

Kyrgyzstan: Mobile Communication 2009



PREFACE

We are pleased to present our 2009 Kyrgyzstan's Mobile Communication Market Research Report. This in-depth analysis of Kyrgyzstan's cellular market has been jointly prepared by the analytical team consisting of MGN Capital's and Kalikova & Associates's professionals.

The report has been carefully compiled and positions itself as a reliable source on the mobile communication market in Kyrgyzstan, and hopes it will come to be extensively used by investors, industry, government and academia.

This report will help investors analyze cutting-edge opportunities critical to succeed in the growing mobile com-

munications market in Kyrgyzstan. The analysis in this report is supplemented with statistical facts and helps handset manufacturers, service providers and investors navigate the evolving market of cellular network operators in Kyrgyzstan.

This publication provides a forecast and analysis of mobile subscribers, as well as an update of the latest developments in the mobile communications industry in Kyrgyzstan.

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MGN GROUP

MGN Group provides a full range of professional investment banking and asset management services to domestic and international clients. MGN Group has two main divisions: MGN Capital, the investment banking, research and corporate finance arm and MGN Asset Management, the asset management and wealth management arm. MGN Capital offers a full range of investment banking services including M&A advisory, corporate finance, project finance, privatization of government assets and pre-IPO advisory services. MGN Asset Management offers portfolio management, asset allocation, financial planning, private wealth management and proprietary investment advice for public and non-public debt and equity securities.

MGN Capital's research team provides support to the Corporate Finance, Broker/Dealer and Asset Management divisions. The chief task of the research department is to provide analysis of publicly available information from the global debt and equity markets to support internal investment and management decisions, as well as the publication of equity research on public companies. Additionally, the team routinely provides clients with insightful and cutting-edge research about investment opportunities in the Central Asian Region.

KALIKOVA & ASSOCIATES

Kalikova & Associates (K&A) is one of the leading law largest and leading law firms in the Kyrgyz Republic, specializing in business law services. K&A has the reputation of a reliable, effective and client-oriented law firm.

K&A has provided legal support to the largest investment projects in the Kyrgyz Republic in such areas as telecommunications, electric energy, exploration and mining of mineral resources, banking and micro-finance, manufacture of tobacco products, international trade and others .

K&A services have been recognized by many reputable international legal directories.

K&A believes that comprehensive and reliable legal research is vital for effective investment decisions. Therefore, K&A lawyers are authors of various publications and legal guides on the issues of special importance for investors.

K&A clients are always guaranteed the most up-to-date information on current legal trends in the Kyrgyz Republic.

TABLE OF CONTENTS

Preface	Page 2
Authors	Page 3
Table of Contents	Page 4
Overview of Mobile Communication Market	Page 6
- Kyrgyzstan’s Mobile Communication Market Compared	
- What Makes Kyrgyzstan’s Mobile Communication Market Unique	
Overview of Key Players	Page 10
SWOT Analysis of Key Players	Page 13
SWOT Analysis of Kyrgyzstan	Page 19
Market Analysis	Page 20
- Mobile Customers (mln)	
- Industry Revenues (USD mln)	
- Penetration (%)	
- ARPU	
Market Forecast	Page 22
- ARPU	
- 3G	
Market Potential in Bishkek and the Regions	Page 25
Regulation of Mobile Communication Sector	Page 27
- Regulatory Authorities	
- Licensable Activities and Services	
- License for Mobile Communications Services	
- Permit to Use Radio Frequency Spectrum	
- Permit to Import Communication Equipment	
- License for Import of Cryptographic Equipment	
- Technical Certification and Registration of Communication Equipment	
- Sanitary and Hygienic Certification Communication Equipment	
- Permit to Use Codes and Phone Numbers	
- Interconnection of Networks	
- Pricing Policy	
- Renewal of License for Mobile Communication Services	
- Suspending the License for Mobile Communication Services	
Contacts	Page 34



Executive Summary

Kyrgyzstan’s telecommunication industry is amongst the most competitive and dynamic in Central Asia. In the past few years the competition has heated up with the entry of new mobile communication operators that have not only challenged the status quo but set higher standards for services and value to the customer. The advent of new technologies such as 3G has increased the pressure on the existing companies to constantly upgrade and update their services.

Kyrgyzstan has ten registered mobile service providers of which six are in operation. Every year the competition is tougher for the less solvent groups of the population and the average revenue per user (ARPU) is on the decline. As of April 1, 2009 there are three GSM operators (BiMoCom, Sky Mobile and NUR Telecom), one D-AMPS operator (Katel) and two CDMA operators (AkTel and Sotel).

Kyrgyzstan’s Mobile Communications Market Statistics for 2008	
Mobile Services Revenue	\$281 000 000
Mobile Subscribers	3 200 000
Annual Growth of Subscribers since 2000	57%
Mobile Penetration	60.1% ¹

¹ Interfax, 12.02.2009, <http://www.comnews.ru/index.cfm?id=42570>

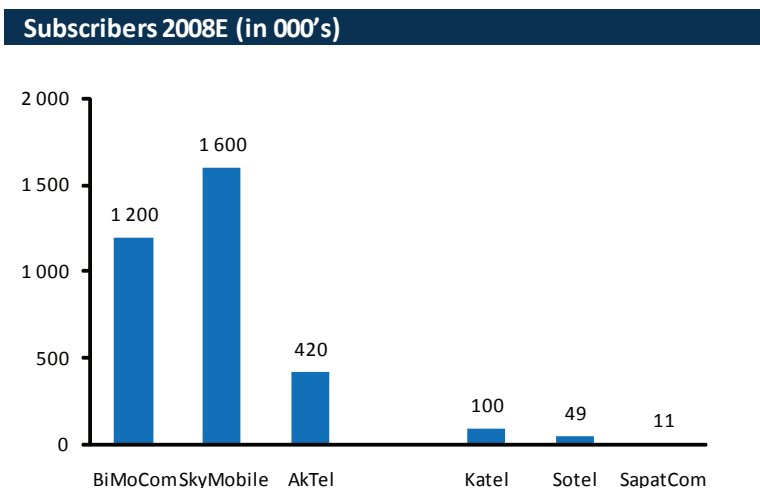
The market of cellular network providers is dominated by three major and three minor players:

Major players are:

- Sky Mobile
- BiMoCom
- AkTel

Minor players are:

- Katel
- Sotel
- WinLine



Source: Company Websites and MGN Capital’s Analysts

OVERVIEW OF MOBILE COMMUNICATION MARKET

Operating License Holders

Company	Brand	Standard	Frequency
Katel	Katel, K-Plus	TDMA (D-AMPS)	900/1800 MHz
Sky Mobile	Bitel, Mobi	GSM	900/1800 MHz
AkTel	Fonex, AkCent	CDMA 2000-1X	800 MHz
BiMoCom	MegaCom	GSM	900/1800 MHz
Sotel	Nexi	CDMA 2000-1X EV-DO	800 MHz
Saima-Telecom	Saima-Telecom	CDMA (IMT-MC) 450	450 MHz
Winline	Sapatcom	CDMA (IMT-MC) 450	450 MHz
Kyrgyztelecom	Kyrgyztelecom	CDMA (IMT-MC) 450	450 MHz
NUR Telecom	O!	GSM	900/1800 MHz

Non-Operating License Holders

Sky Mobile	Unknown	UMTS/WCDMA	1920-1980 MHz, 2110-2170 MHz, 2010-2025 MHz
BiMoCom	Unknown	UMTS/WCDMA	1920-1980 MHz, 2110-2170 MHz, 2010-2025 MHz
AkTel	Unknown	UMTS/WCDMA	1920-1980 MHz, 2110-2170 MHz, 2010-2025 MHz
KT Mobile	Unknown	GSM	900 MHz

Source: National Communications Agency of the Kyrgyz Republic

Key Dates:

- Mobile communications were first offered with the launch of American standard D-AMPS in 1994
- European standard GSM network was launched in 1998
- Asian standard CDMA network was launched in 2003

