4. PUBLIC MOBILE TELECOMMUNICATIONS AND SERVICES

During 2007, there was a significant increase in the total number of mobile subscribers compared with 2006, with an increse in penetration 100%.

	2005	2006	2007
Number of subscribers	5,510,690	6,643,700	8,452,642
Penetration (%)	73.50	88.60	112.73

Source: RATEL

There are three mobile operators present in the Serbian market:

- **Telecommunications company Telekom Srbija a.d. - Mobilna telefonija Srbije MTS**, owned by Public company for PTT traffic Srbija (80%) and OTE, Greece (20%) (license replaced on 01.08.2006)
- **Telenor d.o.o. Belgrade**, 100% owned by Sonofon A/S, Denmark, owned by Telenor ASA, Norway (license issued on 01.09.2006)
- **Vip mobile d.o.o.** (member of mobilkom austria Group), owned by Telekom Austria Group, Austria (license issued on 01.12.2006).

All three operators were granted a license for public mobile telecommunications network and public mobile telecommunications network services in accordance with GSM/GSM1800 and UMTS/IMT-2000 standards, issued by the Republic Telecommunication Agency. The licenses were issued for the territory of the Republic of Serbia, for a period of 10 years, which can be extended upon the expiration for another 10 years without a special request from the operator, provided the requirements under the License are fulfilled. Vip Mobile d.o.o. was granted a license on 01.12.2006, but began operating in July 2007.

Figure 29. Mobile Operators - Telenor

Coverage Map

Area covered by signal.

Source: Telenor Srbija

Official Data

Name	**Telenor d.o.o.**
Head office	Beograd
Founded	1994
Ownership	100% Sonofon A/S
Number of employees	1196
Percentage of territory coverage (without K&M)	81%
Percentage of population coverage	92%
Number of base stations	1280

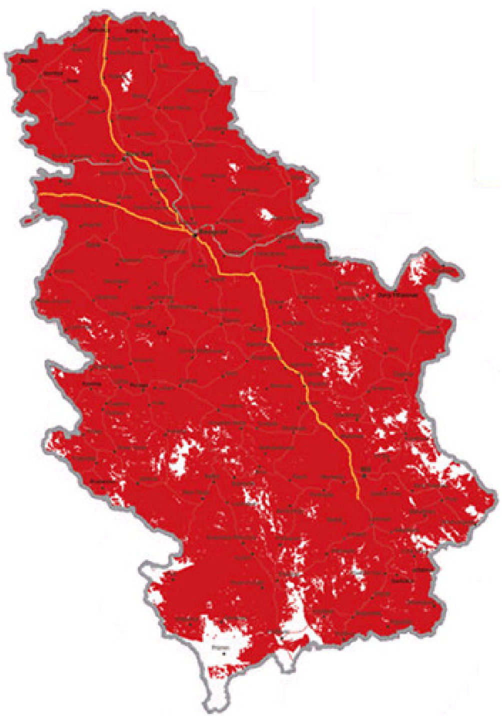
The Norwegian company Telenor entered Serbian mobile market by purchasing the company. Telenor d.o.o. is the twelfth company in the Telenor group, which also includes some of the operators in the region, such Panon in Hungary and Promonte in Montenegro. This is also the biggest investment in Serbia (€1.5bn)

Compared with 2006, Telenor increased its area coverage by 6% having built 401 new base stations (Figure 29.). In 2007, 3G service was introduced, thus enabling a wider range of services.

Figure 30. Mobile Operators – Telekom Srbija

Coverage Map

Area covered by signal.



Source: Telekom Srbija

Official Data

Name	**Telekom Srbija a.d.**
Head office	Belgrade
Founded	1997
Ownership	80% JP PTT "Srbija" 20% OTE, Grčka
Number of employees	1328
Percentage of territory coverage (without K&M)	91.31%
Percentage of population coverage	97%
Number of base stations	1274

In 2007, Telekom Srbija built 189 new base stations and increased the area coverage by 0.53% compared with the previous year (Figure 30). The usage of 3G network, which allows real time video calls and additional services based on faster data flow, has been intensified.

In the first half of 2007, Telekom Srbija extended its business to the neighbouring countries by obtaining mobile licenses in Republika Srpska and Montenegro.

Figure 31. Mobile Operators – Vip Mobile

Official Data

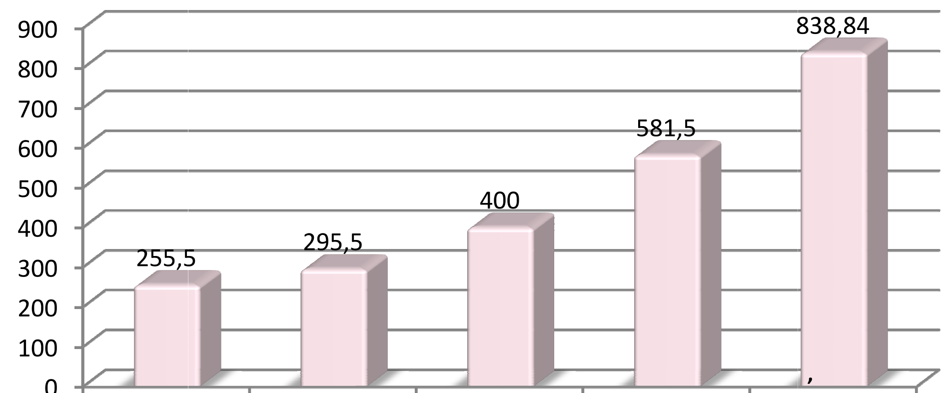
Name	**Vip Mobile d.o.o**
Head office	Beograd
Founded	1997
Ownership	100% mobilkom austria
Number of employees	445
Percentage of territory coverage (without K&M)	18%
Percentage of population coverage	40%
Number of base stations	173

Source: VIP

On 1 December 2006 Vip Mobile d.o.o. became the holder of the third mobile license in Serbia. Vip Mobile is a member of mobilkom austria group and it is present as mobile operator in eight countries, which include some of the neighbouring countries such as Croatia, Bulgaria and Macedonia. Vip Mobile began its business operations in the Serbian market on 1 June 2007, achieving the market share of 6.0% by the end of the year.

In addition to the €320 million license fee, mobilkom austria is under obligation to invest another €250 million in the infrastructure development, which makes it the biggest Greenfield investment in Serbia in 2007.

Figure 32. Increase in Total Revenue from Mobile Telephony (€ mn)



	2003	2004	2005	2006	2007
revenue (€ mn)	255,5	295,5	400	581,5	838,84

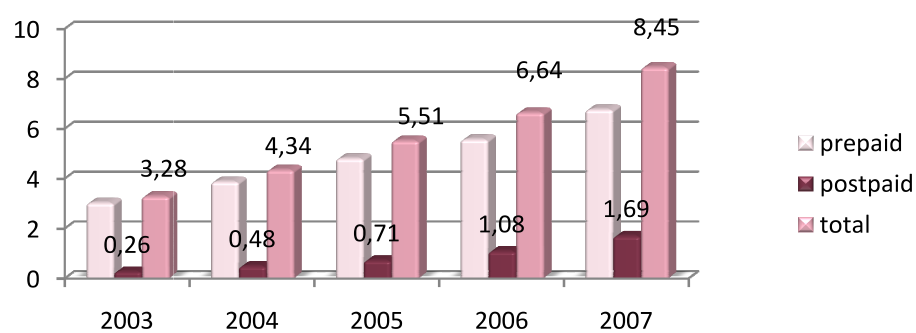
Source: RATEL
*** estimated value**

6.64 million users

At the end of 2007, the total number of mobile users amounted to 8,452,642, which is an increase of 27.2% compared with the previous year, thus continuing the growing trend. Also, this is was the first time the number of users exceeded the number of inhabitants.

The share of postpaid users in the total number was 16.3%, and the number of potspaid users was increased by 80% compared with the previous year, amounting to 1.69 million.

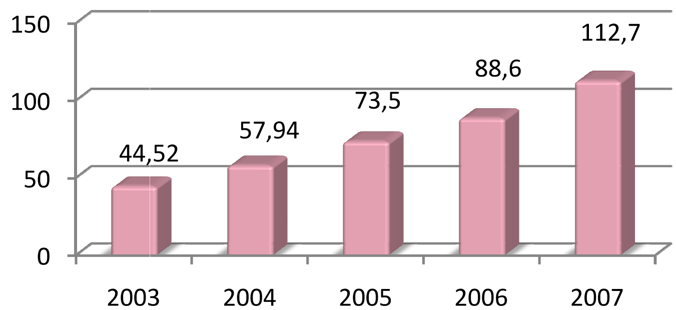
Figure 33. Number of Mobile Users (mn)



Source: RATEL

In 2007, the total the number of mobile users exceeded the number of inhabitants, amounting to 112,7 per 100 inhabitants, thus reaching the EU average (Figure 34).

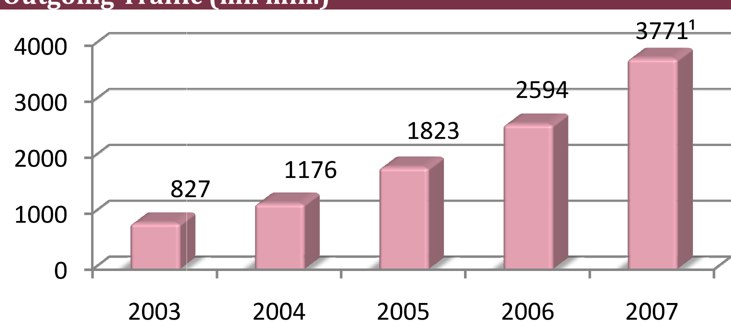
Figure 34. Mobile Penetration



Source: RATEL

Together with the increase in number of users there was also an increase in traffic, so that the consumed minutes amounted to 3.8 billion, which is an increase of 46%. Such growth is partly owed to a more attractive offer present in the market, and partly to the shift of fixed to mobile traffic. The annual average in 2007 was approximately 475 minutes per user, which is an increase of 21.8% compared 2006 average of 390 minutes of outgoing traffic per user in.

Figure 35. Total Outgoing Traffic (mn min.)



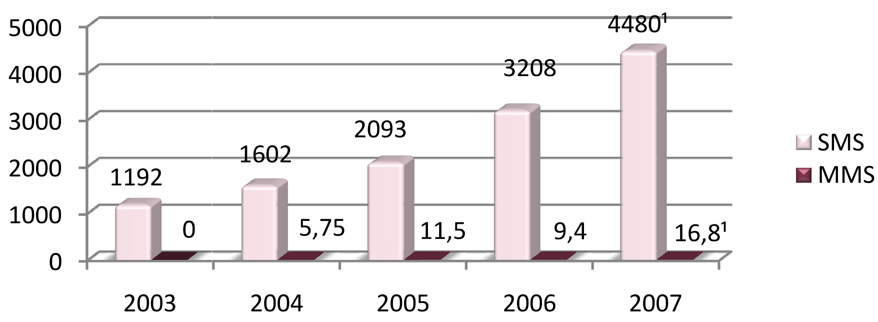
[1] total outgoing traffic without the data for Vip Mobile

Source: RATEL

The number of SMSs and MMSs is constantly growing, arriving at 4.4 billion SMSs or 564 text massages per user a year, which is an increase of 17.5% compared with 2006. The number of MMSs, after a slight decline in 2006, showed a growth tendency in 2007, arriving at 16.8 million.

The total GPRS traffic was increased by nearly 102.4%, with over 16.6 Tbit/s for the whole year.

Figure 36. Sent SMS/MMS (mn)



[1] total outgoing traffic without the data for Vip Mobile

Source: RATEL

The operators provide a wide range of additional services to users, such as: voice mail, call divert, call waiting, conference call, sending and receiving of short messages (SMS), data transfer, fax, incoming call identification, hidden identification, itemised monthly bills, disconnection on request, connection on request, change of tariff package, replacement of damaged or lost SIM card, WAP, multimedia messages transfer (MMS), etc. With the introduction 3G network, new services emerged as well: real-time video calls, video streaming, cinema clip, etc.

Figures 37. - 40. below show the market share of all three mobile operators in terms of the number of users, and their share in total revenues from mobile networks and in total traffic. Figures 41. and 42. do not contain complete data on Vip Mobile since this operator began its work on 1 June 2007.

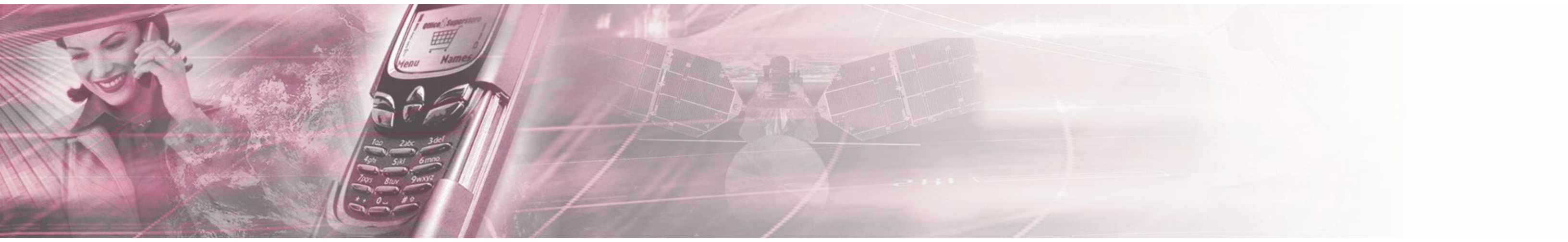
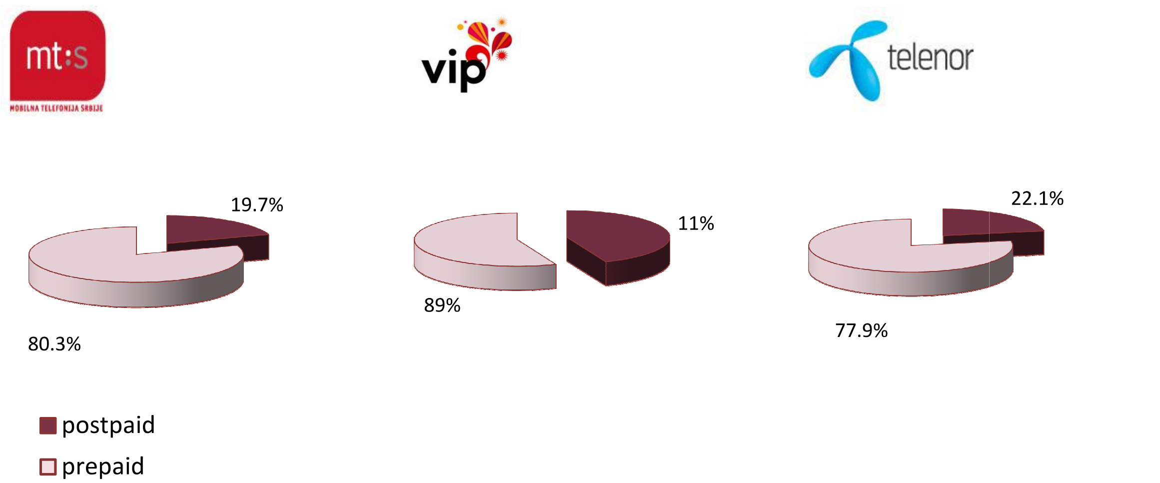
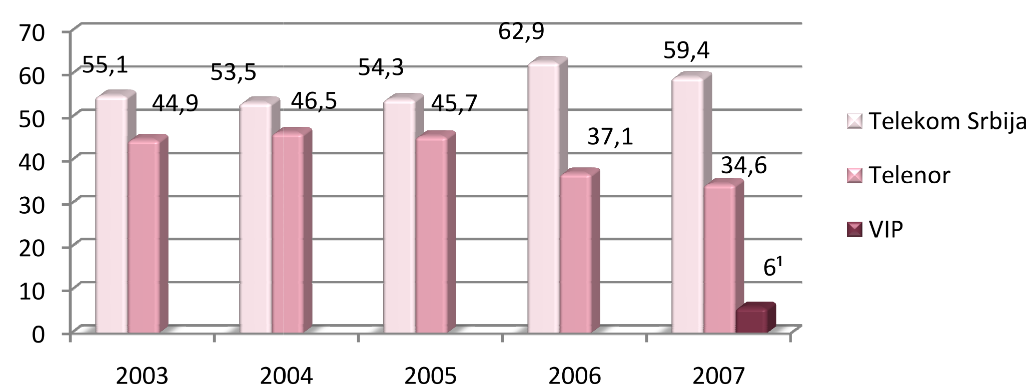


Figure 37. Distribution of Prepaid/Postpaid Users among the Operators



Source: RATEL

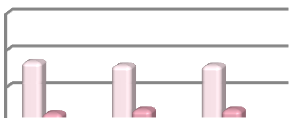
Figure 38. Market Share – Total Number of Users (%)



[1] Operator Vip began to work in June 2007.

Source: RATEL

Figure 39. Market Share – Numb



Source: RATEL

Figure 40. Market Share – Reve

Source: RATEL