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Russian Satellite
Communications Company



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❖ Rostelecom goes to big cinema

Rostelecom signed a licensing agreement with international film production studio NBC Universal International Television Distribution that provides the Operator the right to broadcast NBC films within the frames of VOD service (video-on-demand).

Video-on-demand service enables subscribers to choose the desired content from a number of films and watch it at any time within 48 hours via a set-top-box console.

IPTV service is available to subscribers of the joint Rostelecom in various Russian regions under various trademarks (TVi, Twist TV, U-Tel TV, J-TV, Disel TV, Avangard TV and Domolink TV).

The agreement provides access to premier films as well to the cinematheque of the previous years. Films can be selected individually. The agreement is concluded for three years.

Rostelecom continues development of IPTV project that was started by the North-West branch of the Company.

Previously Rostelecom was licensed by the Ministry of Communications and Mass Communications of the Russian Federation

Media for cable distribution in 75 regions of the country. Considering the existing pool of licenses, the new license will enable the reformed “national champion” to provide cable TV services (via IP) in all regions of the country.

In the future, according to the Operator, a unified license and current IPTV project will enable the Company to become the leader of the commercial television market in Russia. The strategic objective of Rostelecom is to hold over 50% of pay TV market in Russia by 2015.

Rostelecom serves more than 750,000 pay TV subscribers, including more than 200,000 subscribers of IPTV, holding a market share of 4% in Russia. According to Rostelecom, the pay TV market size in Russia will increase from \$990 million in 2009 to \$2.65 billion in 2015. In this case the traditional market of cable TV will grow from \$613 million to \$1.23 billion, satellite TV – from \$347 million to \$1.1 billion, IPTV – a \$30 million to \$324 million. ❖

❖ MTS showed up in Tula

MTS Group acquired 100% stake in four companies that provide broadband and cable TV services in Tula under the Altair brand. Acquisition amounted to \$ 23.2 million including the debt.

The acquisition of the largest regional provider of fixed telecommunication services will enable MTS to strengthen significantly its position in the market of fixed communications in the Central Federal District and occupy leading positions in cable TV and broadband market

in Tula. The deal amounted to 680 million rubles (\$ 23.2 million) including the debt.

Altair Group of Companies is an alternative operator in Tula, which occupies the first place in the regional cable TV market with a share of with 72% and is one of three top operators providing broadband Internet access with a share of 22%. The Operator’s fiber-optic network is based on FTTB and covers 91% of households in the city. ❖

❖ A quarter of Runet users pays

Four out of ten Internet users met the warning that viewing or downloading audio or video is prohibited by its owner. Another 30% of users can make difference between legal content and illegal, and only a quarter (24%) is willing to pay for the consumption of legal information on the web. Such data was obtained by the Fund “Public opinion” (FOM).

According to Pavel Lebedev, Head of the FOM project “The World of Internet”, consumption of audio and video content in the Internet is a popular pastime. “About 37 million people (more than two-thirds – 69%) of the Internet users in Russia viewed/ listened or downloaded media content on the web, – comments Pavel Lebedev. – It is particularly interesting that consumption of “heavier” video is more popular than listening or downloading audio.

In this case FOM notes that despite a high share of media consumption on the Internet, in average, only four out of ten Internet users (41%) said that they had to deal with the warning on prohibition of viewing or downloading content. “Men (46%), and young users of 18-35 years (45%) meet protected content more often that may be related to specificity of content consumption within these demographic groups”, – Pavel Lebedev says.

More than half of Internet users say they cannot make difference between legal and illegal content. “This figure clearly demonstrates, firstly, that there is no clear distinction between legal and pirated content for users, and secondly, unimportance of these issue to them, – Pavel Lebedev comments. – The percentage of people that are able to differ one type of content from the other is 7% higher than the average 30% among young people aged 18-24 and men. Only 10% of users aged 55+ are able to make difference between legal and illegal content”. According to FOM, the majority of users recognize legal content by good quality (27%), paying basis (24%) and necessity to register (9%).

“Readiness to pay for legal content is mainly correlated with the characteristics of the content itself or the moral aspect of this

issue, – Pavel Lebedev notes. – Thus, 29% of users are willing to pay for high quality, 20% – for safety and reliability, due to respect for the author’s work and the law – 11% and 9% respectively.

The most important barrier to use the legal content on the Internet is the financial aspect. “Major part of users (40% are not ready to pay for content) refer to the lack of financial ability or the high cost of content, – Pavel Lebedev says. – It is interesting that about one in ten (13%) Internet users who stated the unwillingness to pay for legal content on the web explains his/her position that there is no point in paying for something that can be found online for free. Another 9% think that the fact of Internet access payment is sufficient.

According to the Press Service of Yandex, the word “download” was the 5th in the top of Yandex search queries in January 2007 and in August 2008 it descended to the 108th position, and in June 2011 – to the 345th. “These figures are not reliable to make any conclusions. Perhaps, there is more content in the Internet that can be downloaded and users began to specify their queries. – the Press Service of Yandex comments – It is hard to judge the recent changes in users’ attitude to legal content according to the data we have now. Otherwise we hope that this is a sign of a weak but positive trend and we try to contribute to content legalizing on the Internet. This, last year we launched Yandex. Music service where users can listen to high quality music for free. According to TNS its monthly audience is about 3,000,000 people”.

According to Alexander Bolotnov, Commercial Director of the Internet cinema Tvzavr.ru, there is not a great amount of pay content in Runet. Unwillingness to pay is more likely to be an inconvenience of payment procedure. In addition, there is a lot of online fraud. Disclosure of confidential data in the payment system also stops the user from paying, – Alexander Bolotnov tells ComNews. – Video services show rapid growth during the last year. The quality of content and service as well as access technologies are developing. Generally, the market of entertainment Internet services is just taking shape.” ❖

❖ TTK expands presence in broadband market of Achinsk

SibTransTeleKom (TTK-Siberia) completed construction of another FTTB-based section of broadband access in Achinsk in the Krasnoyarsk region.

As a result of the project, TTK increased its network coverage by 3,800 households during two months. The residents of 47 apartment buildings in the 1st and the 8th districts as well as in the residential district of Aviator are able to use home Internet from TTK. Technical network coverage zone in Achinsk is about 10,500 households.

TTK-Siberia offers subscribers unlimited rate plans with Internet access speed from 2 to 12 Mbit/s and a monthly fee ranging from 500 to 1,400 rubles respectively. In addition the residents of Achinsk get an opportunity to test connection by subscribing to the “Unlimited Start” plan. The subscription fee is 400 rubles per two months at speeds of 1 Mbit/sec.

TTK-Seberia started deployment of broadband networks in Achinsk in early 2011. Today, the residents of 128 apartment buildings of the city (40% of high-rise housing) can get access to the Internet from TTK. ❖

❖ TTK provides broadband services in Karasuk in the Novosibirsk region

West-SibTransteleom Company (TTK-Western Siberia) started rendering broadband access services in the city of Karasuk in the Novosibirsk region.

The Operator’s Press Service reports that home Internet access is available to 3,300 people in 77 apartment buildings (70% of high-rise housing of the city). FTTB technology (fiber to the building) enables

TTK’s network provide users with the Internet access at speeds up to 100 Mbit/s as well as other additional services, including digital television.

TTK-Western Siberia offers residents of Karasuk unlimited rate plans with a minimum Internet speed from 1 Mbit/s to 30 Mbit/s and monthly cost from 300 to 990 rubles. ❖

❖ TTK launched IPTV in Novosibirsk

West-SibTranstelekom Company (TTK-Western Siberia) started rendering IPTV services in Novosibirsk. IPTV service is based on Netris iVision IPTV Middleware platform by Netris, a software developer for service providers.

Interactive IPTV is offered as a part of the package along with high-speed home Internet to the residents of Novosibirsk Depending

on the tariff plan the Operator offers 63 popular terrestrial and satellite channels, as well as the opportunity to use digital television services, including EPG, Mosaic View, and access restriction to certain channels. To watch IPTV by TTK a set-top-box and a router are to be connected to a TV set. ❖

❖ Rostelecom completed network digitization in the Komi Republic

The national operator Rostelecom completed digitization of its own transportation network in the Komi republic by deployment of a fiber-optic line (FOL) to the villages of Obyachevo (the Priluzsky area) and Koygorodok (the Koygorodsky district) with a total length of 170 km.

Construction of a backbone FOL in the region started in 1996. Today the total length of the Komi FOL of Rostelecom including intrazone and local networks is 3022.5 km. The Operator's network covers 201 automatic telephone stations and access points, 56 of them – in Syktyvkar, Ukhta; 36 – in the regional centers and 116 – in other localities. ❖

❖ Rostelecom develops IPTV in Siberia

According to the results of the first half of the year, the subscribers number of interactive IPTV Twist TV from Rostelecom-Siberia exceeded 65,000 people compared to the same period of 2010, an increase of 145%. In Q2 of 2011 the number of Twist TV subscribers increased by 17%. Along with this the growth rate of subscriber base in Q2 were 13.5% higher than in Q1.

Since July 2011 Rostelecom-Siberia significantly renewed its IPTV service. In particular, the total number of TV channels increased from 84 to 125, 16 movie channels, 11 music channels, 16 educational channels and 7 sport channels became available to the subscribers.

The Twist TV broadcasting network includes 10 HD channels with interactive services such as "Timeshift" and VOD and others available to the subscribers. ❖

❖ Rostelecom reaches tundra

The North-West Branch of Rostelecom started construction of the backbone line from the Komi Republic to the Nenets Autonomous District. Up to now communication services in the Nenets Autonomous District were available via satellite only. Construction of this line with the total length of 300 km is on the priority list of investment projects of the North-West Federal District.

Naryan-Mar – Ust-Tsilma FOL is a non-state investment project. Investment in this project is provided by Rostelecom. The project amounts to about 300 million rubles. The key result of FOL deployment in the remote northern regions is provision of

telecommunication services of principally new quality to the residents, administration and corporate customers in the region. The residents and enterprises of the Nenets Autonomous District and the Ust-Tsilma district of the Komi Republic will get access to digital telephony and high-speed unlimited Internet, as well as a new service of digital television (IPTV).

Construction is already under way: 44 km of FOL is already deployed in the Nenets Autonomous District. In general 300 km of FOL is to be deployed in the region. According to the Company, the project will be completed in October. Networks operation will start in Q1 of 2012. ❖

❖ Rostelecom network digitalization exceeded 84% in Siberia

The digitalization level of the joint Rostelecom telephone network exceeded 84% in Siberia.

Reconstruction and modernization of the network are held in all regions of the Siberian Federal District (SFD), the Company not only changes analog PBX to digital, but also actively deploys FOLs and implements Next Generation Network-based solutions. As a result of the project, the capacity of digital PBXs in the region is more than 4,000,000 numbers, and the total length of FOL is more than 33,000 km.

Rostelecom also actively introduces modern GPON technology which enables the Operator to connect all subscribers with fiber-optic cable

and provide Internet access at the speed up to 1 Gbit / sec. On the basis of GPON Rostelecom provides triple-play services (Internet, including Wi-Fi access, IP-telephony, digital IPTV including HD channels) – all through one cable only.

Rostelecom-Siberia develops this technology in the Novosibirsk, Kemerovo, Irkutsk, Tomsk and Omsk regions, as well as in the Krasnoyarsk, Altai and Trans-Baikal Territories, the Republic of Khakassia and Buryatia. Currently, the GPON network capacity in Siberia is more than 276,000 ports. ❖

❖ MegaFon introduced HSPA + in the Central Russia

The Central Branch of MegaFon put HSPA + technology into operation, which enables to transmit packet data at speeds up to 21 Mbit/sec.

HSPA + technology is implemented at 50% of the base stations in the Bryansk, Vladimir, Kaluga, Nizhny Novgorod, Orel, Ryazan, and Tula regions.

According to MegaFon, by the end of 2011 about 65% of base stations in the Central Branch will support HSPA +. The principle advantage of the technology is high speed data transfer and response duration decrease. ❖

❖ Gars Telecom went to the regions

Telecom operator for business centers of Moscow and St. Petersburg Gars Telecom and backbone operator United Network (Exepto trademark) presented in 64 regions of Russia, signed a strategic agreement on exchanging actual capabilities of their infrastructures.

Organization of corporate networks and 'last mile' in the regions of Russia is a core business direction of Exepto. The Company built a multi-service network, which brings together more than 50 backbone nodes and over 190 access points in 64 Russian regions, to carter customers' inquiries of the federal level. ❖



❖ TTK upgraded network on the site Perm-Solikamsk

Ural-TransTeleKom (TTK-Ural) completed a comprehensive modernization of the digital communications network in the area of Perm-Solikamsk. As a result, the network capacity increased in the area of Perm-Kizel (up to 2.9 Gb/s) and Kizel-Berezniki-Solikamsk (up to 1.6 Gb/s).

The network upgrade was based on CWDM technology, which enabled the Company to increase network capacity by more than twice without replacing the active equipment.

The total length of the upgraded network including the back-up cable is over 380 km. The upgrade will meet the corporate clients' high demand for advanced communication services from TTK as well as maintain high quality services to individual users. ❖

About Us

ComNews is an independent group of companies with a history of leadership in the market of telecom business information in Russia, CIS and emerging markets. The group was established in 1998 and based in Moscow and Saint-Petersburg. ComNews audience exceeds 180,000 industry professionals and consists of top-managers from diverse telecom and broadcasting businesses.

ComNews runs five regular business publications: online daily www.ComNews.ru; monthly magazine Standard; annual reference book Encyclopedia of Communications and Broadcasting; annual directory Who is Who in Telecoms and Broadcasting, and fortnightly English-language newsletter Broadband Russia.

Besides that ComNews runs two consulting companies – specialized PR-agency prformans and ComNews Research, and ComNews Conferences, professional organizer of industrial forums and exhibitions.

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Specialized communication agency **prformans** was established in 1998 and provides consultancy services to telecom companies seeking efficient presence in the Russian and CIS markets. As a service provider prformans relies on professionals with over 13 years of experience in telecommunications. Prformans helps telecommunication companies to cooperate successfully with their clients and mass media as well as to implement corporate projects.

Prformans has offices in Moscow and St. Petersburg. It delivers services all over Russia.

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