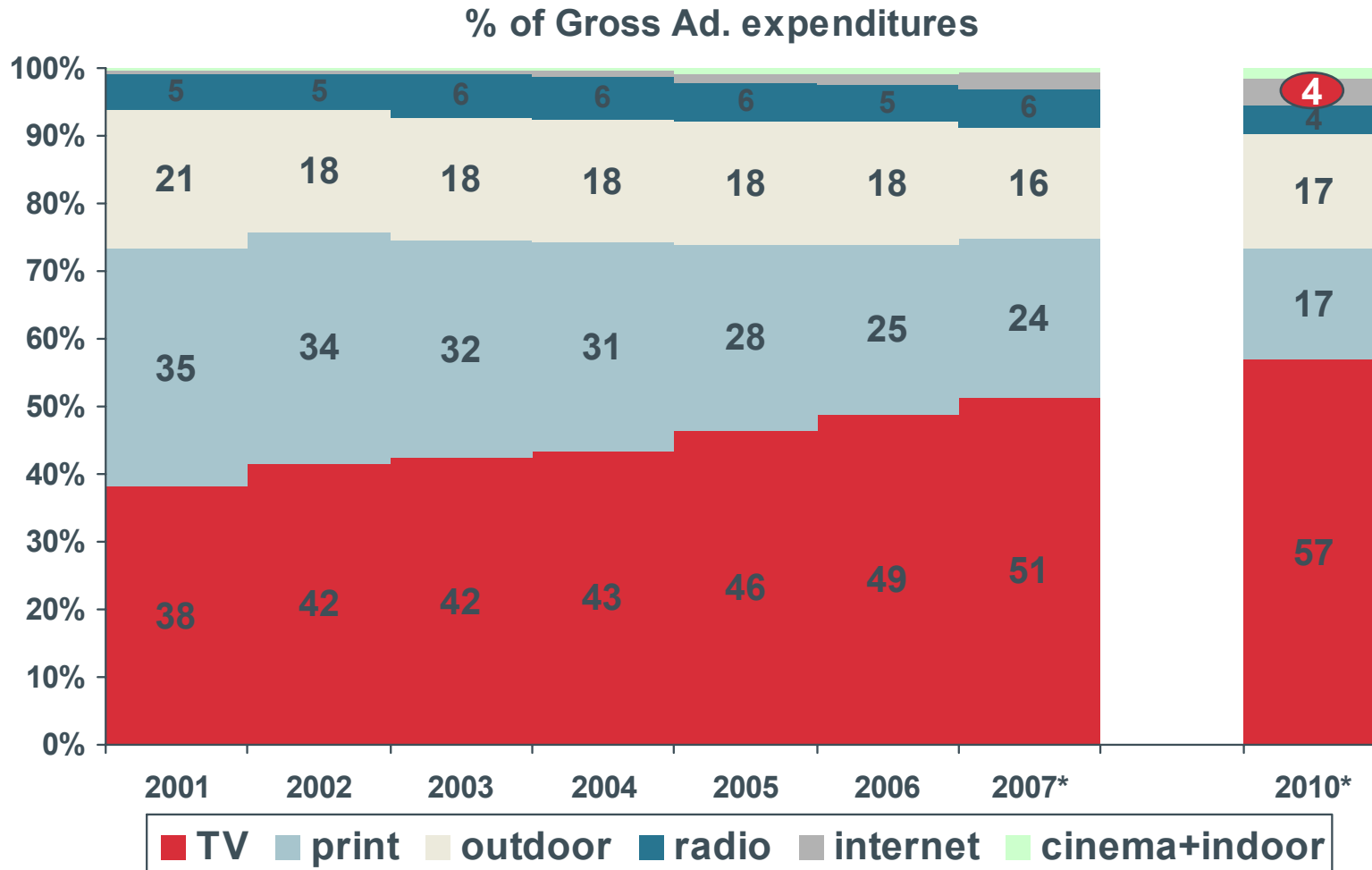


**Russian ad market shows stable growth:**

- By 2006 Russian ad market has grown by more than 4 times since 2001
- Ad market will grow by more than 2 times during next 3-4 years and achieve its saturation point by 2011-2012

# Russia: Market Share Dynamics (ACAR data) Across Media 2001 – 2010

Optimum Media **OMD**  
Group

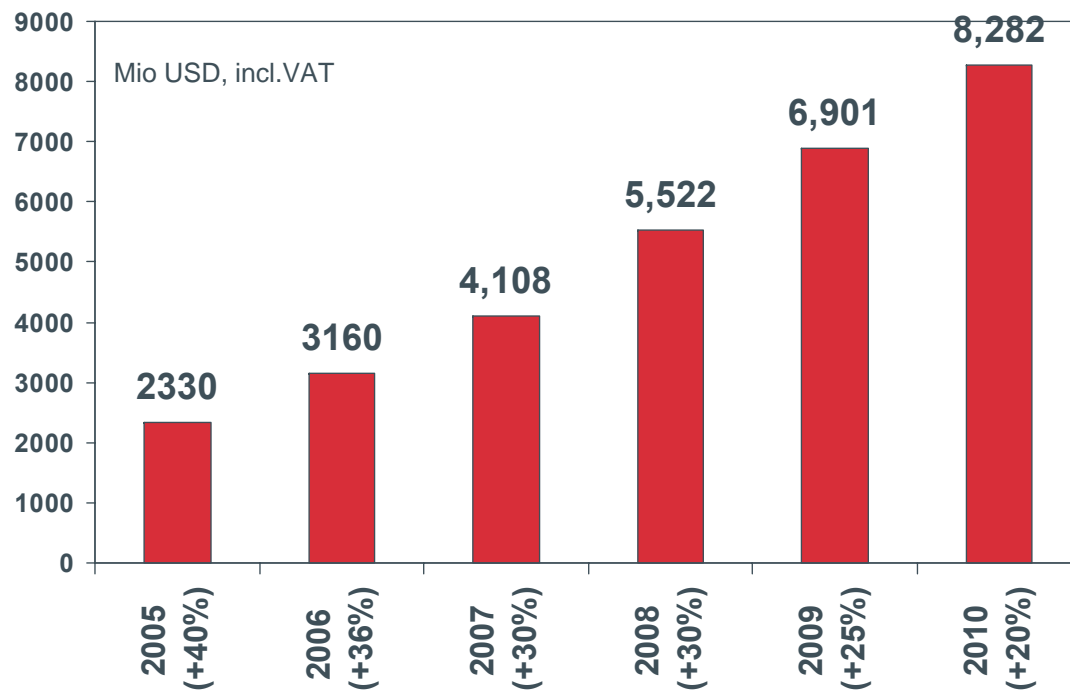


- TV is the main medium in Russia because it provides nationwide coverage – 98%
- Its share continues to grow due to high inflation

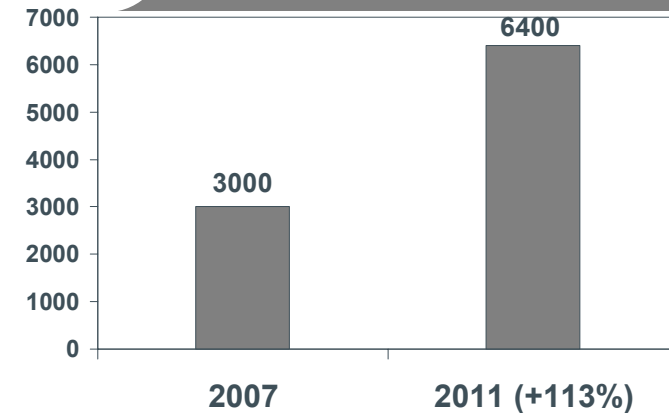
# Russia. Long-term TV Market growth estimation

Optimum Media **OMD**  
Group

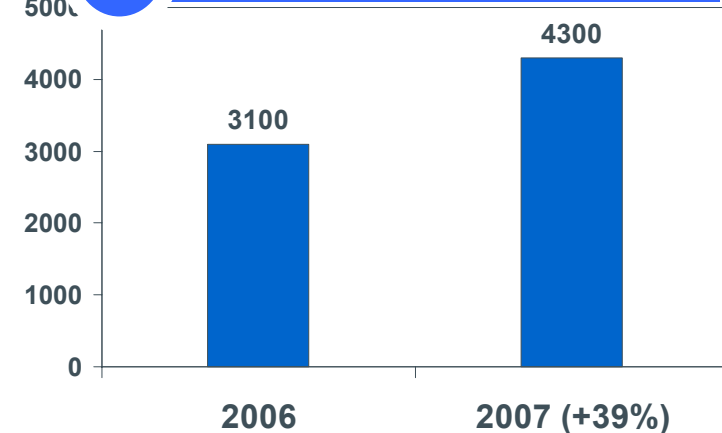
## TV market development, Agency and AKAR estimation



## PricewaterhouseCoopers forecast



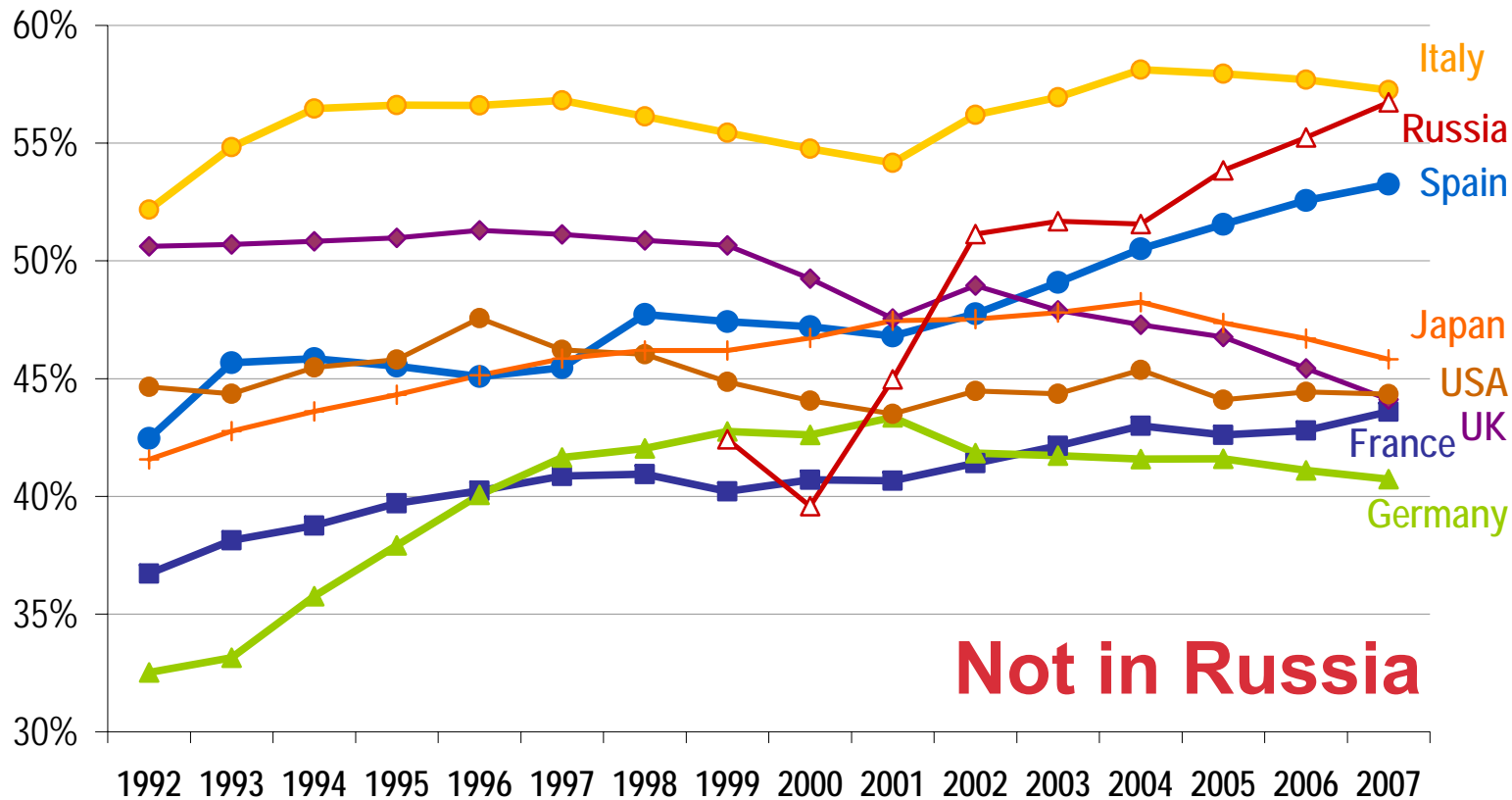
## VI forecast



According to all forecasts, TV market will grow by more than 2 times during next 3-4 years and almost achieve its saturation point in 2011-2012

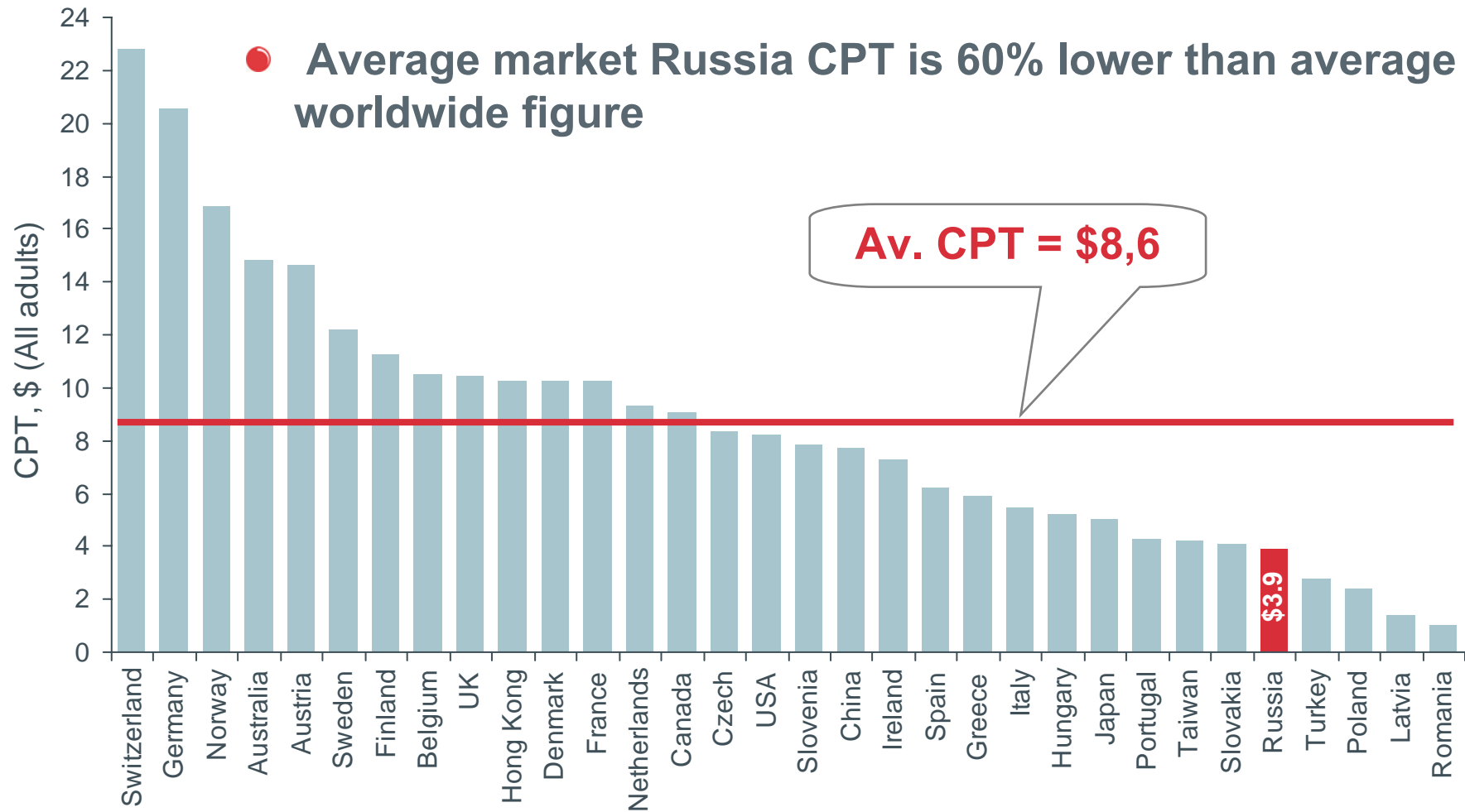
# Worldwide advertising Television : end of the hegemony ?

## Market share of Television



Not in Russia

# Average CPT across countries: TV all day



Source: WARC, 2005 data

Notes: CPM for Russia is calculated for 2006

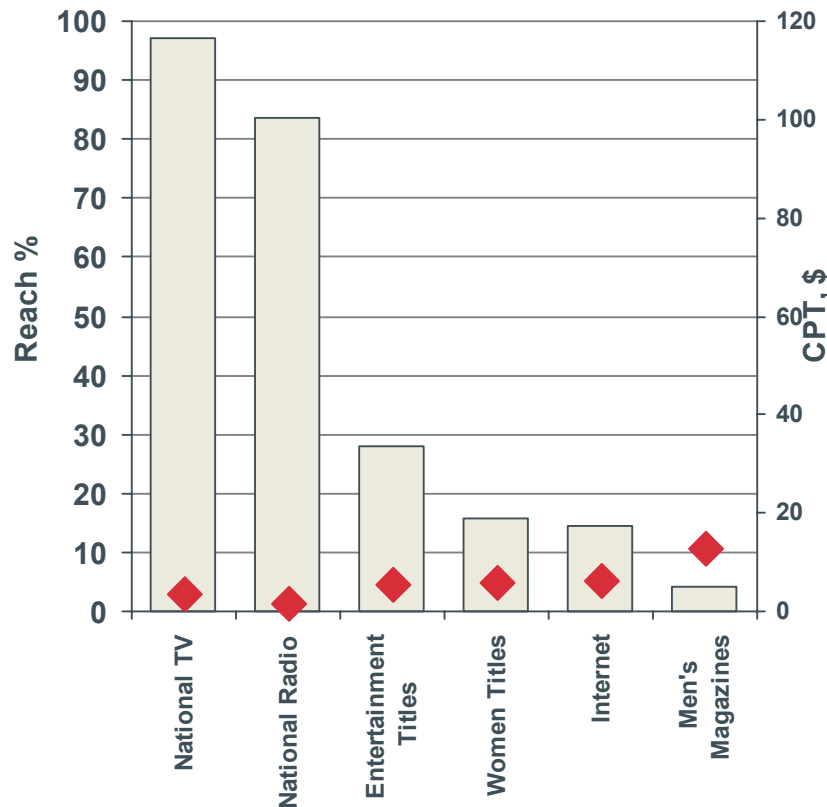
Source: WARC, Agency estimation

Data for China are valid only for Beijing  
Data for Japan are valid only for Tokyo and Osaka regions

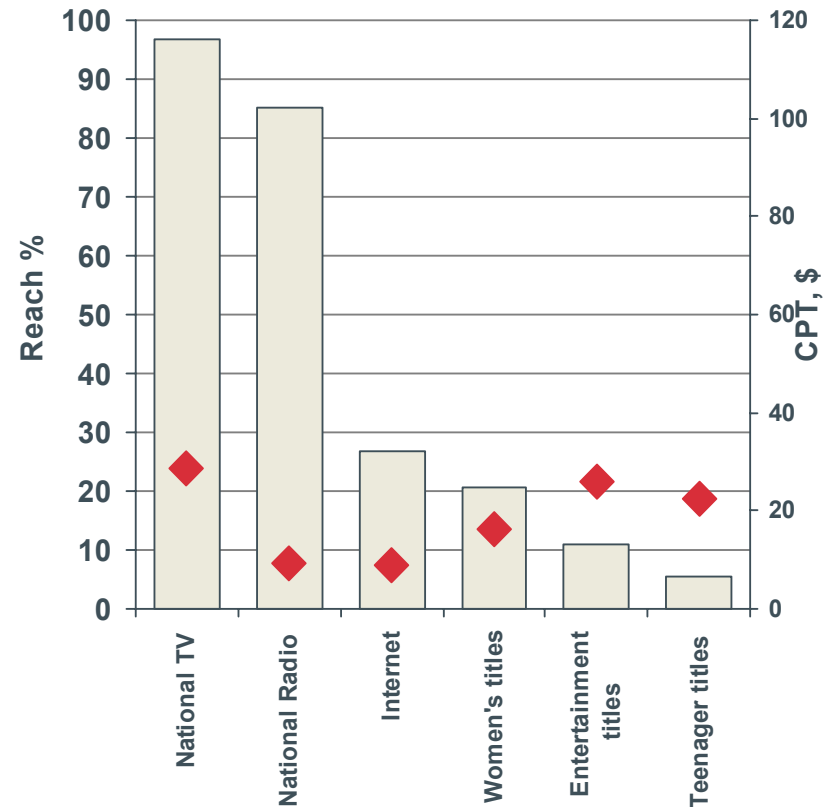
# Russia. Cost comparison across different media



Russia, All 18+

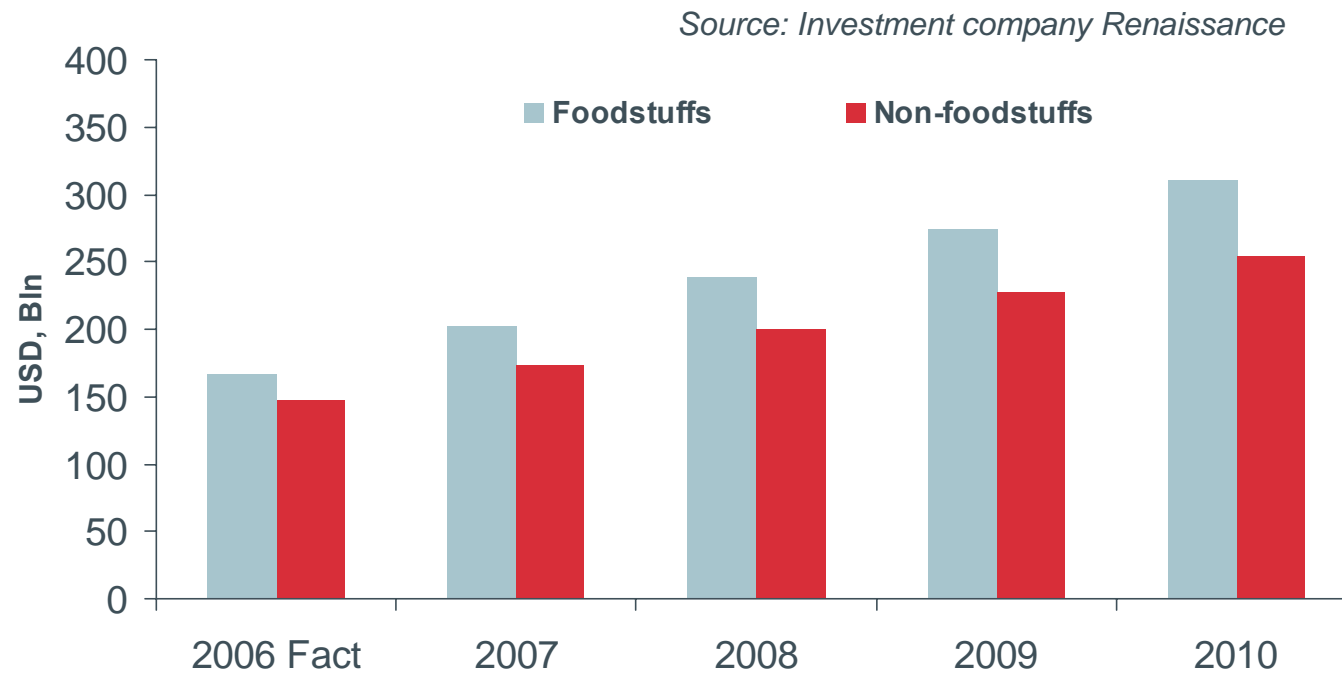


Russia, All 12-25



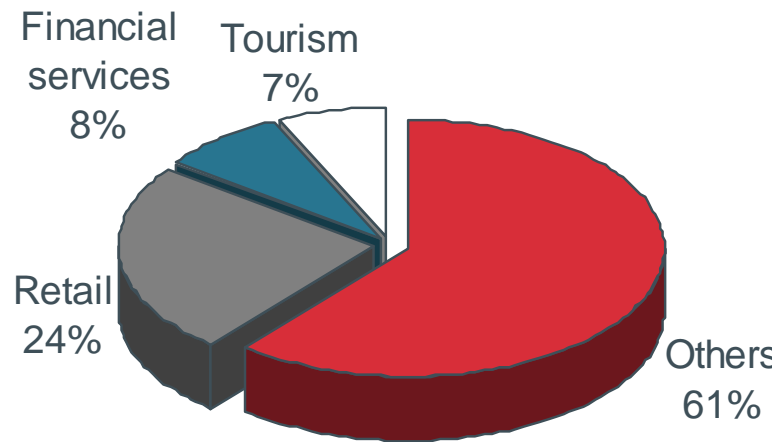
For younger audience internet has ~3 times lower cost per thousand contacts (CPT) vs. national broadcasting TV especially in main cities though still significantly lower coverage

# Russia: forecast of retail turnover growth 2006-2010

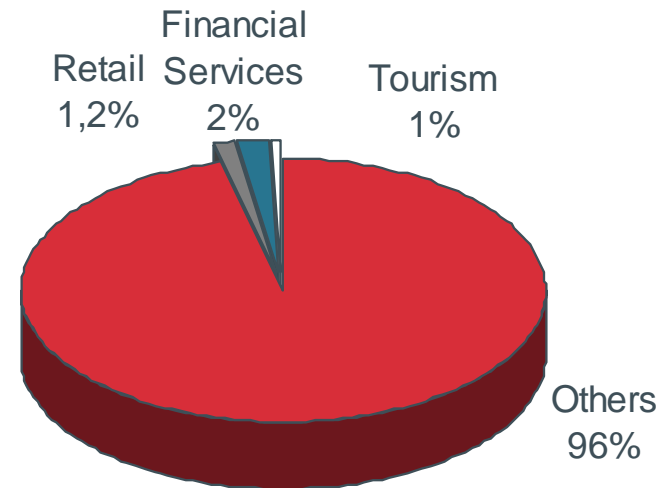


- By 2010 retail turnover will grow by 126%
- Food goods turnover will double

# Advertiser categories



**Brazil**



**Russia**

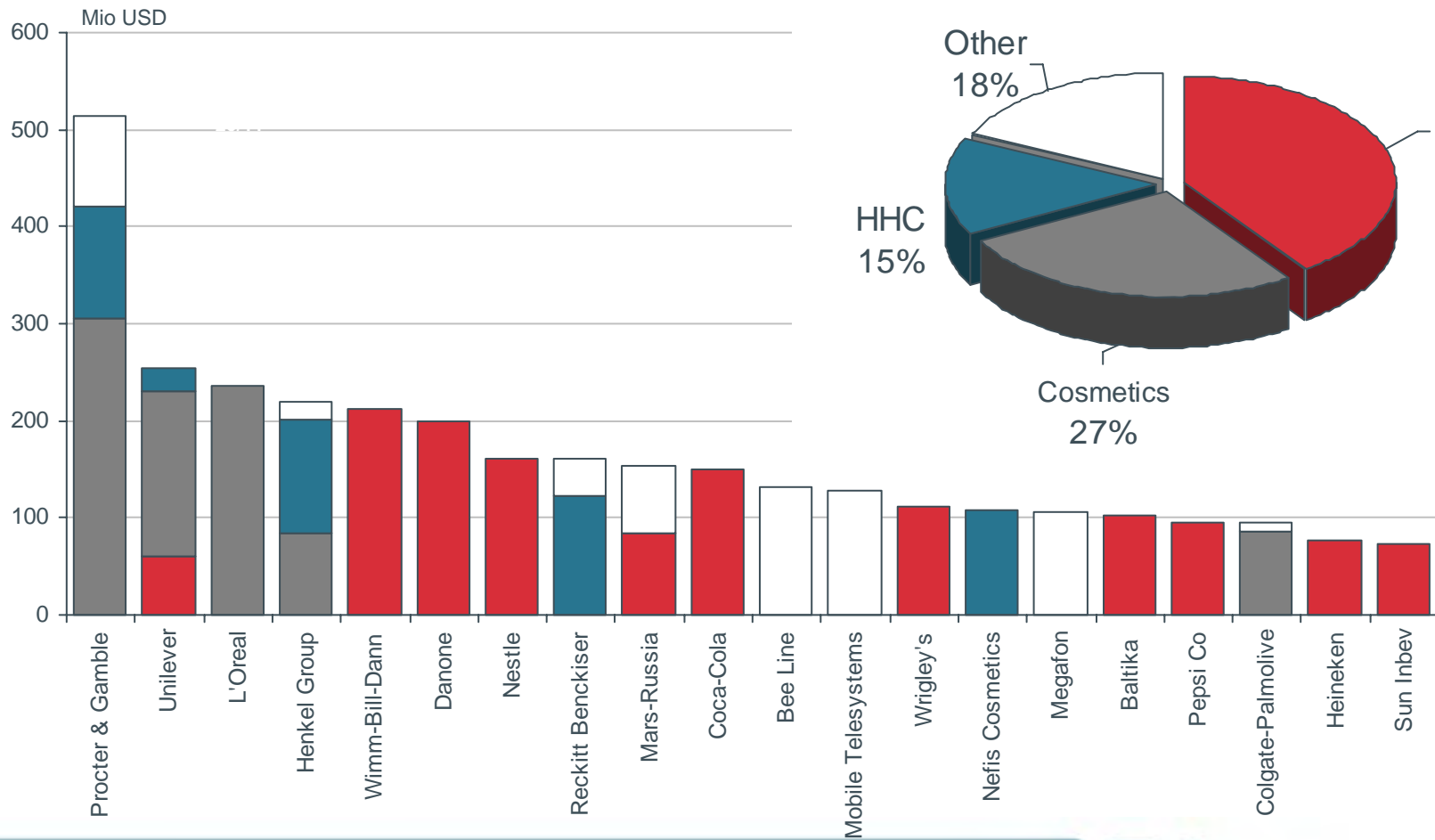
Source : IBOPE MONITOR, 2006

- Categories with highest potential for rapid growth in Russia:
  - telecommunications, retail, financial services, cars, tourism

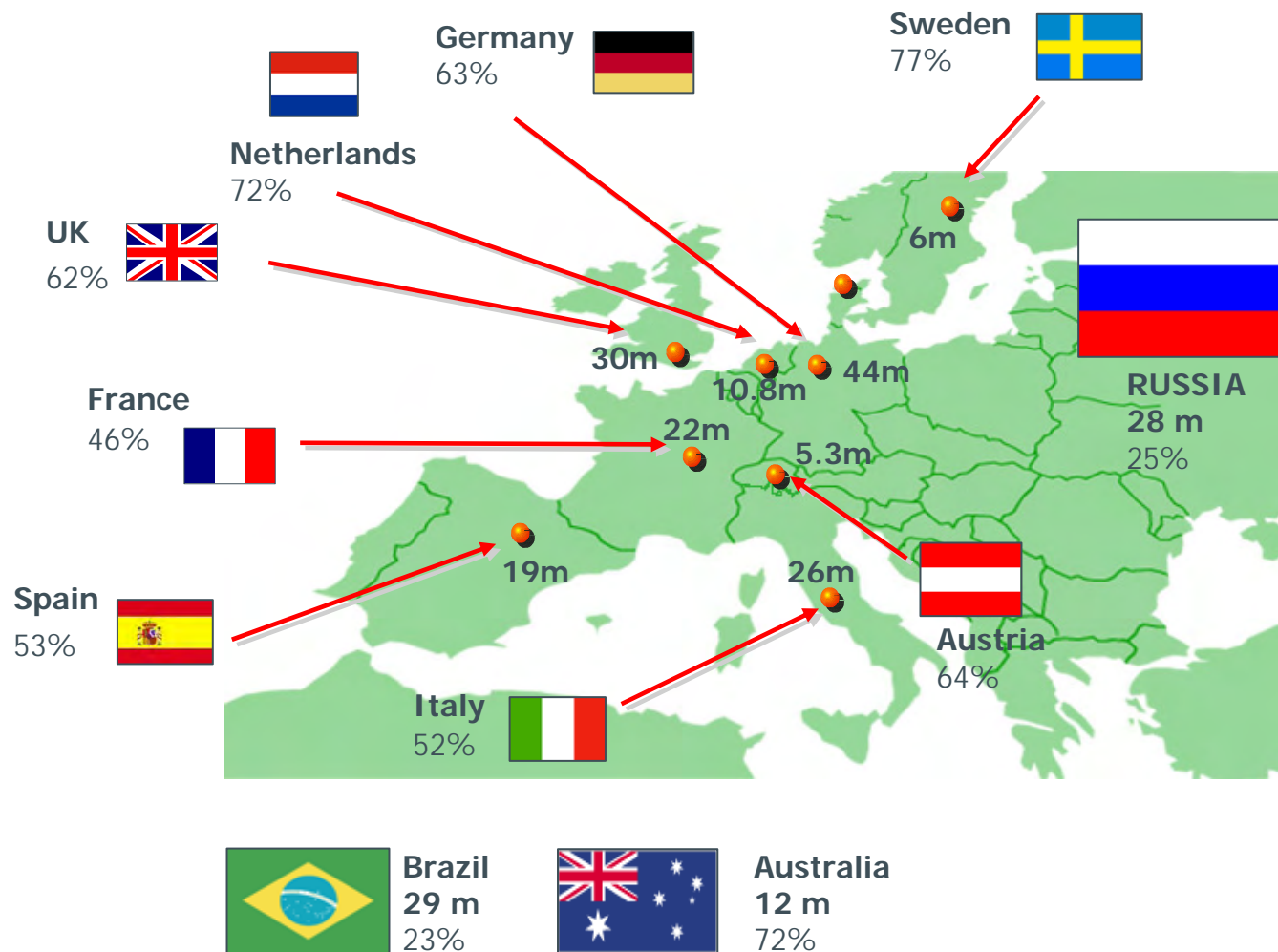
# 1-8 2007: TOP 20 ADVERTISERS (monitoring, TV)



● Top 20 advertisers account for 49% of all TV spend



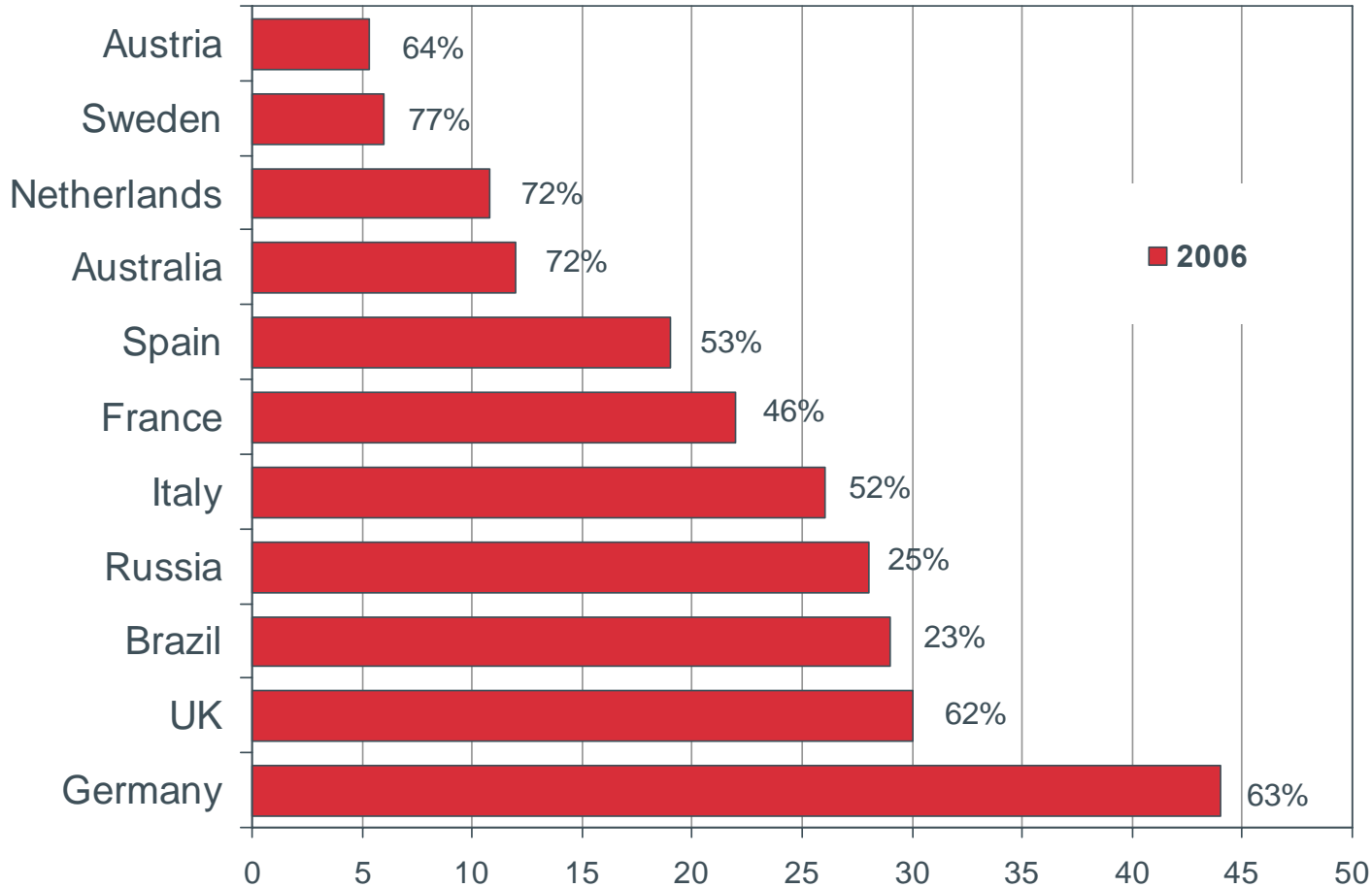
# Internet penetration



- International digital audience has grown by 10% during last year
- Russia shows more rapid growth: 20%
- Currently digital penetration in Russia:
  - National 25%
  - Moscow 50%
- 45% of users in Russia and 65% in Moscow use internet every day
- Internet audience is most active part of population
  - 16-34 students and managers with comparatively high income

# Internet penetration Comparison by countries

Digital penetration by countries, Mio people



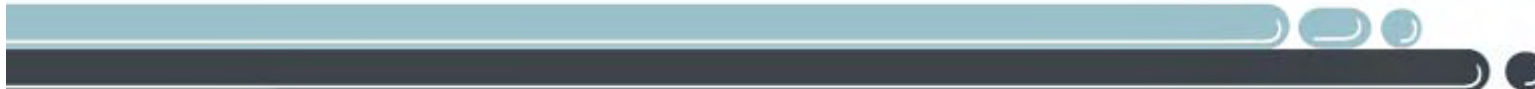
- Regardless of comparatively low digital penetration rate in Russia vs. other countries, in absolute figures Russian internet audience is among leaders

# Media market development.

## Key observations

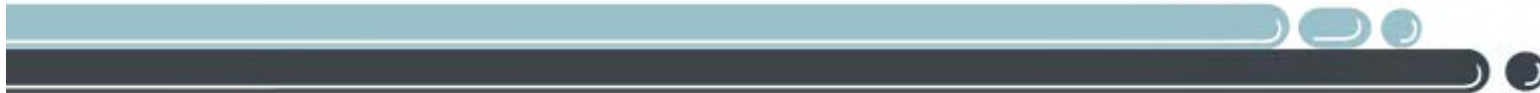


- Russian ad market has grown more than 4 times since 2001. Estimated growth till 2010- minimum 2-times increase
- Given highest national coverage TV is main medium with increasing share of investments due to high inflation
- Russian TV market is under-invested
  - Russian TV CPT is 60% lower than worldwide level
- Regardless of the growing TV share trend Russian ad market moves in the same direction as other markets:
  - Mass TV coverage
  - Rapid development of other media (especially internet)





# Russian TV



# Russian TV Structure

Optimum Media **OMD**  
Group



- TV remains centralized – 6 main channels, accessible to the majority of Russian population.
- TV channels and networks are sold by ratings



# TV stations ownership

Optimum Media **OMD**  
Group

Station	TA	Buying	Owner	Sales House	Techn. coverage	Share of viewing (18+)
	25+	18+	51% - State, 49% - private	VI	90,9%	20,96%
	25+	18+	100% - State	VI	91,8%	20,96%
	25+	18+	State(GazProm)	NTV Media	80,1%	12,54%
	16-54	6-54	Private (SFC/Alfa Group)	VI	72,8%	8,35%
	10-44	6-54	State (Gazprom)	NTV Media	64%	4,76%
	16-54 BC	6-54	Private (SurgutNeftegaz, Severstal, RTL Group )	NTV Media	60,8%	4,07%
	35+ BC (W)	n/a	100% - State	-	62,6%	2,66%
	35+ BC	18+	Moscow government	Alkasar	52,2%	2,88%
	20-54 (M)	18+	Private (ProfMedia)	Direct	39,1%	2,05%
	20+ BC (M)	18+ (M)	100% - State	VI	51,30%	1,92%
	20-54 (M)	18+	Private (MTG)	VI	31,6%	1,54%
	25+ BC (W)	25-60 (W)	Private (SFC/Alfa Group)	VI	39,9%	1,41%
	10-34 BC	18+	Private	VI	44,6%	1,01%
	10-34 BC	11-34	Private (Prof-media)	Direct	42,2%	0,83%
	16-64 (M)	18-40 (M)	Private (50% - ID Kommersant, 50% - Mosobltrast)	Alkasar	31,70%	0,25%
	35-64 BC (M)	Minute price	16% - State, 84% - Secemie	Direct	44,80%	0,16%

# TV stations ownership

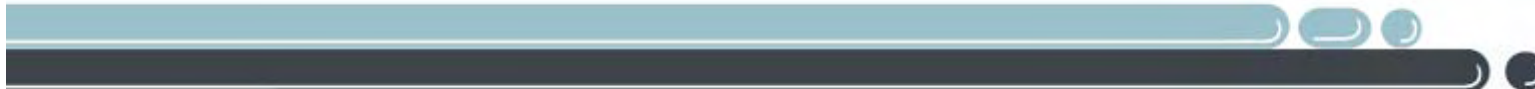
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Channel 1, Rossiya, Sport, NTV, TNT. TV-Centre are state-owned stations

## Further segmentation in near future

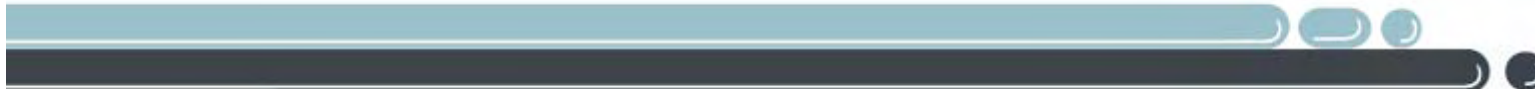
- Current situation is that average urban TV viewer has technical possibility to view over 15-20 terrestrial stations
- Number of stations is constantly growing:
  - Recent launches: 2x2, 5 Channel, 24 Techno
  - Cable TV development (e.g. newly launched children channel Supernanny supported by Channel One). VI plans to introduce system of sales for cable television in nearest time
  - Satellite TV development (penetration ~15%-20%)
- Government development program:
  - To transfer to digital broadcasting by 2015
  - To form free-of-charge social package (6 main stations) and introduce fee for access to other stations => this will push cable TV development and further viewer segmentation



# TV measurement system

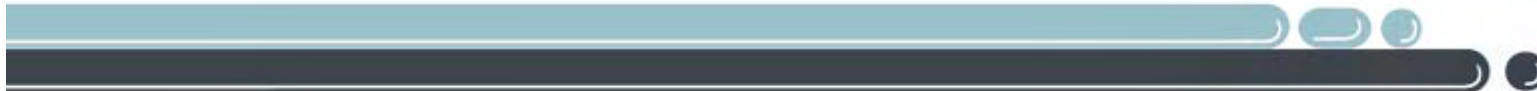
Research Institute	TNS Gallup Media
Panel	TV people-meter
Panel size	2770 HH / 7500 people
Population represented	Urban population living in cities with population 100k+ (54 cities ) aged 4+
Universe	65.7 mln people
Regional data	33 cities
Data supply	14 days delay – ratings, 25 days - AdExp

- **Current base is called “Russia-2500”, in 2HY transfer to “Russia-3000” is planned**

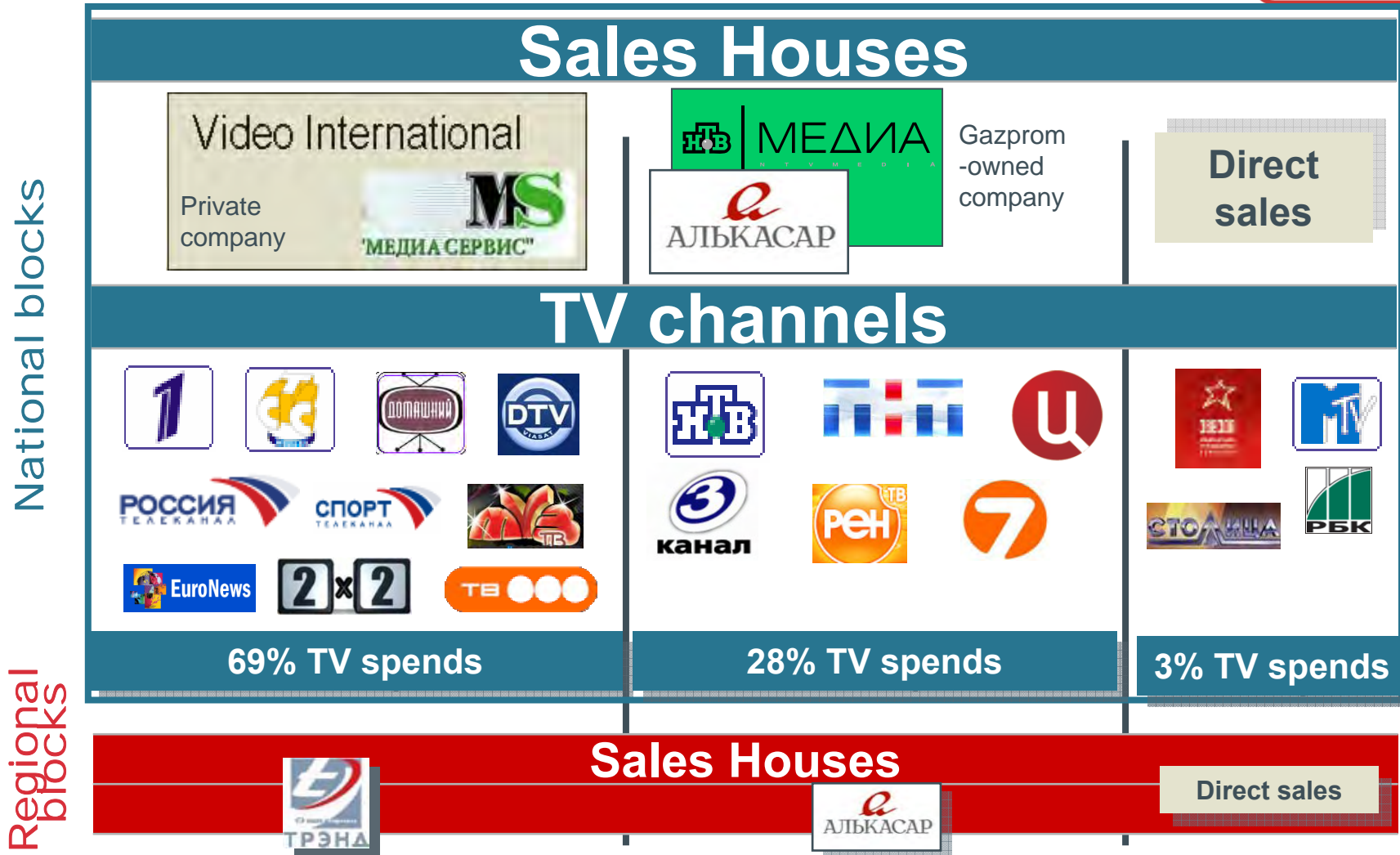


## Regional TV Pressure

- High inflation and further segmentation of TV stations lead to increasing demand for regionally targeted campaigns from the side of major advertisers
- Share of regional advertising achieves 12%-15% and has obvious potential to grow



# TV sales structure



- VI and NTV Media are major TV sellers
- VI dominates TV market controlling 69% of total TV spends
- News: TV 3 will be sold by VI from 2008. The contract is signed till the end of 2012

# VI – monopoly or not?

- VI holding is key player on Russian media market also given control over wide variety of media vehicles
  - VI attracts advertisers' investments to develop "other media"
  - By 2010 VI plans to become a full-scale multi-media player

- **Print:**
  - 3-5% share



- **Internet:**
  - 20%-25% share



- **Radio:**
  - 5% share

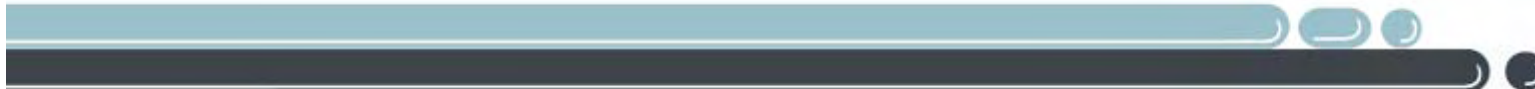


- **In-door (LCD displays):**
  - 20%-25% share



## Elections 2007-2008

- Sharp deficit of ad inventory in fall 2007-winter 2008
- All major mass media will be controlled by the state directly or indirectly through state-oriented oligarchs
- Oligarchs and financial groups buy up mass media:
  - Vladimir Potanin (financial oligarch, owner of investment company Interros and media concern Prof-Media) bought TV-3, MTV and 2\*2 channels
  - Billionaire Alisher Usmanov (metallurgical industry) bought Muz TV, 7 TV and publishing house Kommersant
  - Surgutneftegaz/Severstal bought Ren TV and 5<sup>th</sup> St Pete channel
- **No significant changes in political environment and elite are expected**



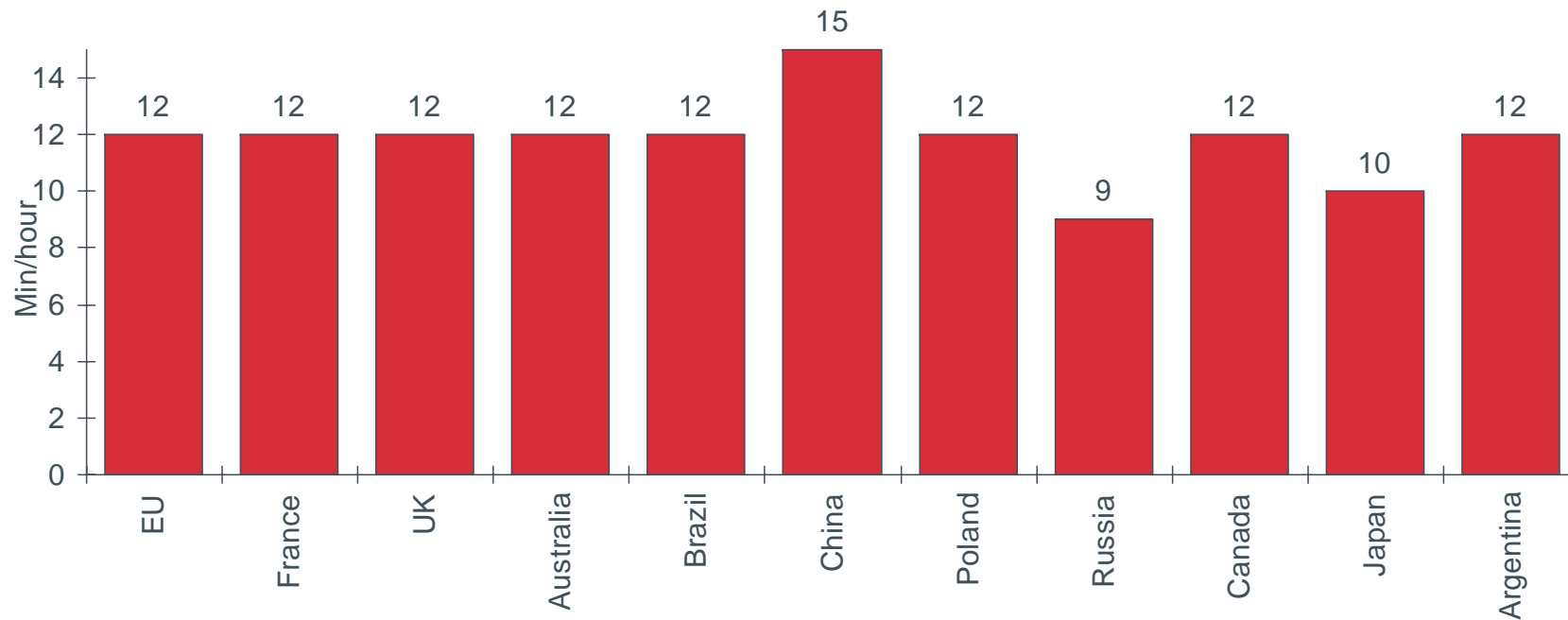
# Decrease of supply. Steps of inventory cut

	Before new Ad Law	1 <sup>st</sup> wave from 1 <sup>st</sup> July 2006	Autumn 2007 news	2 <sup>nd</sup> wave from 1 <sup>st</sup> January 2008
<b>Ad time restriction across a day</b>	20%=288 min for 24-hour broadcasting	15%= 216 min	Launch of new kids time-slot on Rossiya station	15% = 216 min
<b>Ad time restriction across an hour</b>	20% = 12 min, no strict control over ad volume	Maximum 20%=12 min	No advertising inside the programs	Maximum 15%=9 min
<b>Number of ad blocks per hour</b>	No strict limitation	4 min/3 times per hour	Max 1-3 min before the program	3 min/3 times per hour
<b>Inventory cut, %</b>		15%-20%	8% on TV Rossiya channel	15%-20%
<b>Additional consequences</b>		Concentration of placement in intervals with highest ratings: prime and pre-prime time		Major decrease in prime-time, New natural prime-off-time share: ~55%

# Russia vs. other countries.

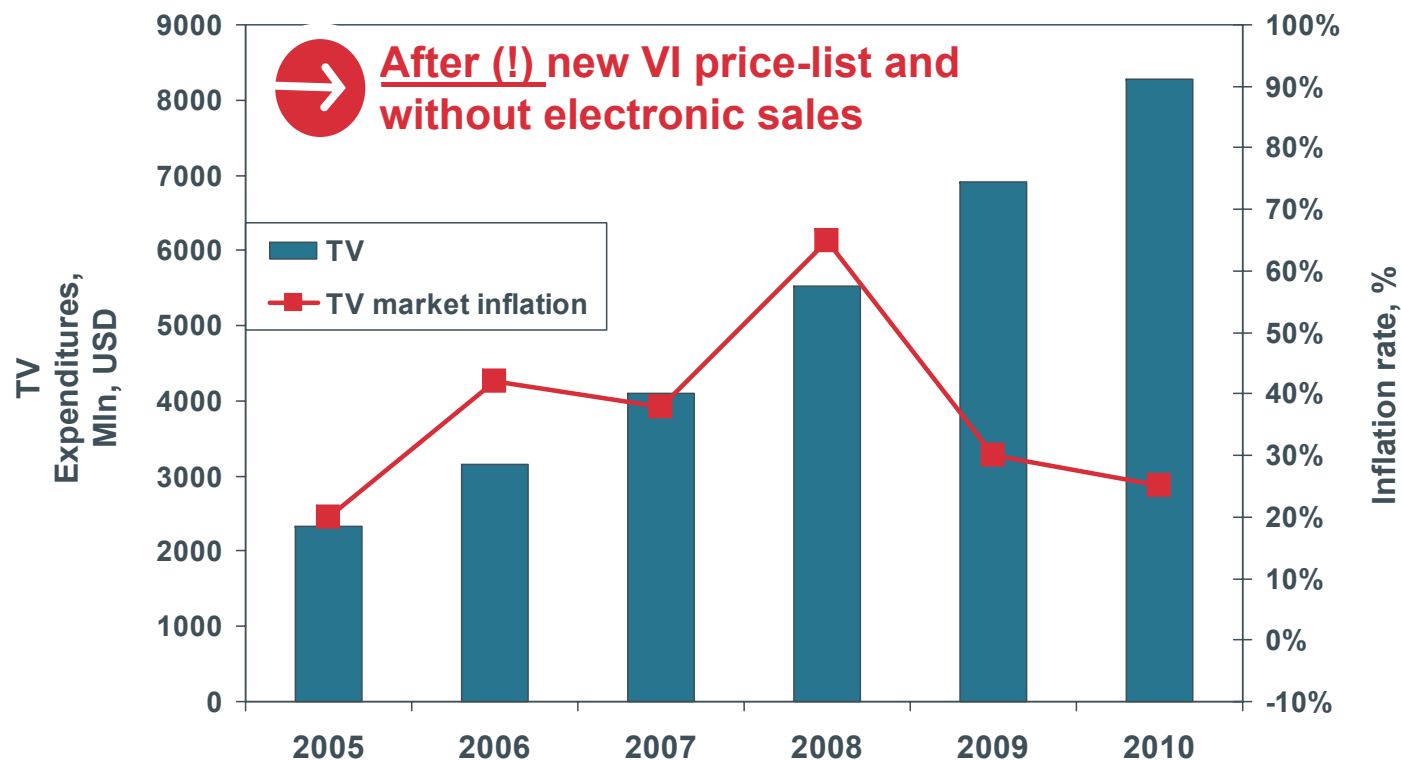
## Comparison of advertising time restrictions

Optimum Media **OMD**  
Group



As of 2008 Russia will have one of the strongest restrictions on ad volume

# Russia. TV Market growth and TV price inflation forecast



## TV market growth:

- 2005 = 40%
- 2006 = 36%
- 2007 = 30%
- 2008 = 35%
- 2009 = 25%
- 2010 = 20%

## Average market TV inflation:

- 2005 = 20%
- 2006 = 42%
- 2007 = 38%
- 2008 = 65%
- 2009 = 30%
- 2010 = 25%

**2005-2008:**  
**TV market inflation**  
**+288%**  
**during 4 years**

# TV electronic sales

## Definition and objectives

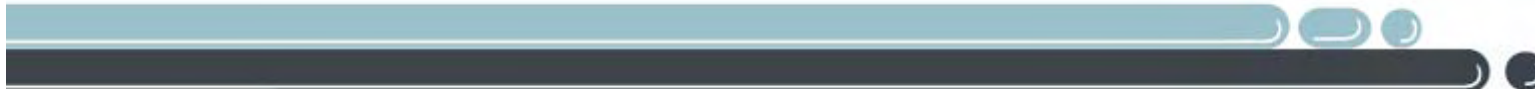


- **TV electronic sales:**

- Trade electronic system organized similar to stock-exchange allowing to sell/buy TV inventory and conclude deals for TV placement

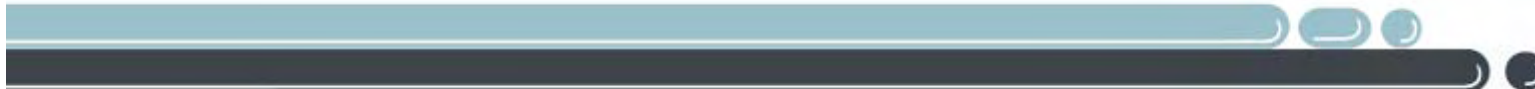
- **Objectives:**

- Transparency of TV market pricing system
- Formation of self-regulated market



## Electronic sales system

- The discussion of introduction of TV inventory sales through electronic exchange started 1,5 years ago.
- With the objective of making the market more transparent FAS (Antimonopoly Committee) initiated start of the project development
- The process was slowed down after numerous debates between all members of ad society (Rusbrand, AKAR, TV sellers, TV channels)
- In mid June 2007 FAS announced the results of 2-year anti-monopoly investigation of Russian advertising market:
  - Ad market can not be divided into segments and thus VI controlling over 60% of TV market is not considered as dominating company
- But the story continues...

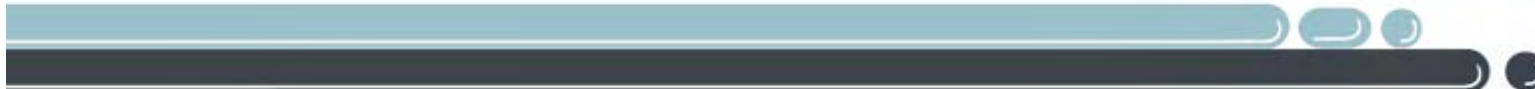


# The Russian media market.

## Key Conclusions



- Rapid growth likely to continue for next 4-5 years
- Rapid inflation – but CPMs still well below international levels
- Dominance of TV
- Dominance of “traditional” fast-moving-consumer-good advertisers
- Dominance of global/non-Russian advertisers
- Rapid development of the internet
- Dominance of state involvement in TV – either directly or indirectly
- Dominance of Russian media owners (especially TV)
- Dominance of Video International (and NTV) in airtime sales
- Airtime restrictions driving TV inflation even further





# Спасибо

