



# Broadband & Satellite Russia Newsletter

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Sources of information: ComNews.ru, Vedomosti.ru

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## ❖ **Moscow City Government will Build Public Wi-Fi Networks in the Center**

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Moscow City Government announced a bidding for providing free Wi-Fi services in public spaces in the central part of the city, surrounded by the Garden Ring road. The bidding conditions were specified at the government procurement portal. The winner of the bidding will install 1100 access points and provide services from October 2016 to November 2018. Bidding will start at the price of \$2.7 million; the winners will be announced in the middle of August.

A representative of Moscow IT Department says that the initial investment into the project will come from the municipal government which hopes to make city Wi-Fi attractive for investors in the future. Before 2018, the city will use these networks to test its own m2m services, inform the citizens on a targeted basis, and provide services for business – communications for cash machines and security systems, as well as mobile traffic transfer. ❖

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## ❖ **Tele2 Sells Cell Towers for \$310–380 Million**

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T2 RTC Holding (the Tele2 brand) held negotiations with investors and estimated the price of its cell towers at more than \$310 million. This information was given by a person close to one of the potential buyers of the asset. A source close to T2 TC Holding claims that the mobile operator intends to receive at least \$380 million. The fact that Tele2 wants to sell almost all towers – around 10,000 – became known in February 2016. In March, Tele2's General Director Sergey Emdin confirmed that they were holding negotiations with at least three potential investors. Sergey Emdin said that there were 3-4 potential

buyers, and these companies were familiar to the public and widely known. He was speaking about several investor consortiums, namely Russian Towers, VTB Capital and the Russian Direct Investment Fund, and some foreign companies. Tele2's representative mentioned that not only the price of towers, but also the conditions of their lease in the future were particularly important to T2 RTC Holding.

In contrast, other representative of the “big four” Russian operators, MegaFon, owns around 15,000 towers and their total cost is estimated to be \$744.5 million. ❖

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◆ **TV Viewers Prefer Internet TV to Satellite TV**

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In the first half of 2016, the customer base of IPTV (internet television) had a higher net increase than the satellite TV's customer base, even though satellite television had been regarded as the growth driver of pay TV market in Russia. These are the results of a report published by the analytical agency TMT Consulting. In January-June 2016 IPTV's audience grew by 540,000 subscribers, whereas satellite TV's audience – only by 220,000. One year earlier, the number of satellite

customers in Russia increased by 650,000, IPTV customers – by 420,000. According to TMT Consulting, by the end of the first quarter of 2016, there were 40.5 million pay TV customers in Russia (annual increase – 5%). 6.2 million watched IPTV, 15.9 million – satellite TV, 18.3 – cable TV. An analyst from the agency highlights that the audience of satellite TV and IPTV was getting bigger, and the amount of cable TV viewers was slightly reduced. ◆

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◆ **Big Four Operators: Time to Share with Others**

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By the end of July, MTS, MegaFon, VimpelCom and T2 RTC Holding (the Tele2 brand) were obliged to open their networks for independent mobile virtual network operators (MVNO) at least in five regions of Russia. Otherwise, the companies risked losing their federal LTE (4G) licenses acquired at a bidding in 2012. Meanwhile, these requirements have been fulfilled only by MTS and MegaFon.

All winners of the 2012 bidding for LTE service licenses – MTS, MegaFon, VimpelCom and Rostelecom (which assigned its license to

T2 RTC Holding) – committed themselves to connecting MVNOs within four years after the licenses were activated, i.e. by 25 July 2016. This was announced by the Russian Federal Service for Supervision (Roskomnadzor). MVNOs cannot be affiliated with the winners and must have an appropriate license. ◆

## ◆ Rostelecom Acquires Satellite Operator Altegrosky

The Federal Antimonopoly Service of Russia (FAS) issued a decision that a Rostelecom's subsidiary RTComm.ru is allowed to purchase 99.98% of voting shares belonging to the satellite operator Reis Telekom.

Reis Telekom is affiliated with Altegrosky Group, and obtaining the approval of the FAS is a part of a transaction to acquire Altegrosky's assets, as mentioned by a source close to the companies. The transaction is in its final stage and, as agreed, it can take place in the third quarter of this year, as confirmed by Sergey Pekhterev, the general director and co-owner of the satellite provider Altegrosky. Three com-

panies of Altegrosky Group involved in the transaction are Reis Telekom, Set Telecom and Moskovsky Teleport. Sergey Pekhterev says they are the foundation of Altegrosky's business. A spokesperson of Rostelecom confirmed the governmental provider's interest in Altegrosky's assets. He adds that Rostelecom will not comment on the details of the transaction before getting the necessary corporate approvals. The issue, as he believes, will be discussed by Rostelecom's board of directors. The transaction amount is not disclosed either.

## ◆ MGTS Earns on MVNO Services

In the six months of 2016, the revenue of the telecommunications company Moscow City Telephone Network (MGTS – the subsidiary of “Mobile TeleSystems” or MTS) has grown by 1.2% in comparison with the same period in 2015. This year, the revenue amounted to \$303.5 million. Company's revenue from services implemented under the mobile virtual network operator (MVNO) model has grown more than 10 times, by 1252%. The revenues from broadband internet services grew by 32%. Experts believe that MVNO will be the main growth driver of the company in the next five years; however, this segment's

development will slow down later. The official financial results for the first quarter of 2016, based on the Russian Accounting Standards (RAS), show that the net profit of MGTS, without the revaluation of financial investments, grew by 16.1% in comparison with the previous year and reached \$92.2 million. With the revaluation of financial investments, including the investments into MTS shares, net profit for this period has been reduced by 6.3% in comparison with the previous year and amounted to \$84.1 million.

## 1st half of 2016

Conference Title	Date
 <p>The 3rd Business Forum "Telecom of Two Capitals 2016 – St. Petersburg: Effective ways to improve competitiveness of telecom operators in big cities"</p>	February 19
 <p>The 2nd Federal Business Forum "Telecom QoS Russia 2016"</p>	March 3
 <p>The 7th International Conference "Transport Networks Russia 2016 – Transport telecommunications networks development in Russia and CIS"</p>	March 17–18
 <p>The 8th International Conference "Satellite Russia &amp; CIS 2016"</p>	April 21
 <p>The 8th International Business Forum "Wireless Russia Forum: 4G, 5G &amp; Beyond – Evolution of Mobile and Fixed Wireless Networks in Russia"</p>	May 26–27
 <p>The 3rd International Conference "Cloud Services Russia – Infrastructure. Platforms. Services"</p>	June 8
 <p>Awarding Ceremony of the 8th Annual Contest "TOP 10 IT Projects"</p>	June 8
 <p>The 4th Strategy Forum "PR Vector. Development of Corporate Communications in ICT"</p>	July 7

## 2nd half of 2016

Conference Title	Date
 <p>The 2nd Business Forum "Communications in a Big City – Aspects of operation and interaction of telecommunications market participants in a metropolis in the new conditions"</p>	September 15
 <p>The 7th International Conference "Managed Services 2016 – Operators' costs optimization, telecommunication networks and IT infrastructure outsourcing &amp; network sharing"</p>	September 15
 <p>IT Forum of the Russian Oil &amp; Gas Industry</p>	September 22
 <p>The 5th All-Russia Conference "Critical Communications Russia 2016"</p>	October 6
 <p>The 7th International Conference "Digital Broadcasting and New Ways of Video Content Delivery. Interactive Services in Modern Networks – Digital &amp; Connected TV Russia 2016"</p>	October 27
 <p>The 6th International Business Forum "Broadband Russia Forum 2016 – Next Generation Broadband Networks Development in Russia"</p>	November 24–25
 <p>ComNews Awards 2016</p>	November 24

The plan is preliminary and could be changed or supplemented

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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.

ComNews has launched numerous projects in order to deliver unbiased, up-to-date and complete information about the Russian ICT industry across the former USSR countries and worldwide.

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over 20 [\*Industry Conferences\*](#) hosted by ComNews

15 years in the market, offices in Moscow and St. Petersburg

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