Opportunities in the Russian Online Game Market

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Mini Bio

Founder, Chairman and President of Nival Group, a leading Russian game developer, publisher and operator

Since 1996 was an executive producer for more than 15 games for international markets, including:

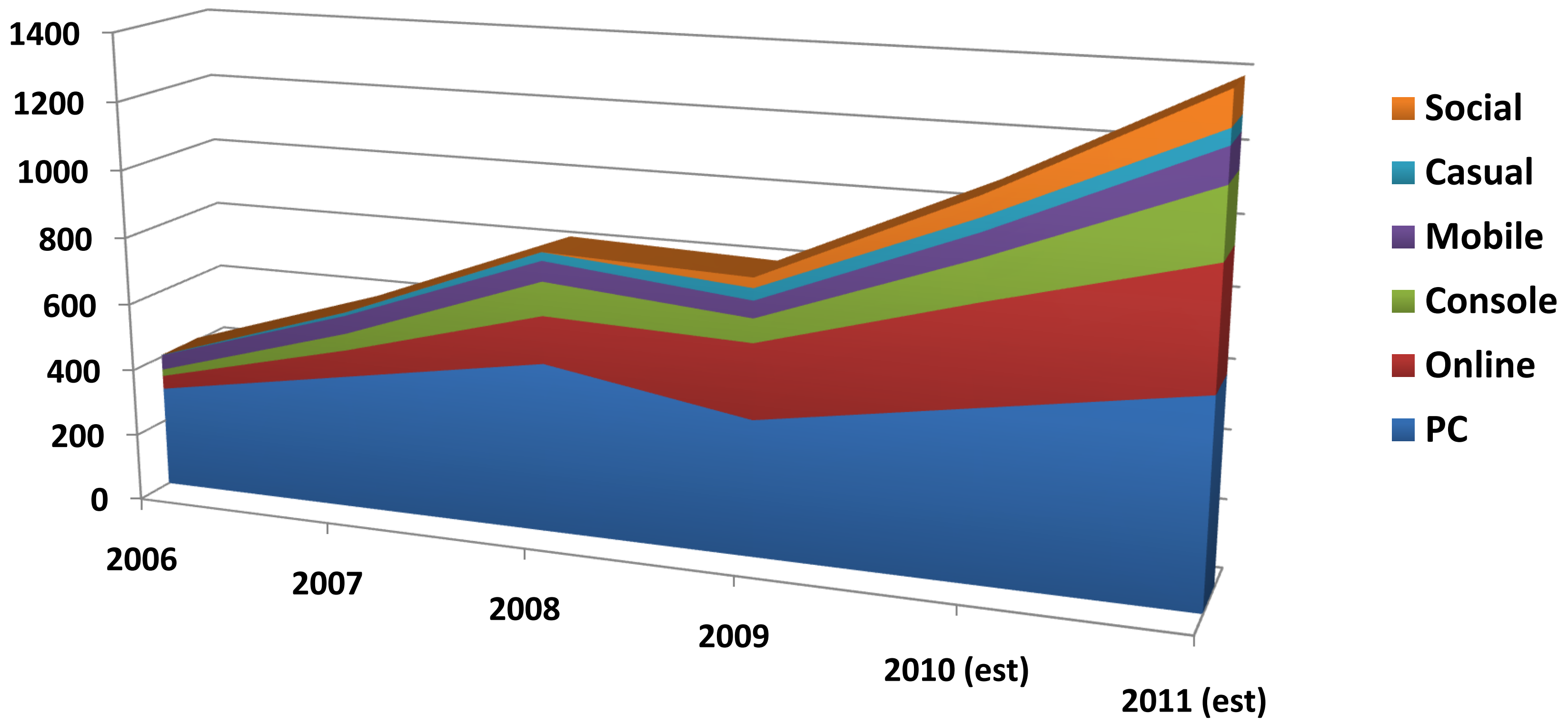
- Blitzkrieg
- Silent Storm
- Heroes of Might and Magic V
- Allods Online
- Prime World

Total sales for internally developed games: over 5 mln units + over 1 mln online

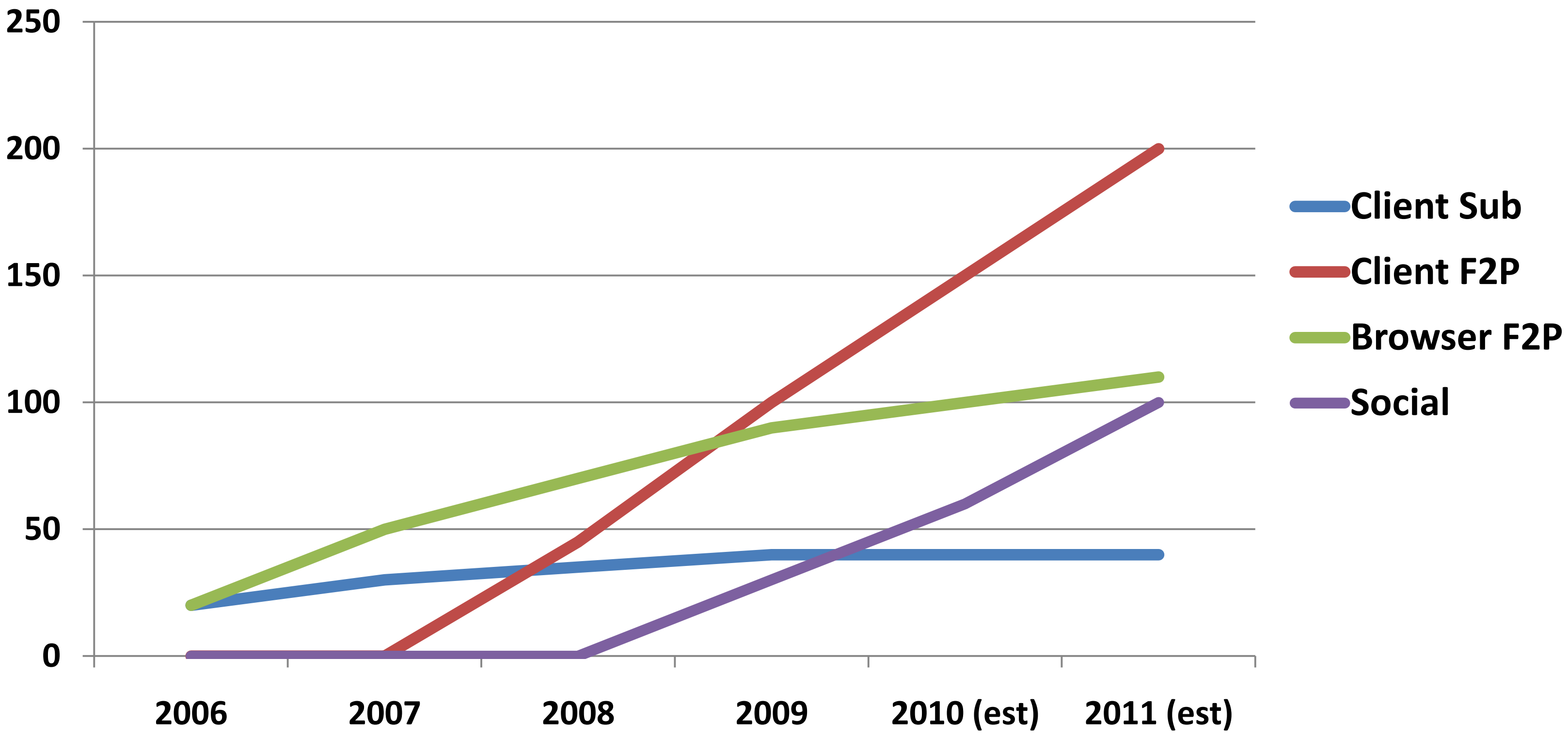
Country Overview (2008)

	US	EU	Korea	Russia	Ex-USSR	Brazil	China	India
Area, mln sq km	9.8	4.3	0.1	17.0	22.4	8.5	9.6	3.3
Population, mln	307	492	48	140	280	199	1339	1166
Internet users, mln	223	247	36	32	58	50	253	80
Internet users, %	73%	50%	75%	23%	21%	25%	19%	7%
GDP per capita (PPP), USD	47,000	33,400	26,000	15,800	11,000	10,100	6,000	2,800
GDP growth	1.3%	1.0%	2.5%	6.0%	4.9%	5.2%	9.8%	6.6%

Game market segments, mln $



Online market segments, mln $



Internet and Gamers (2010)

	Internet Users, mln	Gamers, mln	Gamers per Internet Users, %	Market share, gamers	Average Connection, kbit/s
Moscow	6.1	2.2	36%	35%	7680
St. Petersburg	2.7	0.9	33%	14%	6114
1M+ Cities (9)	8.8	1.5	17%	24%	410
100K+ Cities	15.8	1.3	8%	21%	dial-up
Other	5.8	0.35	6%	6%	dial-up

Key Internet Portals

- Yandex – Search Engine
- Mail.ru – Entertainment Portal (DST)
- Vkontakte – Social Network (DST)
- Google – Small US company ☺
- Odnoklassniki – Social Network (DST)
- Rambler – Search Engine/Entertainment Portal

Free to Play

- Low disposable income
- No credit cards
- No prepaid cards
- No budgeting habits
- High RMT tolerance (some users pay over $1000 a month)
- Claim to like subscription (64%)
- Tend to use free-to-play (82%)

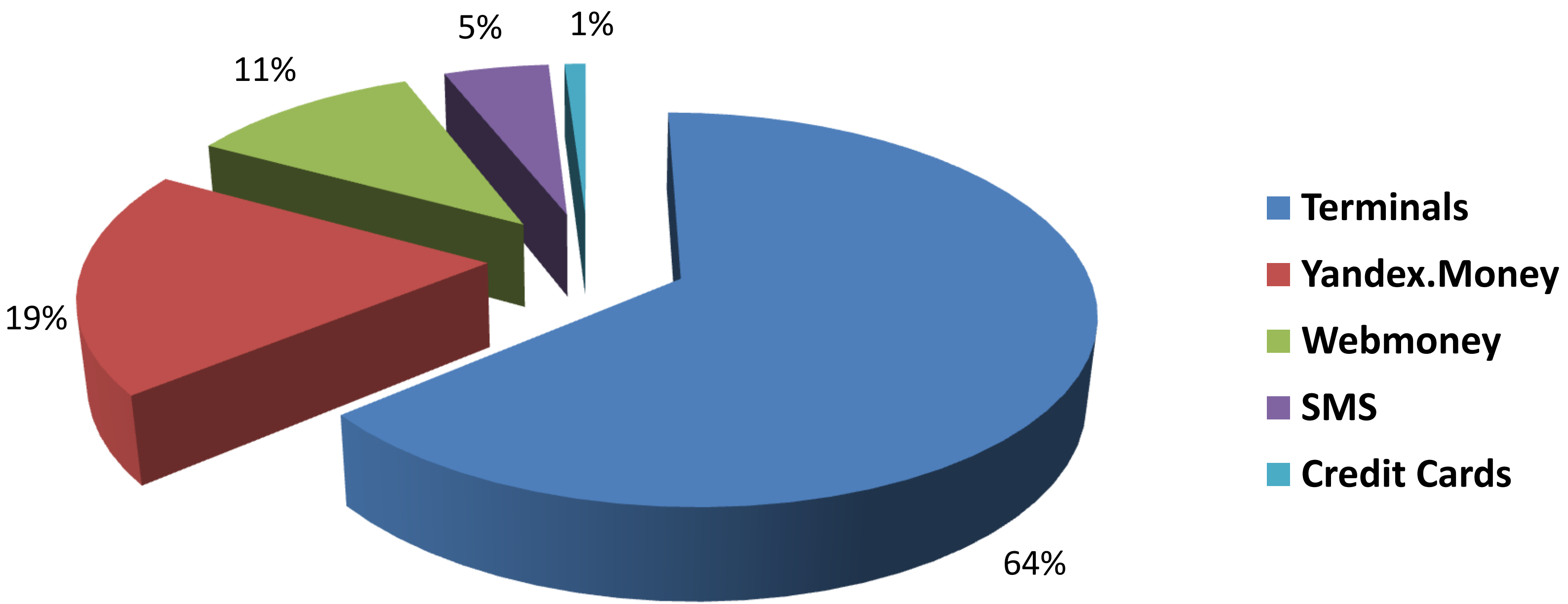
UAC and CLV, per active user

- Free to Play User Acquisition Costs: $1-3
- Social UAC: $0.1-0.4

(excluding virality and inter-game promotions)

- Free to Play Customer Lifetime Value: $10-30
- Social CLV: $1-2

Payment Solutions



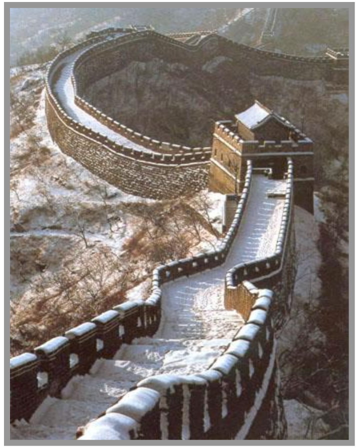
Terminals (over 200,000)

IDC and Hosting

- Moscow is a must
- No traffic and bandwidth costs
- High colocation costs
- IDC shortage and power supply issues
- Expensive equipment (import taxes)
- Lack of leasing
- High anti-cheating protection is a must

Government Regulations

- No regulations, yet (no tax on virtual goods, no time restrictions, no ID checks, no age checks)
- Introduction of rating system in 2010
- Skolkovo
- Considered as strategic industry
- Special GR skills
- Chinese experience



Exhibitions and Conferences

Key Game Developers

- Nival
- Mail.ru
- 1C-Softclub
- Gaijin
- Wargaming.net

Key Online Game Operators

- Mail.ru
- Innova
- Nival
- Syncopate
- Destiny Development
- Nikita

Key Social Game Operators

- I-Jet
- Mail.ru
- Creara
- Ciliz Co
- Plarium
- Drimmi

Key Retail Publishers/Distributors

- 1C-Softclub
- Noviy Disk
- Akella

Top Client-based, Free to Play

- Perfect World (Mail.ru, Perfect World)
- Allods Online (Mail.ru)
- Lineage II (Innova, NCSoft)
- Cabal Online (Nival, ESTSoft)
- Rappelz (Nikita, Gala Lab)

Top Client-based, Subscription

- World of Warcraft (Blizzard)
- Aion (Innova, NCSoft)
- Lord of the Rings Online (Mail.ru, Turbine)
- Warhammer Online (EA, Mythic)
- Age of Conan (1C, Funcom)

Top Browser-based, Free to Play

- Legend: Legacy of the Dragons (Mail.ru)
- Botva Online (Destiny Development)
- Carnage (Carnage)
- Three Kingdoms (Mail.ru)
- Korolevstvo (Skazka)

Top Social Games

- Happy Farmer (I-Jet)
- Territory of Farmers (Creara)
- Happy Farm (I-Jet)
- Legend: Legacy of the Dragons (Mail.ru)
- Megalopolis (Creara)

Market Saturation

- Need for innovation
- Need for high production values
- “Innovative blockbusters”
- Balancing portfolio
- Combination of self-developed and licensed games
- International exchange

Future Trends

- The largest market in Europe
- Low disposable income
- No console experience
- Free-to-play is dominating
- High tolerance to micro-transactions
- Growing broadband penetration and userbase
- High Internet monopolization
- High GR barrier
- Government regulations are coming

Future Trends

- Market saturation
- Balanced PvP (East) vs PvE (West)
- Client-based and Social games growing
- Browser-based games migrating to 3D (Unity3D)
- Session-based (Dancing, FPS, Strategy) emerging
- Chinese/Korean content dominating
- US/European content emerging
- Raising Customer Acquisition Costs

Best Strategies

- Find partner with “chemistry”
- Use licensing deals for security (LF + MG + 25% Royalty)
- Use partnership deals for maximizing profits (no LF, no MG, 50% Royalty)
- Keep great and open relations

Perfect World: Case Study

Perfect World Case Study

- #1 Client-based game in Russia
- Timing
- Free to play
- Low system specs
- Asian style is not an issue
- Community
- Real girls!

Miss Perfect World Contest

Allods Online: Case Study

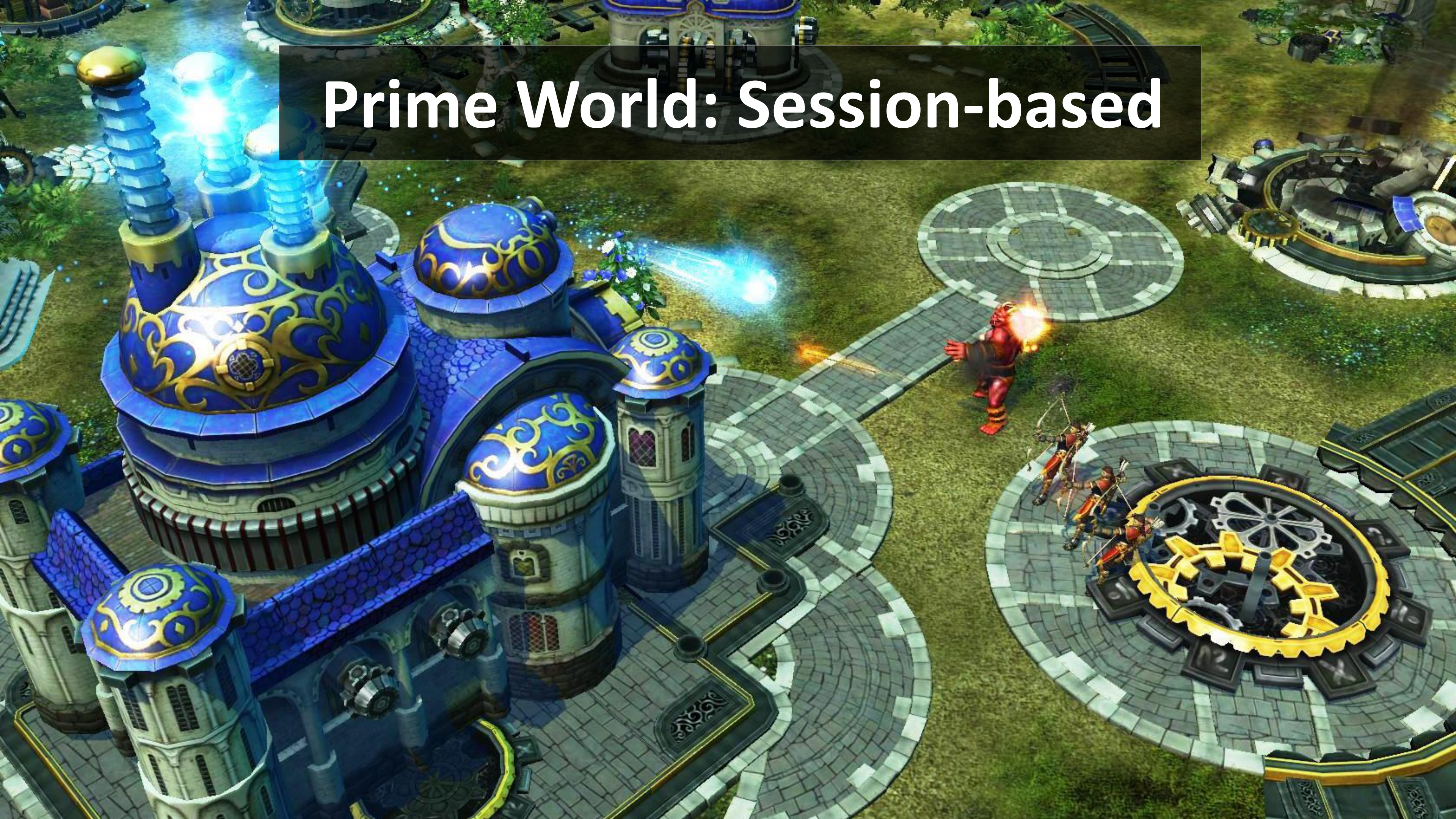
Allods Online Case Study

- First Russian AAA game
- $12 mln budget
- Free to play
- Strong USP
- Familiar, but innovative
- Deep focus on local market
- International appeal

Prime World: MMORTS

Prime World: East and West

Prime World: Session-based



Prime World: Persistent castle development

Prime World: Integration with social networks

Prime World: Gameplay features for girls


Thank You