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Sources: ComNews.ru, Vedomosti.ru, Kommersant.ru

◆ VPN in B2G – Only for the Strong Ones

At the first international conference VPN Russia 2015, Marketing and Sales Support Director of TTK Company Ilya Gudenko emphasized the synergy which the company was able to achieve when it entered retail sales market in 2011. “Due to the development of our own access networks, the company managed to build last miles in a considerable number of cities and to create more extensive and distributed networks. In the near future, we are planning to form the so-called “open purchase club” with some of the regional operators who are our current partners in renting last miles for our federal projects, and we will attract them on the basis of open selection in order to optimize the network building process”, said Ilya Gudenko.

He also highlighted that the market of cross-regional corporate networks and channels grows actively – by around 7% annually in the last three years, and the main force which drives this growth is the establishment of single networks for government institutions and agencies. These are large federal networks, uniting more than a thousand of locations on the backbone and local level, including the ones in small towns and rural areas. The implementation of such projects is possible only for an operator with universally developed access infrastructure. This market segment is unavailable for alternative operators, and there is almost no competition on the contests for such projects. ◆

◆ Growth of Broadband Access Slows Down

In the first quarter of 2015, the Russian broadband access market showed the smallest surplus in the recent years: in January-March the number of broadband access subscribers has grown only by 100 thousand in comparison with the previous quarter. During this period, operators managed to connect twice less subscribers than a quarter earlier, and three times less than a year ago, in the first quarter of 2013: at that time, the number of broadband access users in Russia increased by 300 thousand. The reduced level of growth is partly connected with the fact that, in the first quarter of 2015, Rostelecom shifted to six-month subscriber base tracking, according to the analysts. They suppose, in some offices of Rostelecom, the period

during which a subscriber was considered to be active could earlier be less than 6 months. A representative of Rostelecom comments that, by the end of the first quarter of 2015, the effect from shifting to a 6-month subscriber tracking system can be only 1-2% (judging by Rostelecom’s subscriber base volume, this is about 110-120 thousand of subscribers). The unification of subscriber calculation also led to a certain growth of the average monthly revenue per unit (ARPU). The growth of the subscriber base continues and the number of new connections to broadband access services is not decreasing, as to Rostelecom. ◆

◆ Mobile Content Lacking \$233 Million

Operators' revenues from content services in Russia in 2014 decreased by 20% in comparison with the previous year and reached \$950.4 million, according to the report of AC&M-Consulting. This decrease is the result of the fact that on 1 May 2014 the communications law amendments tightening content access came into force, as to the analysts. Since the amendments came into force, the subscriber shall express clear agreement to pay for mobile content, and the

communications provider shall give them full information about the service. Answering a content request, the operator shall send the subscriber a text message with the cost and the description of the service and a request to confirm the purchase. The subscriber shall confirm the purchase with a text message in reply. That is, in order to access the content, the subscriber now has to send not one, but two text messages. This scared away some of the users. ◆

◆ Express-AM7 will Start Operation

The Federal State Unitary Enterprise "Satellite Communications" (RSCC) has launched the telecommunications satellite Express-AM7 into operation in the orbital position of 400 East. The spacecraft was launched into space on 19 March. According to the company, the satellite will broadcast a package of federal programs, as well as the first and the second multiplexes for the following broadcasting regions in Russia: M (the European part) and G (the Ural region). "The start of the spacecraft's operation is another big step towards the complete elimination of information inequality between our citizens and the increasing stability of the whole TV and radio broadcasting system of the Russian Federation", noted Oleg Duhovnitsky, Head of the Federal Communications Agency (Rossvyaz). He said, "The available resource will help our subordinate enterprise enlarge work efficiency in the recent economic conditions".

Director General of the enterprise Yuri Prokhorov noted, "Before the great Victory Day holiday, RSCC starts broadcasting a package of federal programs, and also the first and the second multiplex for M and G broadcasting regions with the use of the most modern spacecraft – Express AM7. The launch of Express-AM7 into operation will enable RSCC to strengthen its position on the Russian and international market and to enter the rapidly growing African and South Asian markets, which are new for the enterprise".

Earlier, the operator started the commercial operation of a satellite Express-AM6, which is in the orbital position of 530 East and covers the territory of Russia, Europe, Middle East, Africa and Asia. ◆

Yamal-300K Moves Eastwards

OJSC “Gazprom Space Systems” (GSS) started the pre-arranged transfer of the satellite Yamal-300K to the East: from the orbital position of 900 East to the point of 1830 East. GSS and market players have been negotiating the ways of using the satellite resource for several months. Moreover, one of the spacecraft’s beams covers the Russian Far East and it is attractive for the Russian mobile operators which are creating backbone infrastructure for cellular networks in the region.

The relocation began on 15 April. The satellite’s electric propulsion was started, and the spacecraft began moving along the geostationary orbit to its new position. The drift rate will be around 30 per day. The satellite is about to travel 68 thousand kilometers in six weeks. By the end of May, it will be ready for commercial operation in its new dislocation. Yamal-300K is controlled from the Mission Control Center in Shchelkovo assisted by the Eastern Control Centre in Skvortsovo, near Khabarovsk.

Record High MTS Dividends

The board of directors of the largest Russian communications provider OJSC “Mobile TeleSystems” (MTS) recommended the shareholders at an annual meeting to vote for 2014 dividends in the amount of \$0.38 for one ordinary share. The annual amount of payments will be \$785.61 million. MTS pays dividends twice a year, and at the end of the first half of 2014, the company paid \$248.7 million (\$0.12 for a share). Thus, dividend payments at the year-end 2014 reached \$1.035 billion. It is the largest payment in the history of the company – at the end of 2013 it paid shareholders \$956.2 million.

In April 2013, MTS board of directors approved dividend policy for 2013-2015, which envisages paying at least 75% of free cash flow to

shareholders, but not less than \$777.4 million per year. MTS later reported that, during the previous two years, free cash flow had grown more than twice, capital investment was slowly being reduced (from 21% of this year’s revenue to 18% in 2016), as well as debt burden (in 2013, the company’s net income became equal to the annual OIBDA); and in these circumstances MTS was able to pay its shareholders more than \$1.7 billion, i.e. \$874.6 a year on average or even more during 2014-2015. In March, MTS confirmed that 2014-2015 dividends would amount to at least \$1.7 billion.

❖ **Crimea Divided by Three**

Two new mobile operators will possibly appear in Crimea. The State Commission for Radio Frequencies may allow Krymtelekom and Sevastopol Telecom (Sevtelecom) to provide communications services on the peninsula. After the Ukrainian companies left, the Krasnodar-registered K-Telecom was the only Russian operator active on the Crimean market. The fact that Krymtelekom and Sevtelecom, belonging to regional authorities, can acquire frequencies to provide mobile services in Crimea in May was reported by Interfax with a reference to Minister of Communications Nikolay Nikiforov. According to him, these companies have supplied documents to register frequencies in the Commission. “We will get together and see which frequencies are there, and we will make decisions. The exact date when the Commission will meet is not assigned so far, the notice has

not been sent yet (it must be sent 30 days prior to the event)”, clarified the Ministry of Communications and Mass Media (Minsvyaz). Krymtelekom and Sevtelecom were formed after Russia’s annexation of Crimea, and the frequencies for mobile communication services became free after the Ukrainian operators Telesystems of Ukraine, MTS Ukraine, Astelit, 3mob and Kyivstar Ltd. which was controlled by VimpelCom left the Crimean market. Since the day when MTS Ukraine networks were disconnected, the Krasnodar-registered K-Telecom, LLC (the Win Mobile brand) started rendering mobile services in Crimea. The company is believed to be affiliated with MTS; however, the representatives of the latter denied this on numerous occasions.



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