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# Broadband & Satellite Russia Newsletter

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Sources: ComNews.ru and Vedomosti.ru

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## ❖ TTK organized a new route between Europe and Asia

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One of Russia's largest telecom operators - TransTeleCom Company (TTK) and Kazakhstan's inter-city and international communications provider TNS Plus deployed a cross-border link to carry traffic from Asia into Europe across the territory of Kazakhstan and Russia. Other operators, which use similar solutions, believe that it will make the market more competitive.

The new route will provide 10 Gbps of bandwidth, although TTK and TNS Plus have plans to expand it in the future in order to meet the

increasing demand from operators in China and South-East Asia. A spokesperson for TTK said that transit routes linking Europe and Asia via Russia and Kazakhstan offer one of the lowest rates of transmission delay and are very popular with the Chinese and South-East-Asian operators. And CEO of TNS Plus Tungyshbek Battalkhanov commented that TTK's robust backbone network in Russia allows creating efficient terrestrial routes for traffic transit. ❖

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## ❖ New Rules On Frequency Charges

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The first RussianThe new payment scheme for operators will be introduced next year. The government has finally resolved out all points of friction.

In the end of August Deputy Prime Minister Arkady Dvorkovich held a special meeting with several government agencies to discuss introduction of new frequency payments' scheme for operators. Dvorkovich entrusted the Ministry of Communications and Mass Media to issue a new decree establishing calculation methodology for frequency payments, which means that beginning January 1st, operators will have new rules to follow.

The existing methodology assumes that operators should pay for each frequency assignment (permit to use frequencies issued by

Russian telecommunications watchdog Roskomnadzor upon registration of every base station). Ministry of Communications decided that such approach bars network development, as the amount of spectrum payments in this case depends on the number of base stations installed, making operators reluctant to build new ones for economic reasons. The new methodology is based on the principle that telecommunications companies will pay for the spectrum issued to them, regardless of the number of base stations in use. Therefore, operators – holders of spectrum licenses will be propelled to build up new networks more rapidly, otherwise they will be paying for dormant frequencies. ❖

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## ❖ VimpelCom Launches LTE-A

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VimpelCom has become the second among the Big Three mobile operators to launch LTE-Advanced (LTE-A) technology into commercial use. Previously, a segment of an LTE-A network was launched in the Russian capital by MegaFon.

VimpelCom communicated that this far the only smartphone to support their LTE-A is Samsung Galaxy Alpha, which will hit the mobile provider's retail outlets and Know-How mobile phone shops in mid-September. The smartphone will cost \$690.

Head of Samsung Mobile in Russia Arkady Graf said: "Samsung strives to ensure maximum accessibility of state-of-the-art technologies, and this is why we choose partners who are committed to innovations same as we are. Today, the 4G+ technology offers mobile Internet with speeds peaking at more than 100 Mbps to users of Samsung devices. I'm convinced that users will appreciate all the advantages of an ultimately high-performance and fast smartphone." ❖

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## ❖ GPON Will Come To Saint Petersburg In Three Years

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Rostelecom intends to complete its Saint Petersburg GPON network (Gigabit-capable Passive Optical Network) in three years. According to operator's plans, the network will span 1.5 million households, communicated Rostelecom's CEO Sergey Kalugin at a briefing dedicated to the company's financial performance in the 2nd quarter 2014.

Kalugin said that PON, DOCSIS and ADSL networks are popular in Saint Petersburg today, and the company had kicked off construction of its GPON network there about five years ago. He wouldn't disclose how many households have access to this technology to date. A source in Rostelecom also confirmed that the operator completed GPON construction in all administrative centers of the North-West region. ❖

## ◆ 4G Construction Sped Up

In the first six months 2014, the number of 4G base stations in Russia was up by 75 percent, reported industry watchdog Roskomnadzor.

According to Roskomnadzor, the number of LTE base stations in Russia was up by 74 percent – from 12,364 in the beginning of 2014 to 21,573 as of the start of Q3 2014. MegaFon remains the leader in 4G base stations installed, counting with 10,302 – 2,802 more than MTS (7,500), and almost thrice as much compared with VimpelCom (3,456).

As of the start of 2014, 82.211 3G base stations were operating in Russia.

Operators take different approaches to the disclosure of the number of their base stations enabling mobile broadband Internet services (3G and

4G). As of the start of 2014, MegaFon only disclosed total number of its 3G and 4G base stations – 43,416.

At the time, MTS possessed a total of 36,600 3G and 4G base stations, while company's Q2 report stated that the operator has more than 33,560 3G and more than 8,700 4G base stations, respectively. As for VimpelCom, at the start of 2014 the operator had 26,000 3G base stations, while 4G numbers were kept a secret. At the start of Q3, VimpelCom had 29,013 3G base stations (up 34 percent year-to-year), and 3,725 4G base stations – up 62 percent from the previous quarter. ◆

## ◆ Rostelecom Revenue Boosted From Broadband And TV

National operator Rostelecom posted a 2 percent revenue increase in the fixed segment in the 2nd quarter 2014 (to \$2 billion), while net profit of \$168 million was down 31 percent compared with \$245 million in the same period in 2013. Amid decreasing demand for conventional services, revenue is boosted by an increase in broadband and pay TV subscribers, revealed the company's IFRS report for Q2.

Rostelecom's consolidated revenue was down by 5 percent – from \$2.2 billion rubles to \$2.1 billion. OIBDA of \$721.6 million was down by 5 percent, and operating income fell by 20 percent – to \$3.2 million. Capital expenditure of \$374.5 million, or 18.8% of revenue, was up 115

percent compared with the same period in 2013. Net debts of \$4.9 billion were down 4 percent.

Local telephony users reduced by 7 percent – to 25.6 million, and revenue in this sector was down 10 percent and amounted to 20 billion rubles. Broadband users were up 7 percent – to 10.9 million subscribers, while “optical “ subscribers augmented by 27 percent compared with last year – to 4.5 million users. In broadband, revenue of \$551 million was up by 10 percent.

Finally, pay TV subscriber base was up by 7 percent – to 7.7 million, including 2.4 million users of interactive TV services (up by 29 percent). Pay TV revenue of \$96.5 million was up 31 percent. ◆

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## About Us

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ComNews is the major Russian publisher of business periodicals in the ICT industry and the main worldwide supplier of unbiased accurate information about the Russian ICT business.

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