

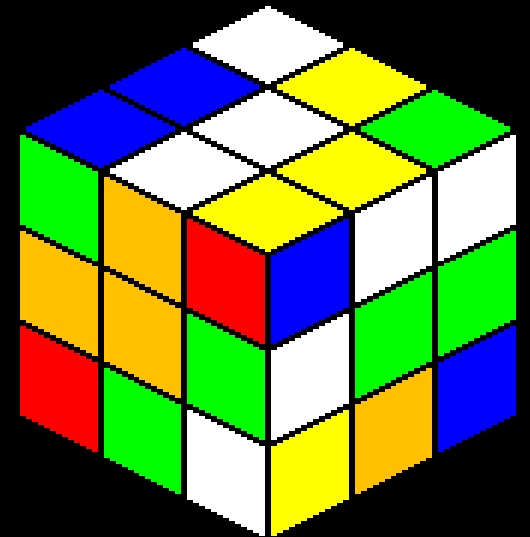
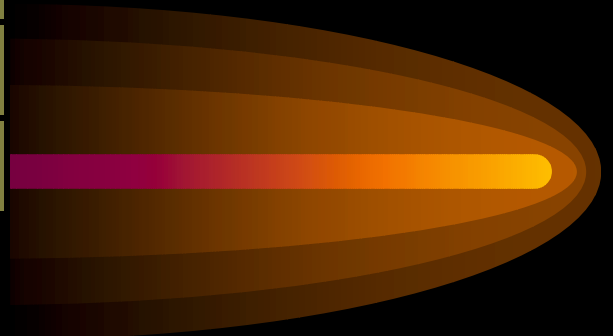
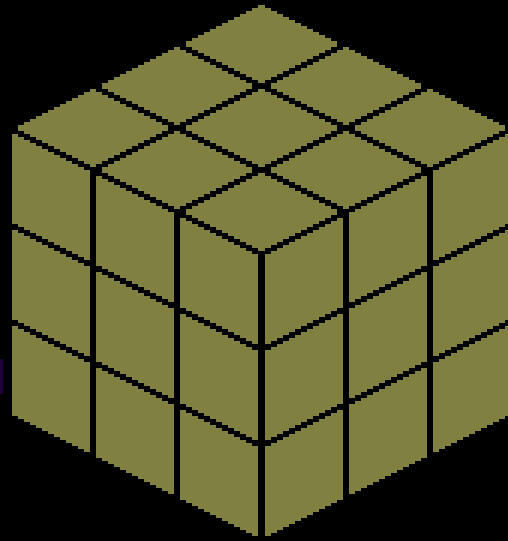
Russian teddy-bear in search of free ~~honey~~ market



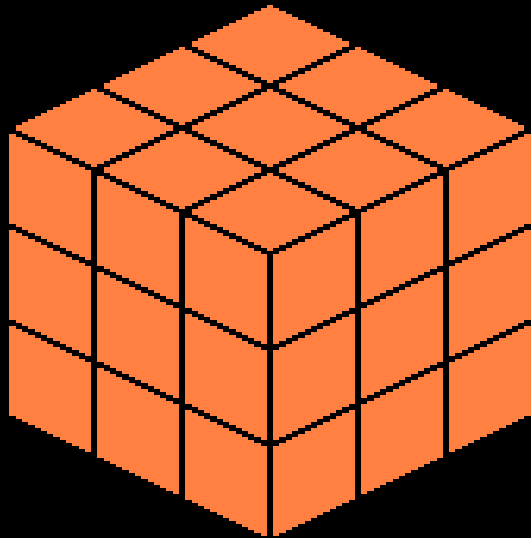
Leonid Glazytchev

Logrus International
Corporation

Russian Economy



Is There the Market at All?



- Russian economy is extremely unhomogeneous
- Maturity levels for different economy sectors are significantly different
- IT is way ahead of the others

Reasons for IT's Lead



- **The most dynamic sector of the economy worldwide**
- **The most internationally integrated**
- **No rotten roots – young industry**
- **Attracts young and educated people without political or economic prejudices**
- **Very high level of technical competence**

The Two Sides of Russian IT



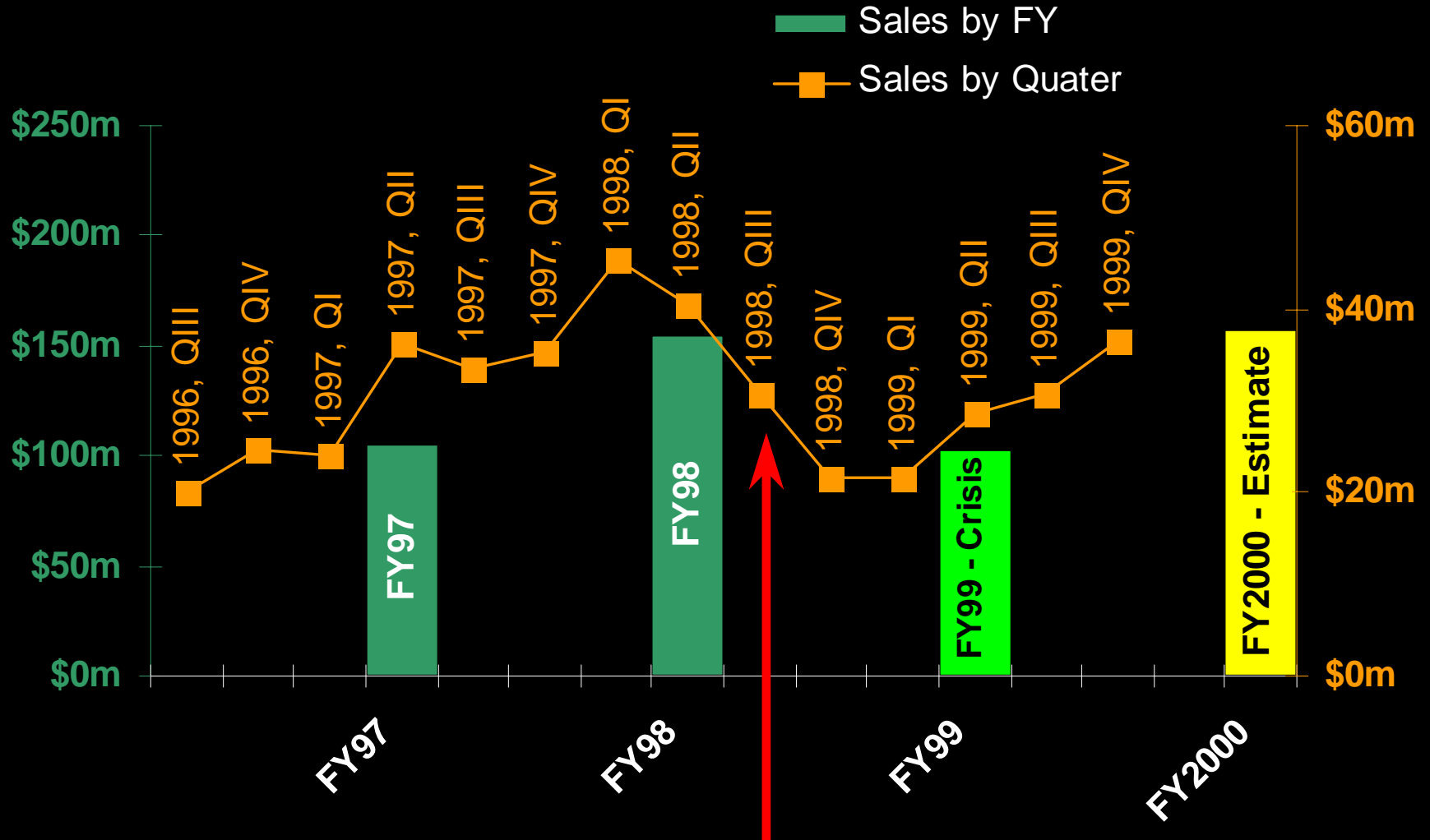
- **Side 1**
 - Speaking the same language
 - Flexible
 - *Relatively* low cost of rank and file labor
- **Side 2**
 - Managerial skills usually below expectations
 - Promises outbalance real capacity/skills
 - Salaries considerably higher than the country average. Senior management is *convertible*, i.e. expensive

Show Us the Data!



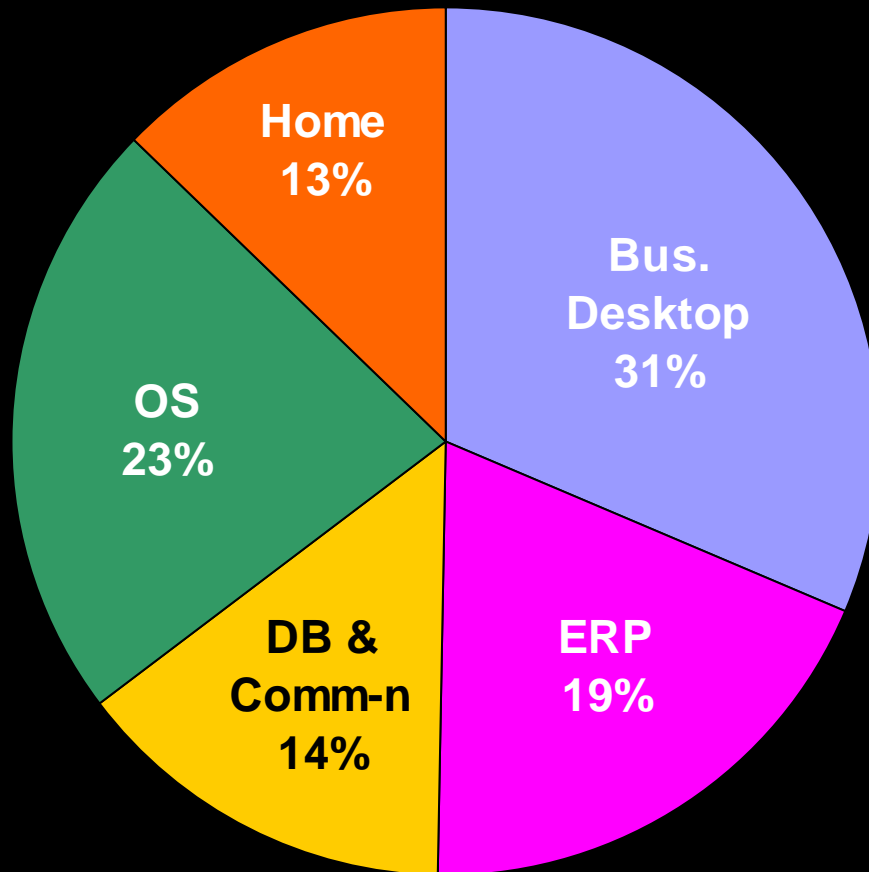
- **Officially published data is often unreliable**
- **Most of the data are based on private conversations with top management of major software and hardware distributors, and on Logrus experience**
- **Internet data supplied by Russian nOn-profit Center for Internet Technologies (ROCIT)**

Software Sales



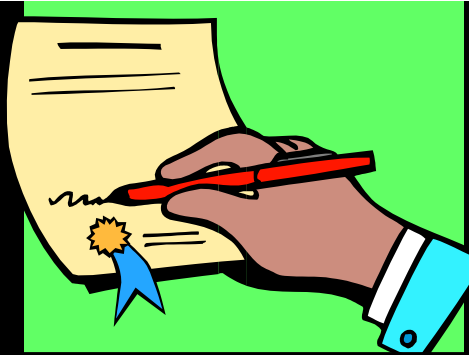
Crisis: QIII'98; currency devalued fourfold

Software Sales by Category



**Relatively
Small Sales to
Home Users**

Multimedia Sales



Circulation

1000 – 10 000

5 000 – 30 000

Titles per Year

80

300

Average Retail Price

\$20,00

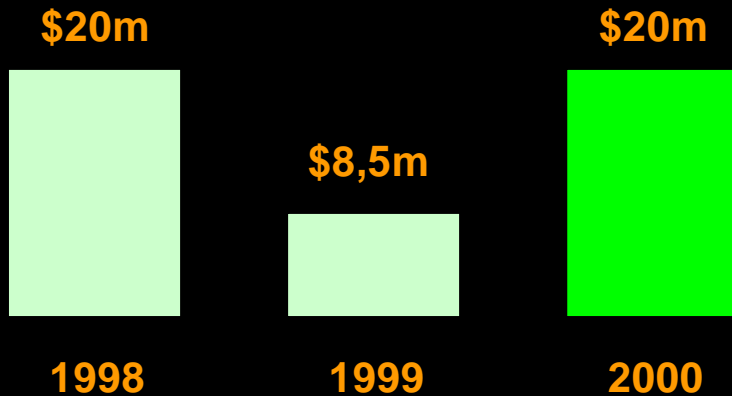
\$2,50

Gross Revenue

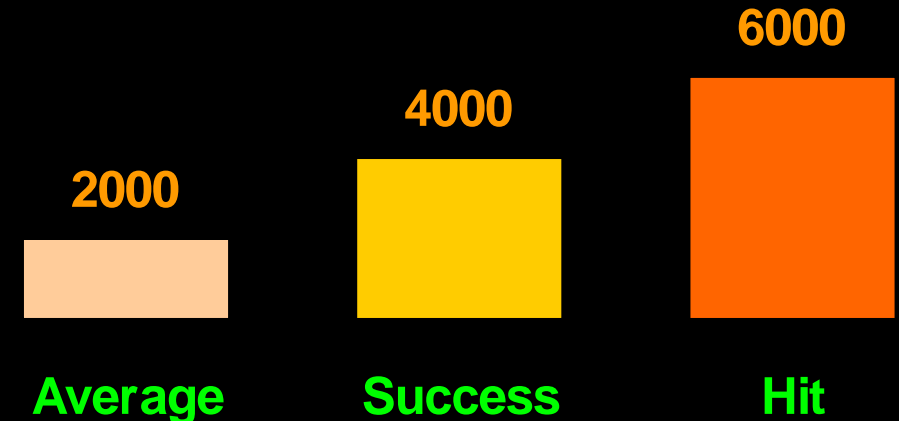
\$3 500 000

\$5 000 000

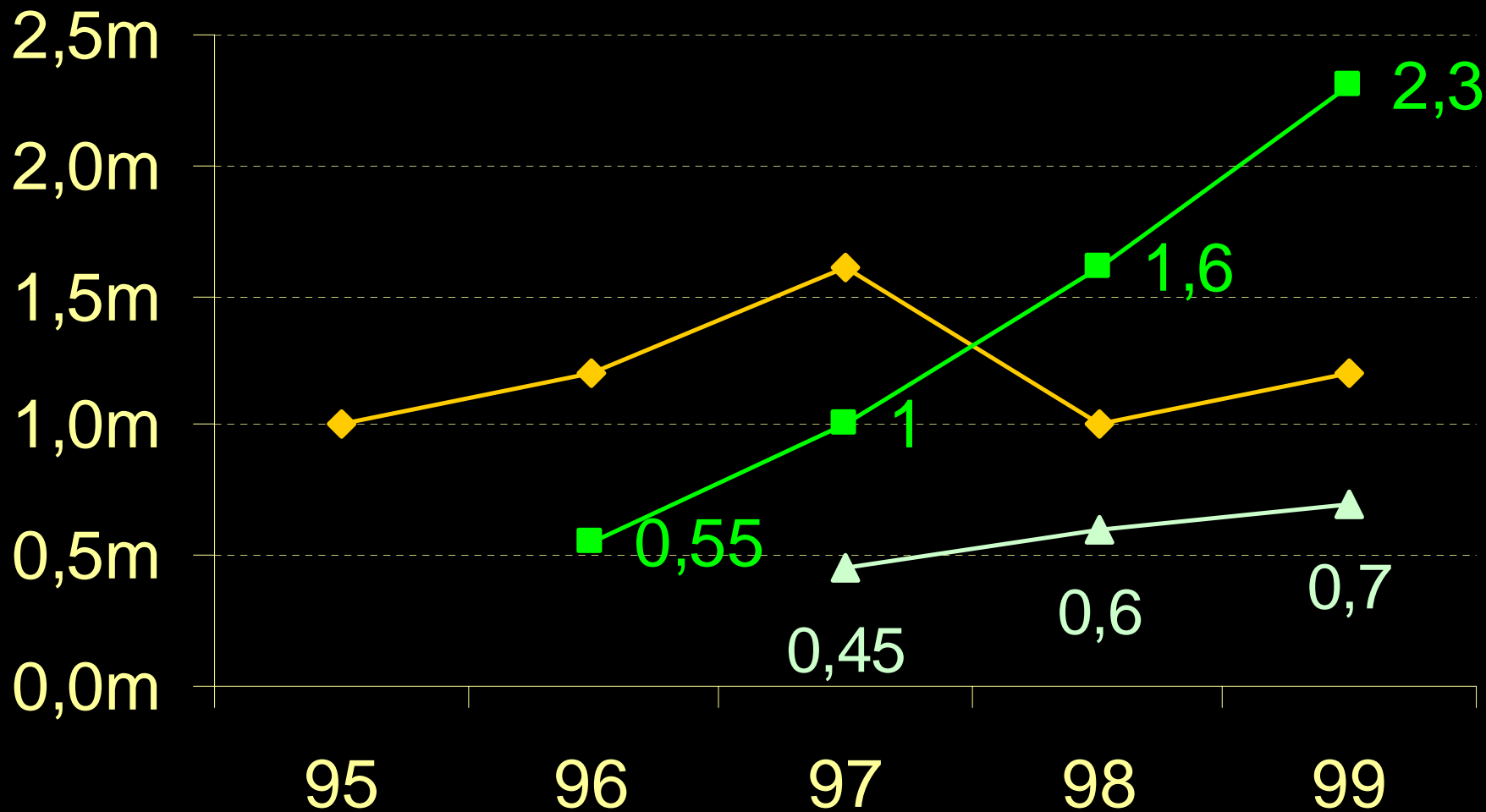
Gross Sales by Year



Circulation (Legal)

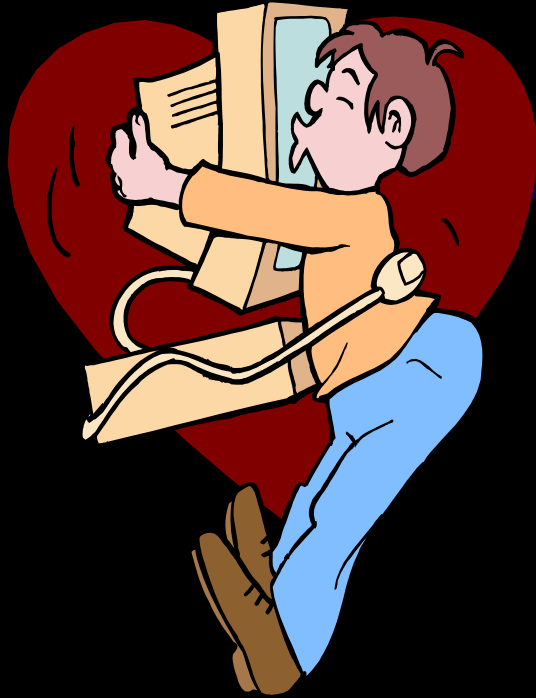


PC Sales & Internet Users



—◆— PC Sales —■— Internet Users —▲— Internet Growth

PC Facts



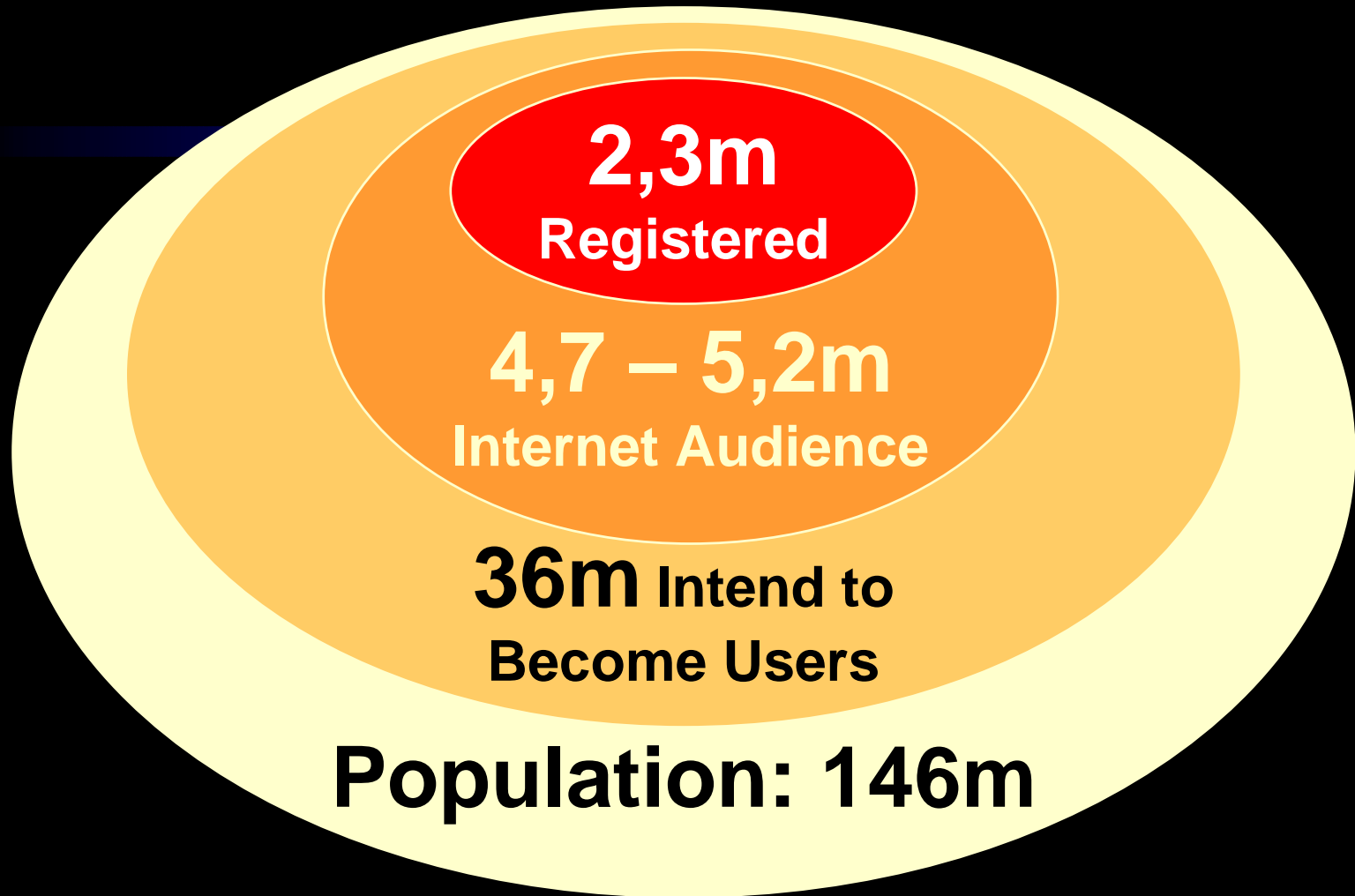
- Purchased New
1,2-1,25 million PCs
- Decommissioned
0,4-0,6 million PCs



Total Expected by 2001: 3,8 million modern PCs
Total Expected by 2004: 5-6 million
(9 million with upgrades)

66% on the Internet

Internet Facts

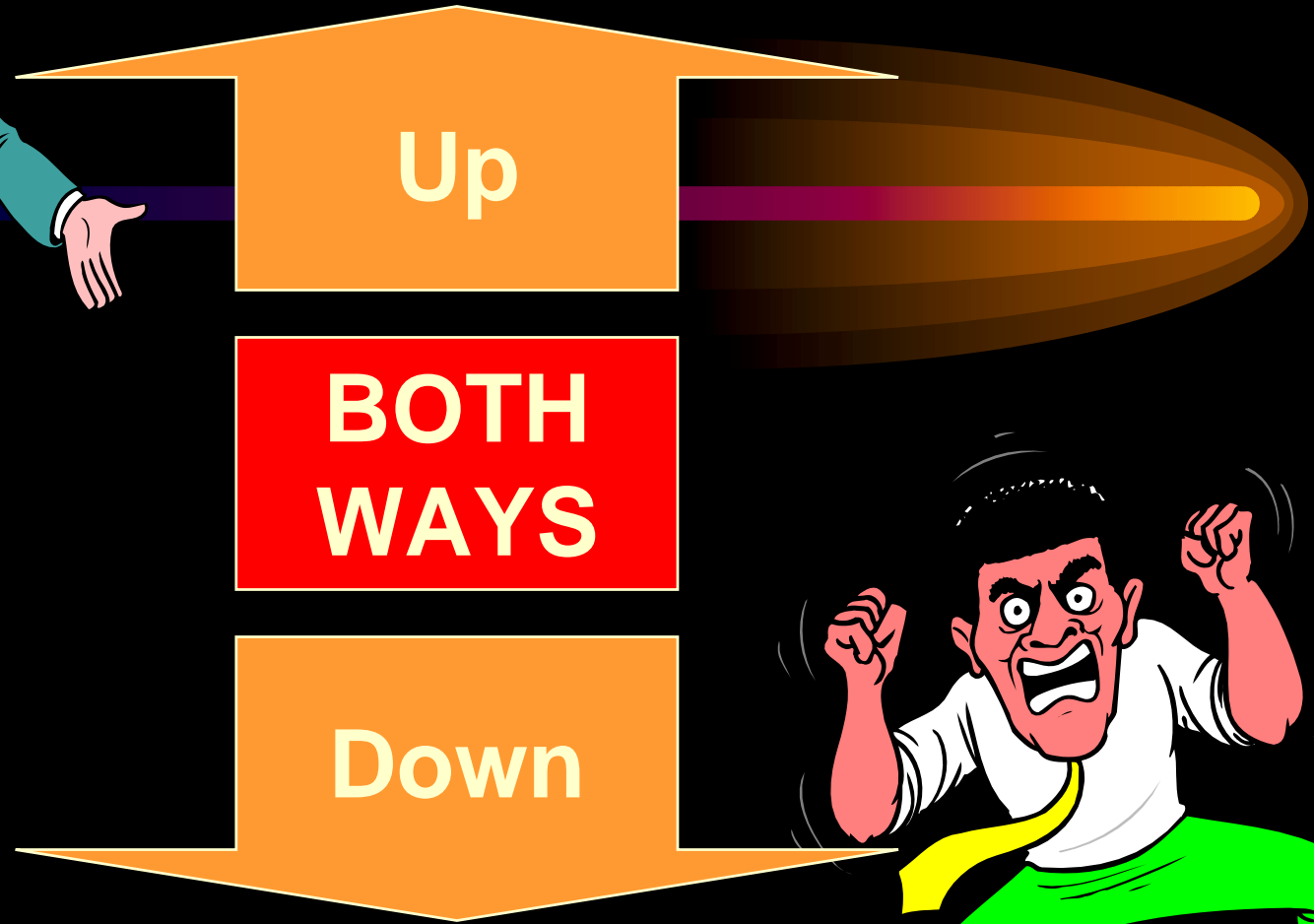


PC/Net users per 1000: 27/10 (Russia), 116/50 (Mow)

Localization Industry

- Didn't exist 10 years ago
- Mostly very small companies or departments with a single major client
- No reliable revenue statistics
- Continuous turnover of players on the market
- Lack of professionalism on a wide scale
- Approximate gross revenues for FY99: \$3 – 4 million (~30% - internal localizations)
- Contradictory and inconsistent data on technical translation market volume

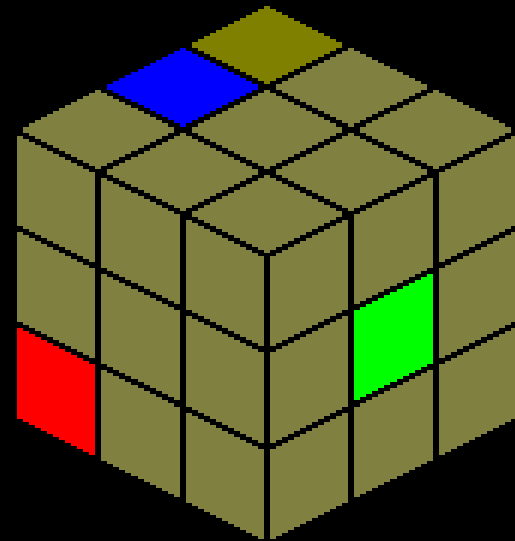
Forecast



- At least now will you tell me intelligibly: Up or Down???

SUMMARY

- **S/w and hardware sectors have survived the crisis and give all signs of revival**
- **Internet is growing rapidly**
- **For three consecutive years:
s/w sales > \$100m, computer sales > 1m**
- **We can expect an upward spiral both in the IT industry and in localization**



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