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❖ Rostelecom to deploy broadband access network in Kabardino-Balkaria

The Kabardino-Balkarian branch of Rostelecom started construction of ETTH-based broadband access network in the city of Prokhladny. The project implementation will meet the existing demand for the new services of the Company in the city. The project covers 33

residential apartment buildings in the center of Prokhlaniy. This is the first district center of the republic connected upon ETTH technology. ❖

❖ Raduga-Internet shows interest to Active TV

Pay TV operator Rikor TV commercially launched the Active TV project, announced as the first Russian private interactive television. The set-top boxes developed by Rikor TV and the manufacturer of processors Sony Toshiba IBM Alliance (STI) combined multiple data transmission technologies that enable the Operator to introduce interactive video services. Raduga-Interenet is interested in the project and already offers it to the customers.

According to the President of Rikor Holding, Armen Margaryan, the investment volume in the project amounted to tens of millions dollars.

Rikor TV technology enables to select films and record them automatically to users' receivers on the basis of the genres indicated by the user and creating a so-called personal channel. A hard drive built in a set-top box is designed for 120 hours of recording. In addition, the technology provides complex analysis of each viewer's history and choose the most interesting content for each viewer to be recorded in the future. The viewer can ask questions while watching the video,

participate in lotteries and contests, share his/her opinion and obtain additional information on the issues raised in the recorded programs.

For efficient operation of Active TV the Company organized a separate moderators and editors department of 30 specialists who define the genre of the programs, subjects, write annotations, mark the beginning and the ending of each program. Currently more than 200 programs of terrestrial and satellite channels are processed weekly.

“Generally speaking, Active TV is a way to enter the new evolutionary turn, achieve fundamentally different opportunities to work with content that moves from the format of passive consumption to active consumption, to make the information personal and interesting. You can focus on specific information you need, and never miss it, because it awaits you at home on your hard drive. One can selectively rewind the programs, which makes information even more concentrated. In addition we can create new services and opportunities associated with interactive applications owing to the wide features of our platform”, – commented Mikhail Fastovets, Deputy General Director of Rikor TV. ❖

❖ Rostelecom goes to the expenses

Rostelecom declared the financial results of Q2 of 2011. Compared to the results of Q2 of 2010 the total revenue of the Operator grew by 7% owing to revenue from BBA, pay TV and local telephony, which remains the largest source of income, the Company's net profit decreased by 2% due to the increased expenses and amounted to 8.55 billion rubles.

The Company's operating expenses for the quarter increased by 4% up to 42.4 billion rubles. Personnel costs increased by 7% up to 19.5 billion rubles.

The quarterly revenue increased owing to revenue growth from BBA services, pay TV and local calls. Net debt as of June 30, 2011 amounted to 139.1 billion rubles. ❖

❖ Rostelecom reached Dombay

The national operator Rostelecom completed construction of a fiber-optic communication line (FOCL) within the framework of the project "Karachaevsk – Teberda – Dombay". The investment volume amounted to about 45 million rubles. The total FOCL length is 70 km.

As soon as the project is completed, the entire spectrum of advanced telecommunication services will become available to the residents and vacationers of the Dombay resort. In addition, the city of Teberda and the town of Dombay will be equipped with web-cameras, and everyone will be able to explore the views of Teberda and the pistes of Dombay.

The length of the FOCL of MTS in the South of Russia is about seven thousand kilometers, over two thousand kilometers of FOCL run through the territory of the North Caucasian Federal District. This year MTS also plans to complete FOCL construction on the site Staromarevka –

Ipatovo – Elista with the length of 340 km. The total length of the fiber-optic communication lines of MTS group is 100,000 km with the bandwidth up to 400 Gbit/sec.

VimpelCom reported that the Company conducts a range of FOCL development projects in North Caucasus. The total length of the Operator's backbone, excluding the local baseline, is more than 111,000 km.

MegaFon owns a backbone network of over 118,000 km.

By the end of the year Rostelecom plans to complete FOCL construction between the island of Sakhalin and Khabarovsk. Construction is carried out simultaneously from both sides – from the Khabarovsk Territory and the Sakhalin region, which are now connected only by TTK's FOCL. ❖

❖ Enforta opened office in Kaliningrad

Wireless broadband Internet access operator Prestige-Internet (Enforta trade mark) opened a new branch in Kaliningrad.

Kaliningrad branch is the 97th office of the Company and the sixth location along with Chita, Tver, Stavropol, Bryansk, and Vologda, where Enforta opened offices in 2011. ❖

❖ MTS upgrades network in the Tyumen region

Mobile TeleSystems (MTS) conducted a comprehensive network upgrade in the Tyumen region.

The project involved operations on coverage expansion, communication quality, capacity and throughput improvement both in urban and rural areas.

Over the past year, the voice traffic of MTS subscribers in the Tyumen region increased by 1.5 times, the Internet traffic by 4 times.

Despite the fact that communication services from MTS are available for more than 95% of the population in the region, the Operator continues to expand its coverage in the Tyumen region, connecting remote and sparsely populated areas. Over the past year MTS communication services became available in 20 new localities with the population of less than one thousand people. ❖

❖ Rostelecom brings FOLs to rural areas

Under the terms of project “Development of broadband access in the Stavropol Territory” Rostelecom deploys FOLs to deliver broadband access services in 20 villages of the region. Advanced telecommunication transport infrastructure will also improve the quality of traditional communication services by channels transfer to the fiber-optic transmission lines and provide customers with a new service – digital interactive television, IPTV.

Rostelecom deployed 115 km of fiber-optic data transmission lines. The project involves installation of more than 4.7 thousand ports of broadband access.

In 2012, Rostelecom plans construction and expansion of fiber-optic data transmission lines in 37 new localities of more towns in the Stavropol Territory. The project will enable the Operator to cover 62 villages that have telephone services by the end of 2012. The Company will provide broadband and IPTV services as well as VPN ports connection for corporate clients and implementation of “E-Government” program. ❖

❖ MTS develops 3G in the North-West

Mobile TeleSystems (MTS) declared the results of 3G network development project in the North-West Federal District in Q3 of 2011- MTS 3G network is available on the territory inhabited by more than 84% of the population.

From July to September 2011 the Company increased the number of 3G base stations in the North West by 10%. High-speed mobile Internet access became available to the residents of 80 localities of the region.

The major part of new communication facilities appeared in the Leningrad and Pskov regions and in the Komi Republic. In Q3 the Operator mounted 3G base stations in more than 30 towns and villages of the Leningrad region, in some of them the population does not exceed 500 people. In general, since the beginning of the year 3G network coverage by MTS is provided in more than 800 localities of the North-West Federal District.

❖ Yuri Pripachkin increased the figures

The pay TV market volume in Russia will grow by 15% by the end of 2011 and will amount to 1 billion euros, said the Head of the Association of Cable Television and Co-owner of Akado Group of Companies, Yuri Pripachkin at the 6th Forum "Investments in the digit"

Russia lags behind the global trend of migration to HDTV: for example, 155 HD channels are broadcasted in the US, and only 20 are available in Russia, most of them are commercial.

❖ Zelax upgraded the Bashkir network

The Russian developer and manufacturer of data network equipment Zelax completed a joint project with the operator of telecommunication services in the Republic of Bashkortostan – Bashinformsvyaz to upgrade the telephone network in the region. The cost of the project is more than 40 million rubles. As a result of the project all automatic telephone exchanges of the republic are connected to the city networks via packet data network that enables the Operator to provide a wide range of services including video transmission, telephony and Internet access within a single transport network.

Under the terms of the project Zelax about 700 units of TDMoP-equipment: gateways MM-104 and MM-116, enabling to transfer up to 16 G.703/E1streams over IP-and Ethernet networks simultaneously and a high-speed Ethernet channel to provide transparent transfer of TDM-and IP-traffic over a single packet-switched network. In the process of parallel voice and data transmission the gateways provide a way for more efficient use of bandwidth by dividing it dynamically between active telephone channels and Ethernet traffic.

❖ Rostelecom increased the number of BBA connections but reduced the market share

Rostelecom retains the leadership in subscriber connections in Q2 of 2011.

During April-June 2011 Rostelecom gained 32% of all new connections, the Operator's subscriber base increased by 3% to 7.065 million customers from 6.87 million in Q1, according to the analytical report by AC&M Consulting. The Company's market share dropped to 41% from 42%.

The strategy of Rostelecom involves increase of the BBA market share up to 50% by 2015.

Totally by the end of Q2 17.4 million households were connected to the Internet over the broadband channel, which is 13% more than as of the beginning of the year. The BBA penetration across the country is 33.5% in average, in Moscow – 76.6%, in St. Petersburg – 77.2%.

The second place (11% of the market share) is held by MTS, which gained 7% of connections in Q2. As of the end of June MTS served 1.87 million households.

VimpelCom holds 10% of the market share compared to 9% in the previous quarter, and the Operator's share of net connections reached 13%. The Company's subscriber base grew to 1.67 million from 1.55 million.

ER-Telecom has 9% of the market share, the connections number remained the same and the subscriber base grew to 1.55 million from 1.46 million.

Akado ranks the fifth in the list and as of the end of Q2 served 757.7 thousand customers (in Q1 – 729.6 million). Akado gained 3% of net connections in April-June 2011, and its market share dropped from 5% to 4%.

In Moscow MTS has the lead with 920 thousand subscribers (in Q1 – 874 thousand) and the market share of 28%, Akado ranks the second with 686 thousand customers (664 thousand) and 20%, it is followed by VimpelCom with 653 thousand (633.4 thousand) subscribers and the share of 20%.

The fourth place in Moscow is held by MegaFon, which gained 360 thousand subscribers, and 11% of the market as a result of NetByNet acquisition.

Rostelecom rounds out the top five in Moscow with 246.4 thousand subscribers and 7% of the market. Approximately the same number of subscribers is served by Central Telegraph (Qwerty brand) with 7% of the market. Currently Rostelecom conducts negotiations with Central Telegraph (controlled by Svyazinvest) for acquisition of its BBA business.

The major broadband operators in St. Petersburg are Rostelecom with 555.8 thousand subscribers (550.2 thousand in Q1) and 44% of the market, InterZet (the trademark belongs to OOO "Perspectiva") – 208 thousand (200 thousand) and 17%, and P&N Telecom – 148 thousand (140 thousand), and 12%. ❖

❖ Beeline develops wired Internet in the Far East

VimpelCom (Beeline brand) connected 50,000 subscribers to the home Internet in the Far East.

According to the Company, during the past 12 months, the number of subscribers increased by 2.4 times, and the monthly Internet traffic increased 5 fold. ❖

❖ Rostelecom – Ural launched QuadroPlay

The macro-regional branch Ural of the national operator Rostelecom (Rostelecom-Ural) took a new step towards integration of telecommunication services and combined fixed telephony, Internet, IPTV and mobile communication services into a single package. Up to now the Russian operators could integrate only three services into a single package.

The marketing model of the new product called “Home CHETYRESHka” could be described by the term QuadroPlay. The package proposal implements the advantage of the universal

telecom operator: customers have an opportunity to get discounts (up to 50%) depending on the number of services used.

According to the Company, about 1 million households in the Urals consume two or more communication services from Rostelecom-Ural. The potential audience of “Home CHETYRESHka” is several million people in the Urals region: the subscriber base of the macro-regional branch includes 3.6 million customers of fixed telephony services, 3.7 million users of mobile communication services, over 1 million of Internet user and about 100 thousand of IPTVsubscribers. ❖

❖ Akado continues regional expansion

Akado Group of Companies completed acquisition of cable TV operator in the town of Sertolovo of the Leningrad region. The transaction is affected by the acquisition of 100% share capital of OOO “Sertolovskoe televidenie” (Sertolovo television).

Sertolovo television provides cable television services since 2003 and covers more than 11 thousand apartments of Sertolovo and the village of Chernaya Rechka. The total number of subscribers is 6.6 thousand customers. Sertolovo television is the only operator providing cable television services in the town and owns all necessary licenses to provide communication services for cable distribution.

In the market of St. Petersburg and the Leningrad Region Akado Group of Companies owns 100% share capital of CTV operator TKS “Neva” (provides cable television services in the Central and the Vasileostrovskiy districts of Saint Petersburg), and 60% share of BBA and CTV operator in St. Petersburg and the Leningrad Region – P2. The consolidated subscriber base of Akado in St. Petersburg and the region counts 52,050 subscribers of CTV services and 5,15 thousand of BBA services consumers as of Q2 of 2011. ❖

❖ RSCC Expands Cooperation with European Communications Operators

During the ITU Telecom World 2011, Russia's national operator Russian Satellite Communications Company (RSCC) signed a long-term contract with Earthly Orbit, a UK satellite solution provider, for capacity utilization of the Russian Express AM44 satellite. Earthly Orbit will be providing communications services in the Middle East using the Ku-Band capacity of Express AM44 position in 11°W.

Earthly Orbit and RSCC have enjoyed many years of cooperation. The UK company has been leasing considerable capacity from Express AM44 (11°W) and Express AM22 (53°E). The new contract will bring Earthly Orbit's use of the RSCC satellite capacity to nearly four transponders (in 36 MHz equivalent).

Earthly Orbit CEO Neville Ford says: "I am extremely pleased to be attending our second signing ceremony with RSCC in Geneva. Since our first ceremony in 2009, we have increased our commitments to RSCC by over 300%, and are now providing services throughout Europe, Africa and the Middle East, with planned expansion into Asia during the coming year. We expect to continue our growth and excellent relationship with RSCC, and we look forward to the upcoming launches in 2012 and 2013."

"Serious international operators are interested in using RSCC's space segment capability, testifying to high standards and quality of services being provided by the RSCC fleet, including in the Middle East", RSCC Director-General Yuri Prokhorov stressed. "We appreciate the choice of RSCC by our UK partner Earthly Orbit and welcome their decision to develop their business on Express AM44 named for Russian scientist A.S.Popov, which is one of the best Russian satellites. We are also happy to continue our cooperation, including on the satellites which are currently being pursued by RSCC".

Express AM44 was orbited on 11 February 2009 and commissioned on 7 May 2009 at 11°W. The satellite carries 27 transponders, including

16 active Ku-, 10 C-Band and 1 L-Band transponders. Express AM44 is outfitted with four state-of-the-art antennas: 2 steerable antennas Ku- antennas, 1 C- and 1 L-Band antennas, ensuring coverage of Europe, the Middle East, Africa and America. The satellite was built by JSC "Information Satellite Systems" Reshetnev Company in collaboration with Alenia Space (France) and has a design service life of 12 years. Express AM44 meets the user demand for satellite capacity for both TV and radio broadcasting and other communications services including telephony, data and broadband Internet, as well as government services.

The Russian Satellite Communications Company (RSCC), a Federal State-Owned Unitary Enterprise, is Russia's national satellite communications operator. Established in 1967, RSCC operates satellites that support global coverage, and its orbit/frequency assets make it one of the ten largest satellite operators in the world. RSCC owns the largest satellite fleet in Russia. Via its satellites positioned from 14°W through 140°E, RSCC satellites operate over a coverage zone including all of Russia, CIS, Europe, Middle East, Africa, Asia-Pacific region, North and South America and Australia.

Earthly Orbit is a leading satellite solution provider specialising in link design, network implementation, teleport services and space segment provision across the globe. Established in 2006, Earthly Orbit has offices in the UK and South East Asia. Earthly Orbit also partner with other leading satellite operators, offering particularly strong African, European and Middle East coverage. Earthly Orbit can provide space segment either on a wholesale basis or link-by-link, as well as providing full link design and integration and a choice of teleport locations around the world, ensuring best value and service anywhere at any time. ❖

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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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