



CONAPRI

Consejo Nacional de Promoción de Inversiones



INFORMATION & COMMUNICATIONS TECHNOLOGIES

Executive Resume

Caracas, July 2006

- **Introduction**
- **Advantages available to the investor**
- **Legal Framework:**
 - **Taxation System:** Income Tax Law, Value Added Tax (VAT) Law, Organic Law against the Illegal Trafficking and Consumption of Narcotic and Psychotropic Drugs (LOCTICSEP), and Organic Law on Science, Technology and Innovation (LOCTI).
 - Regulation of Foreign Investment
 - Investment Promotion and Protection Agreements
 - Investment Incentives
 - Procedures for Investment
 - How to set up a company
 - Juridical Stability Agreements
 - Trade and Integration Agreements
 - **Legal Framework for the ICT Sector:** Organic Telecommunications Law, Organic Law on Science, Technology and Innovation, other laws and decrees.

- **Information and Communications Technologies (ICT), Worldwide**

- World market of products
- World users of the Internet
- Demand by product: Evolution of the number of PCs for every 100 inhabitants; Evolution of the number of mobile telephony users for every 100 inhabitants
Trends: Evolution of number of mobile telephony users who make purchases via the Terminal

- **Information and Communications Technologies (ICT), Latin America**

- Investments in IT (US\$ millions)
- Breakdown of Investment in IT by country (%)
- Growth of the IT sector (%)
- Breakdown of storage unit sales in Latin America by country (%)
- Breakdown of server sales in Latin America by country (%)
- Penetration of the Internet



- **Information and Communications Technologies (ICT), Venezuela**

- Investments in IT (US\$ millions)
- Breakdown of Investments in IT (%)
- Investments in Software (US\$ millions)
- Investments in IT Services (US\$ millions)
- World Map of IT Service Providers
- Investments in Hardware (US\$ millions)
- Breakdown of Investments in Hardware by type of product (%)
- Investments in PC's (US\$ millions)
- Breakdown of PCs, Units (%)
- Breakdown of PCs, Sales (%)
- Servers by horizontal market 2005 (%)
- Servers by vertical market 2005 (%)



- **Information and Communications Technologies (ICT), Venezuela**
 - Breakdown of Peripherals (%) 2005
 - Storage (%) 2005
- **Telecommunications in Venezuela**
 - Venezuela, Investments in Telecommunications (%) 2005
 - Sector's annual growth (%)
 - Sector's quarterly growth (%)
 - Weight of sector in GDP
 - Fixed telephony
 - Breakdown of fixed telephony, 1st quarter
 - Mobile telephony
 - Distribution of mobile telephony, 1st quarter
 - Internet



- **Telecommunications in Venezuela ...**
 - Internet subscribers (thousands)
 - Sector estimates at close of 1st quarter 2006
- **Potential of Venezuelan ICT sector: strengths, qualified manpower, public sector and private sector projects and programs in progress**
- **Prospects**
- **Making contact**



INTRODUCTION

- The Information and Communications Technologies Sector (ICT) covers the production, marketing and operation of computer equipment and programs and services based on information and telecommunications technologies. ICTs encompass the following sub-sectors: Hardware, Software, Services and Telecommunications.
- This sector has become a factor that has an across-the-board impact on all other productive sectors. There is no field of business that is not influenced by these technologies. From agriculture to manufacturing, medicine and services to cultural activities and sports, the use of information and telecommunications technologies has become something commonplace that brings with it a high added-value element in the form of manpower engaged in research and development (the sector's cornerstone).

- The importance of ICTs as a tool for achieving greater levels of productivity and competitiveness is reflected in the global technological products and services sales figures, which came to nearly EUR 2 trillion in 2005. By the same token, it is hardly surprising that the countries occupying the first places in terms of competitiveness, according to the World Economic Forum, are countries that are strong in the areas of technology and research and development.
- In this context, Venezuela has a strong competitive advantage, thanks to the quality of its ICT human resources. Sectors such as the software and IT services sector have already overcome geographical boundaries and are positioning themselves in key markets worldwide.



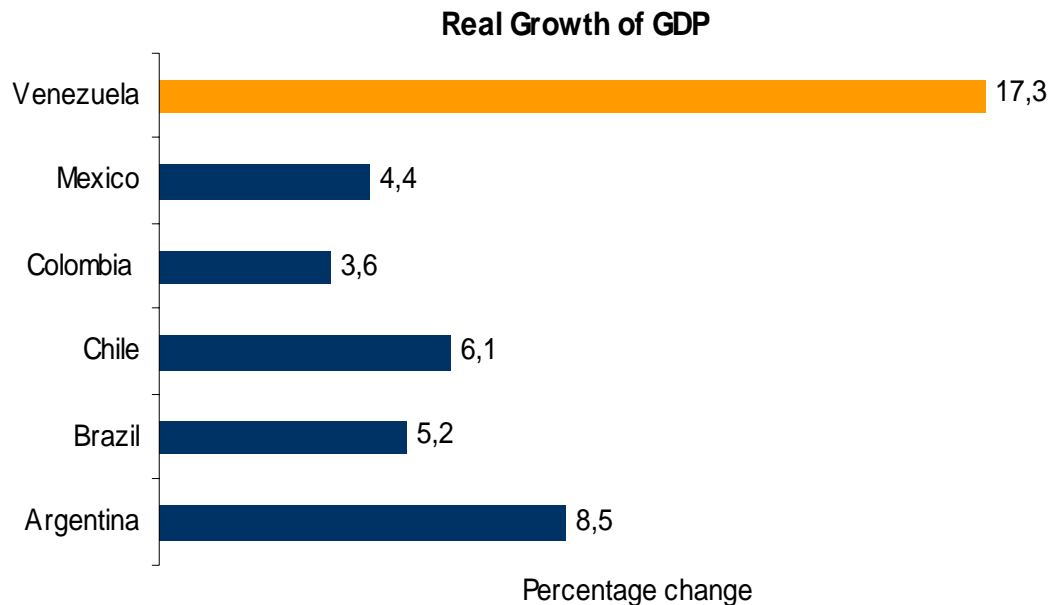
COUNTRY PROFILE

and the legal system

- No restrictions to participation of private capital, whether foreign or domestic, except in the case of iron, a sector reserved for the state.
- Freedom of repatriation of capital and earnings, following compliance with requirements governing purchase of foreign exchange.
- Signing of international treaties for protection and promotion of foreign investment.
- Value Added Tax exemption for imports of goods and services during the pre-operational stage of mining projects geared towards exports.
- Geographical location favoring access to main markets.
- Participation in a variety of commercial integration arrangements: Andean Community, G-3 and CARICOM, among others.

(*) Venezuela has given notice of termination of the G-3 Agreement. Customs Preferences will be maintained for at least six (6) months.

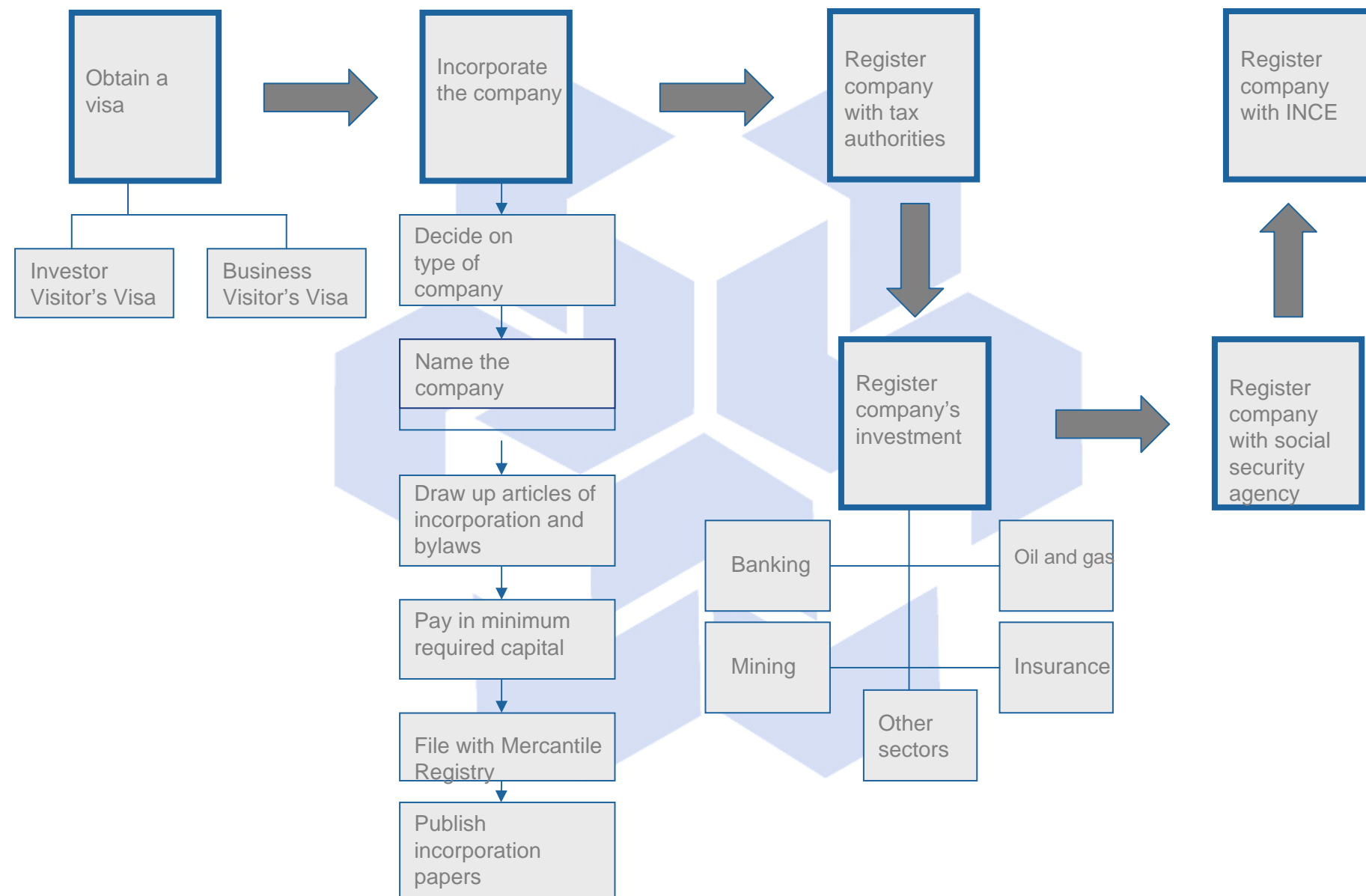
(**) Venezuela has withdrawn from the CAN. Customs Preferences are to be maintained for five (5) years.



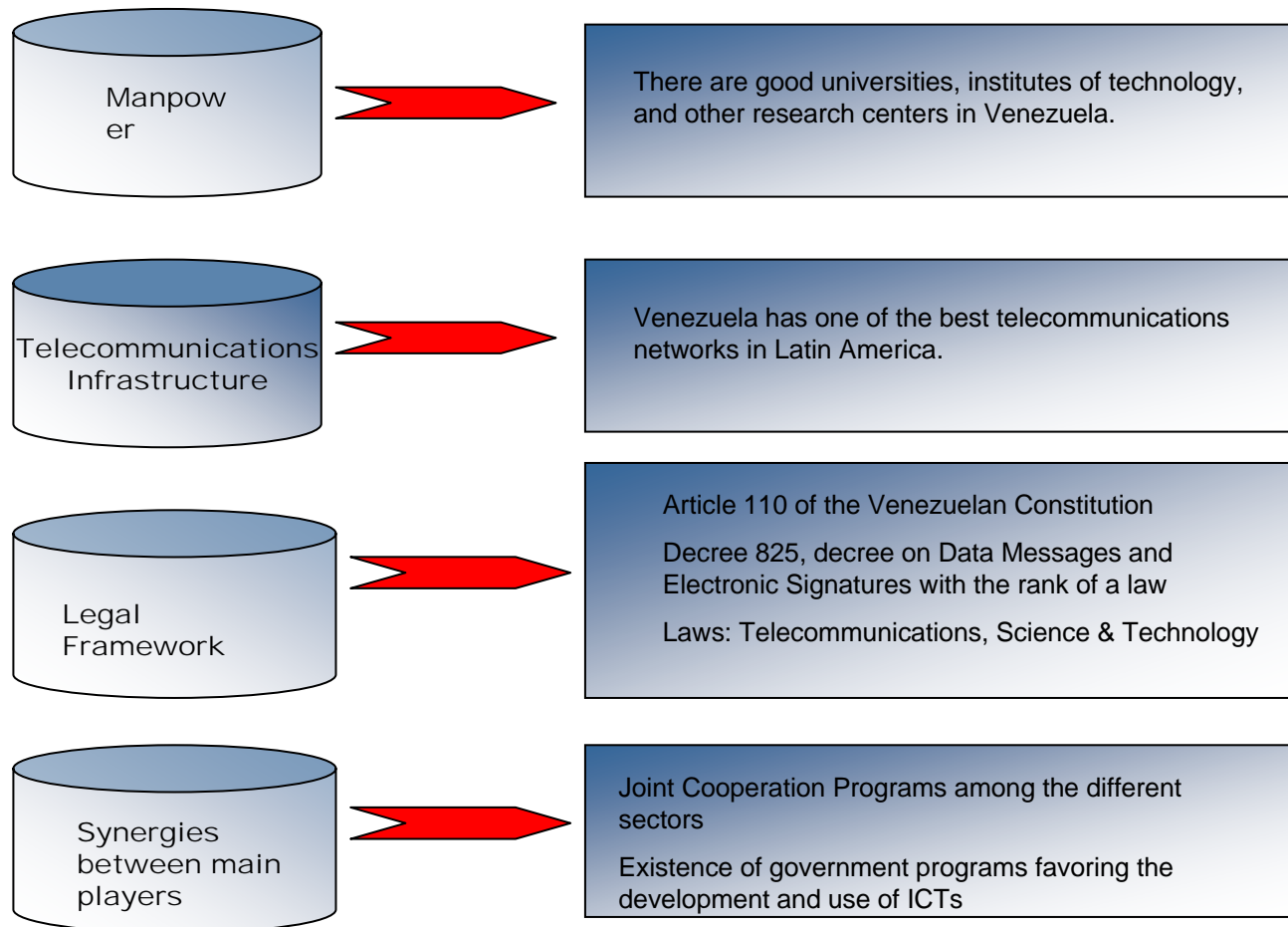
- In the past two years, Venezuela has been one of the countries whose economy has demonstrated a high rate of recovery, becoming first country in the world in terms of domestic growth during that period.

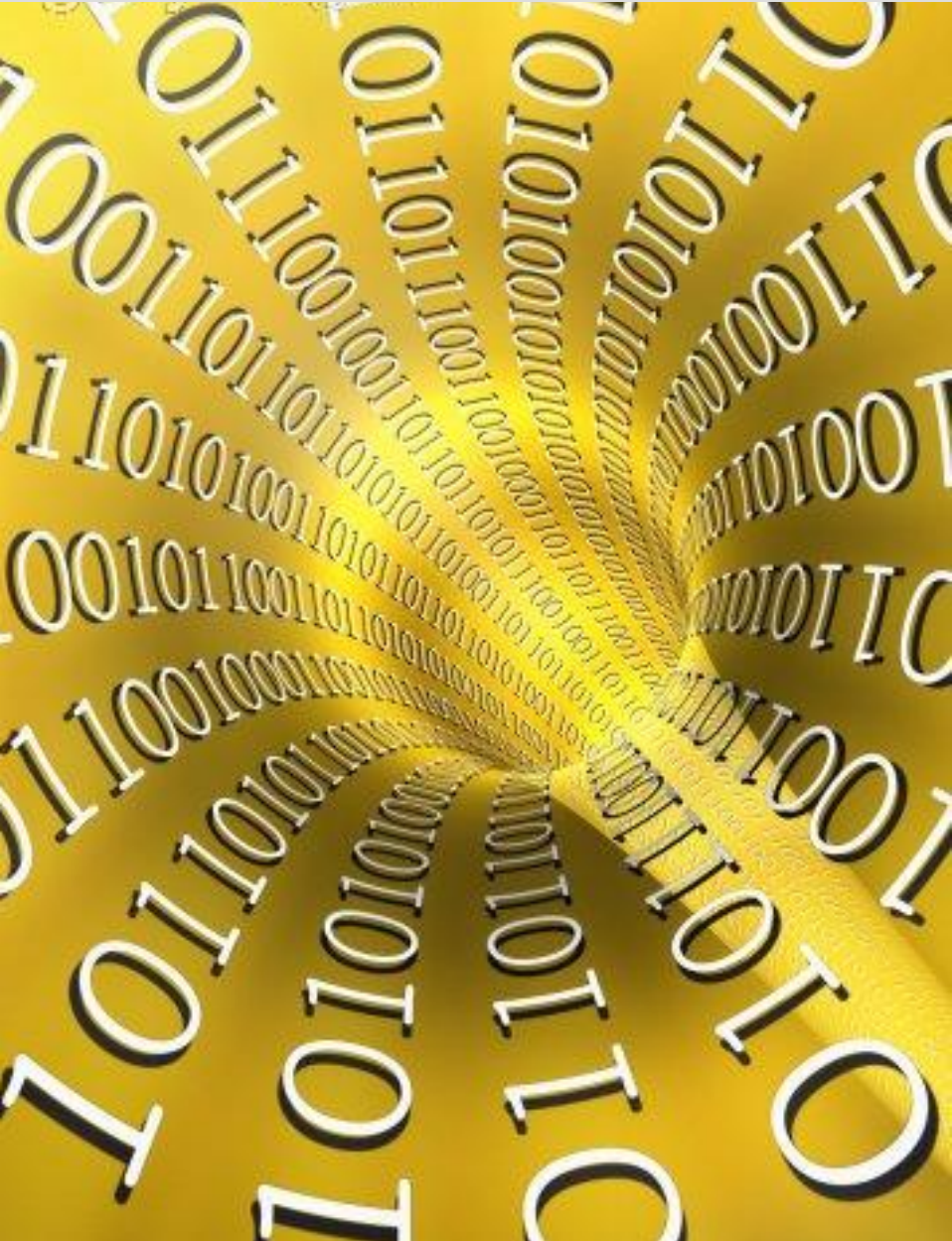
- The recovering is reflected on the consumption of the Venezuelan, where food reaches 52% of total consumption.

Source: Yearbook 2005. Institute of Management Development (IMD).



Besides the figures given earlier, there are other factors that will give us an overview of the sector:





ICT IN VENEZUELA

World ICT Products Market (millions of euros)

	Europe	USA	Japan	Rest of the World	World Total
2005					
Equipping with ICT	165,514	120,705	101,451	146,119	533,789
IT Services	131,779	151,745	48,753	41,920	374,197
Telecommunications Services	291,285	190,752	115,201	252,264	849,502
Software	70,879	82,208	21,930	16,949	191,966
Total	659,456	545,410	287,335	457,252	1,949,453
2007					
Equipping with ICT	173,610	126,227	97,847	153,884	551,568
IT Services	145,753	169,314	53,768	52,461	421,296
Telecommunications Services	302,491	200,167	117,544	297,420	917,622
Software	79,302	93,622	24,214	21,434	218,572
Total	701,156	589,330	293,374	519,199	2,103,059
Variation 2007 / 2005 (%)					
Equipping with ICT	2.4	2.3	-1.8	2.6	1.7
IT Services	5.2	5.6	5	11.9	6.1
Telecommunications Services	1.9	2.4	1	8.6	3.9
Software	5.8	6.7	5.1	12.5	6.7
Total	3.1	3.9	1	6.6	3.9

Source: Prepared in-house by N-economía from EITO 2006.

Note: 2005 figures are estimates and 2007 figures forecasts.

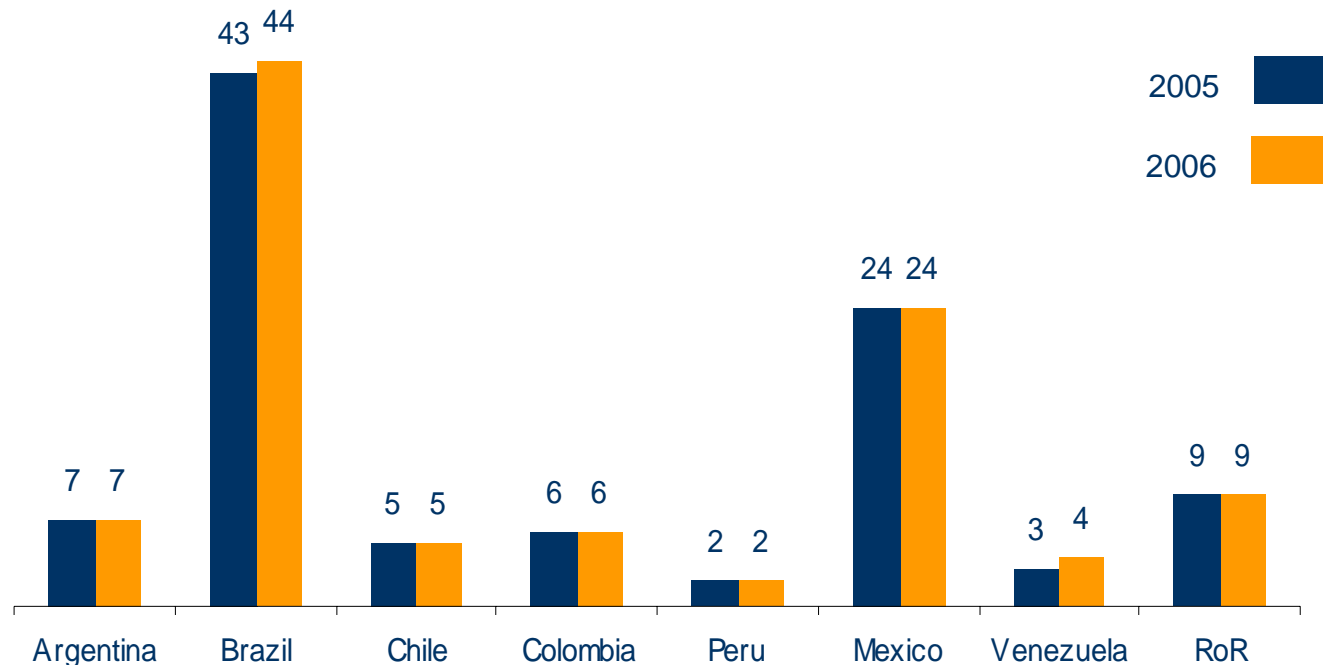
- In 2005, telecommunications services and equipping with ICT accounted for 71% of the market.

- 89% of the demand for ICT services is from the United States, Europe and Japan.

- 92% of world demand for software is located in the United States, Europe and Japan.

- In 2007, the United states will consume EUR 93.62 billion in software products.

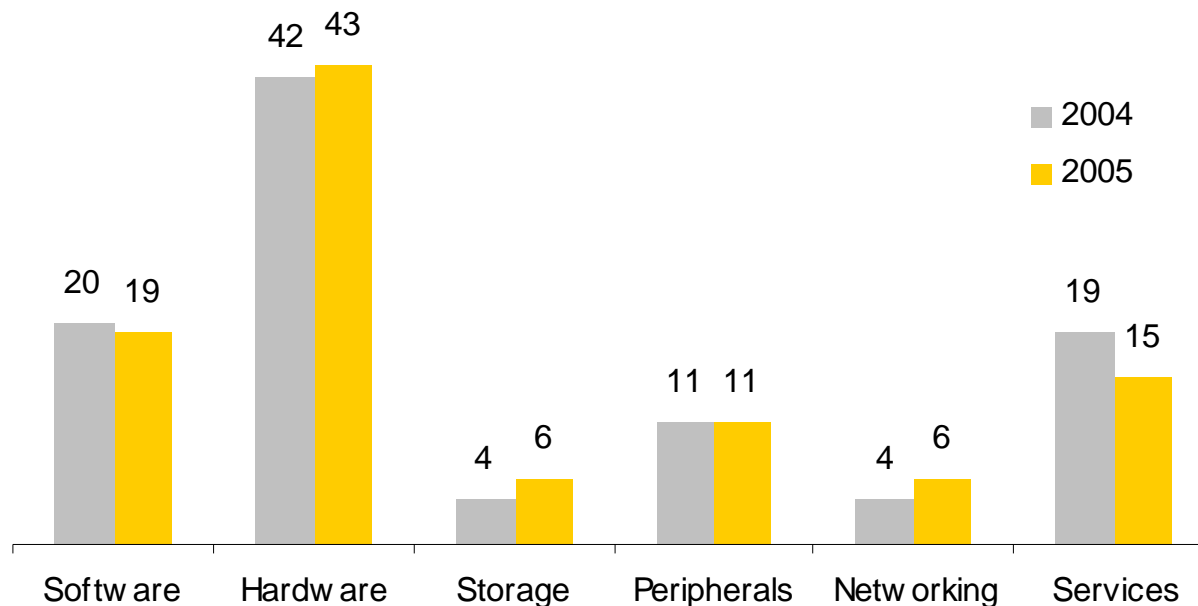
Breakdown of IT Investments by country (%)



Source: IDC de Venezuela / RoR: Rest of Latin America

- As for total IT investments in Latin America, Brazil and Mexico take the lead, together accounting for 67% in 2005 and 68% in 2006.
- It is estimated that Venezuela and Brazil will be the only countries in the region to increase their share in global investments in IT during 2006.

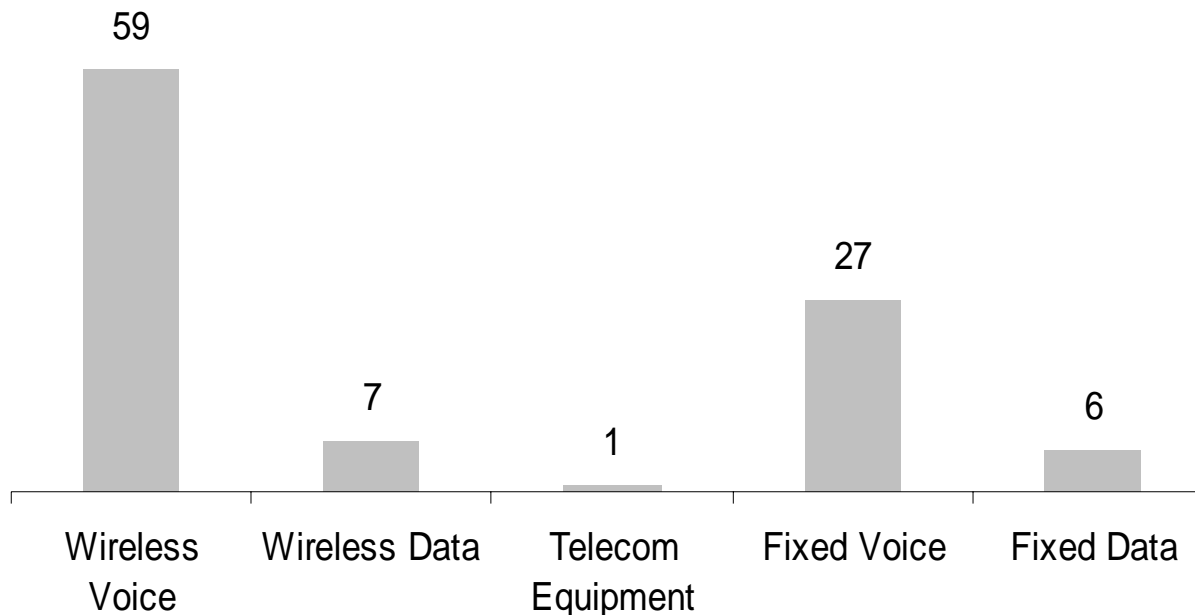
Breakdown of Investments in IT (%) US\$1.09 billion, 2005



Source: IDC de Venezuela

- In Venezuela the main investments in IT are destined for hardware and software.
- Worth noting are the major purchases of hardware by dynamic sectors such as the government (mainly PDVSA), the banks, and telecommunications.
- In software, the main products marketed are CRM, ERP, and customized software.

Venezuela: Investments in Telecommunications (%) 2005 (US\$3.61 billion)

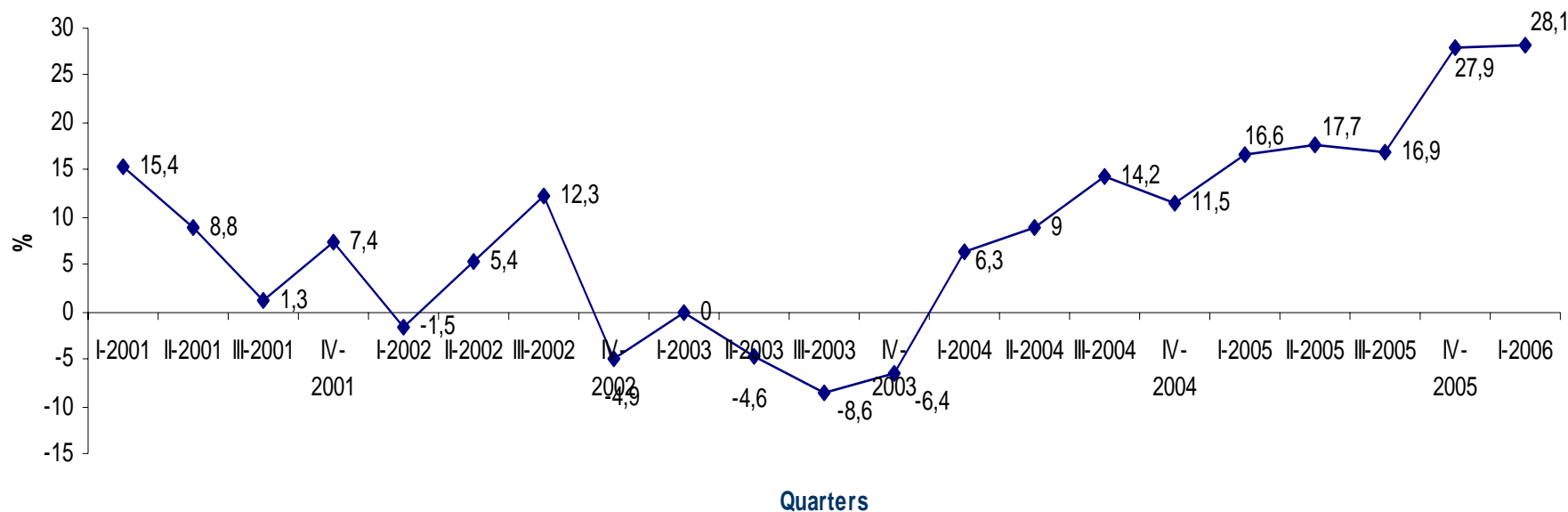


Source: IDC de Venezuela

- In Venezuela, the main investments in telecommunications go to the mobile telephony (59%) and fixed telephony (27%) segment.



Growth in the Communications Sector



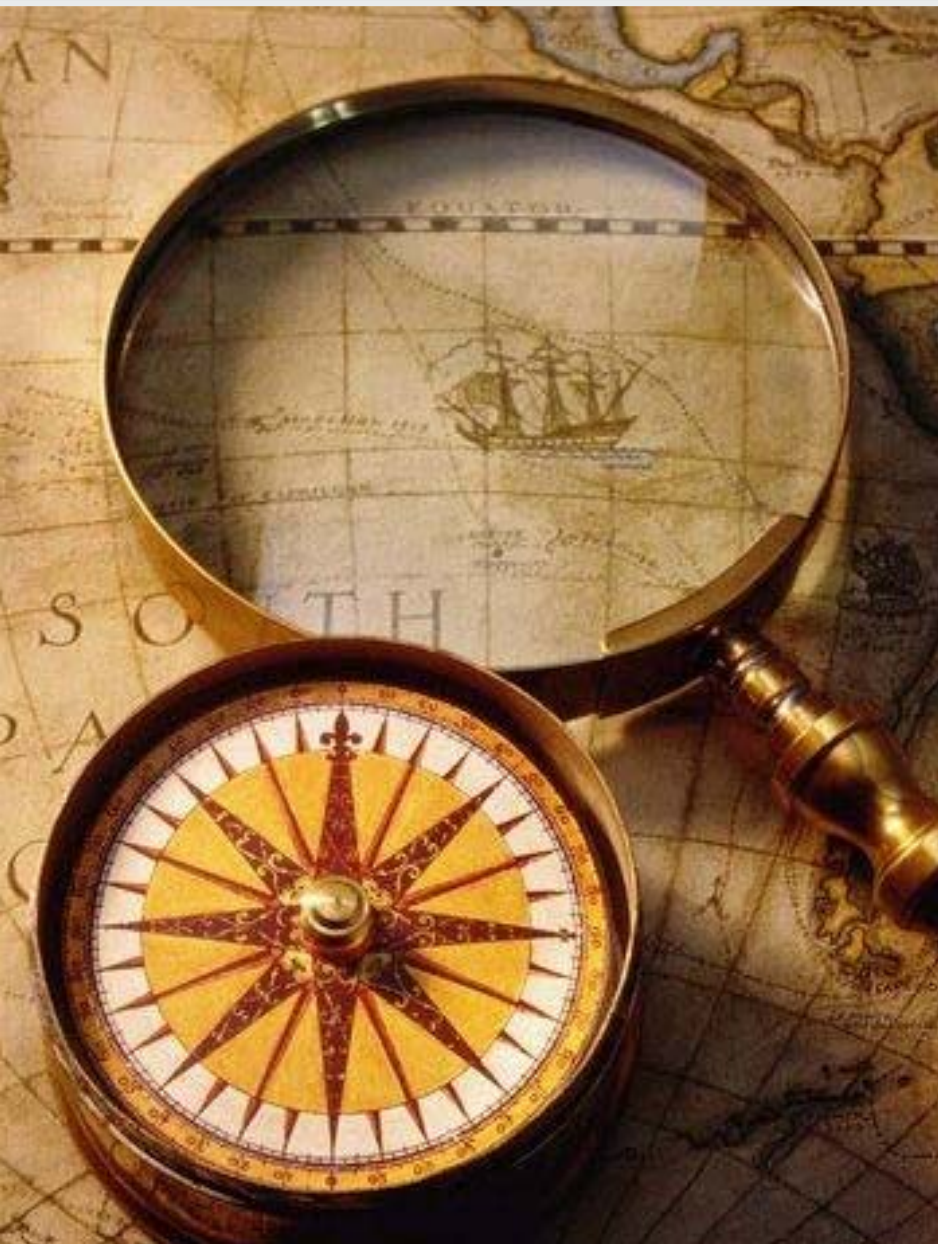
Source: Central Bank of Venezuela, Quarterly GDP by class of economic activity at constant 1997 prices.

Estimates as at close of I Q 2006

Indicators	I Q 2006*	I Q 2005*	Absolute Change	Relative Change
Local Fixed Telephony Subscribers	3,702,274	3,427,135	275,139	8%
Penetration per 100 inhabitants	13.8%	13.02%		
Mobile Telephony Subscribers	13,652,152	8,778,529	4,873,623	55.5%
Penetration per 100 inhabitants	50.87%	33.34%		
Internet Service Subscribers	679,944	491,819	188,125	38.3%
Internet Users	3,549,417	2,510,808	1,038,609	41.4%
Penetration per 100 inhabitants	13.23%	9.53%		
Telecommunications Centers	2,263	1,757	506	28.8%

Source: Conatel. *Preliminary figures

- According to preliminary Conatel figures, the telecommunications sector had operating revenues of nearly Bs.3 trillion (US\$1.39 billion).
- Investments between January and March 2006 came to Bs.296 billion (US\$138 million). This figure does not include the purchase of Digital TIM.



Web site

<http://www.conapri.org>

Phone: +58 212 953 1946

Fax: +58 212 953 3915

Address

Calle Guaicaipuro
Torre Forum
Planta Baja, Oficina LC-A
El Rosal
Caracas 1060, Venezuela