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Russia eyes Trans-Arctic telecom line, analysts see no demand

A little-known Russian company plans to implement an ambitious project to build a Trans-Arctic main communications line to route transit traffic between Europe and Asia and has already obtained approval from a government commission. The prospects of the project are doubtful, as there are already several main lines routing traffic between Europe and Asia and Russian lines are not as popular as foreign ones, some market analysts however said, adding that the projected line is unlikely to make Russian routes significantly more attractive for traffic transit.

The Russian government's commission for federal communications and technological issues approved a project for the construction of a Trans-Arctic fiber optic communications line in mid-October.

The projected 17,000-kilometer submerged line, connecting the cities of Tokyo and London through Russia's Arctic and Pacific coast, is expected to be an alternative to existing Europe-Asia communications lines via the Indian Ocean and through the U.S. Polarnet Project, the company that is expected to implement the project, plans to build the main line in three stages starting in 2012.

During the first stage, which is to be completed in 2014, the company plans to build the submarine part of the main line; at the second stage Polarnet Project plans to build lines connecting the submarine main line with the Arctic and Far East coast; and during the third stage it plans to build terrestrial sections of the line in strategic partnership with oil pipeline company Transneft, Polarnet Project's Deputy CEO Ruslan Saushkin said without providing a timeline for the completion of the whole project.

The reasonability of building a Trans-Arctic submarine communications line to route transit traffic between Europe and Asia is currently unclear, consulting company Direct INFO Executive Director Alexei Kondrashov said, adding that Russian wireline operators Rostelecom and TransTeleCom already route traffic between Europe and Asia via their terrestrial lines, and "their main lines are not fully loaded, so there is no urgent need for new lines to route transit traffic."

The projected line is unlikely to route large amounts of traffic between Europe and Asia, as there are other lines already routing such traffic via the Indian Ocean and Central Asia and via the Atlantic Ocean, the U.S., and the Pacific Ocean, alongside the terrestrial lines going through Russia, Kondrashov said.

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Russia eyes Trans-Arctic telecom line, analysts see no demand

Konstantin Ankilov, project director of iKS-Consulting, however said that the projected Trans-Arctic line might be a rival to the existing lines if it provides better quality of traffic routing. The projected line is expected to be shorter than foreign lines connecting Europe and Asia, which is likely to lead to shorter traffic delays, he said.

Delays while routing traffic from Tokyo to London via the projected line are estimated at 190 milliseconds, about 40% less than traffic delays of the lines connecting this cities via other routes outside Russia, Saushkin from Polarnet Project said.

Shorter traffic delays are crucial for instance for the financial sector, where trading is more and more frequently performed by robots, Kondrashov from Direct INFO said, adding that shorter delays can be a good advantage for a main line. The projected Trans-Arctic line is however still likely to be longer than terrestrial main lines going through Russia, Kondrashov said, adding that it is unclear why the projected line is to be a more attractive alternative to the existing lines of Rostelecom and TransTeleCom.

Nevertheless, the projected main line may improve the positions of Russia on the market for routing transit traffic between Europe and Asia, especially taking into account that Russia's current positions are far from being strong, Ankilov from iKS-Consulting said, estimating annual revenue of Russian operators from routing transit traffic at less than \$100 million.

Kondrashov from Direct INFO meanwhile estimated joint annual transit traffic routing revenue of Rostelecom and TransTeleCom, currently the two largest Russian participants on this market, at no more than \$30 million. "Rostelecom and TransTeleCom fail to be strong rivals to foreign operators routing traffic between Europe and Asia," he said. Polarnet Project's line is also unlikely to be a successful rival to foreign main lines, as operators of the existing lines usually have long-term contracts with their customers, which are unlikely to churn, Kondrashov said, adding that Russia's position on the market for traffic transit is unlikely to significantly improve after the launch of the Trans-Arctic main line.

Saushkin from Polarnet Project however said that the company was already in talks with European and Asian communications operators over possible contracts on preliminary sales of the Trans-Arctic line's capacity for routing their traffic. "An analysis of the market for wholesale sales (of communications channel capacity) shows an unprecedented growth in demand, which allows us to develop an aggressive policy of selling the capacity of the future (Trans-Arctic) cable system," Saushkin said, adding that taking into account the estimated price for routing transit traffic, the project is unlikely to return investments already during the first stage of the project, which is to be completed in 2014.

Polarnet Project estimated investments required for the construction of the Trans-Arctic main line at U.S. \$1.86 billion, Saushkin said without specifying from where the company plans to take money for financing the project. Polarnet Project's owners are unclear.

The projected line is unlikely to route large amounts of traffic between Europe and Asia, an expert said

The Trans-Arctic line might be a rival to the existing lines if it provides better quality of traffic routing

Russia eyes Trans-Arctic telecom line, analysts see no demand

The estimated investments suggest that construction of each kilometer of this line is to cost about \$100,000, while building terrestrial fiber optic main lines usually costs \$20,000 per kilometer, Ankilov from iKS-Consulting said, adding that taking into account that Polarnet Project plans to build a line under the Arctic seas, the estimates look realistic.

It is hard to say whether investments estimated by Polarnet Project are enough, but even if they are enough, the investments are unlikely to be recouped quickly, Kondrashov from Direct INFO said, adding also "it is unclear who will give this big money for such an ambitious project with an uncertain outlook."

The projected main line may return investments if it is focused on backing Russian broadband networks rather than on routing transit traffic, Kondrashov noted. "The line may give a good impulse to development of broadband networks in remote northern parts of Russia's Siberia and Far East," he said.

Polarnet Project plans to build lines connecting the Trans-Arctic main line with the coast, Saushkin said. Although theoretically it is possible to connect the line with remote northern localities, this is unlikely to be economically reasonable, Ankilov from iKS-Consulting however noted. "The north of Siberia and Far East are so huge and distances (between localities) are so colossal, that even having a main line somewhere in the sea won't make it reasonable to develop broadband networks in these sparsely populated areas," Ankilov said

"The line may give a good impulse to development of broadband networks in remote northern parts of Russia's Siberia and Far East"

Industry Politics

Minister sees total 2011–2020 telecom development plan investment at over 4 trillion rubles

Russian Communications and Mass Media Minister Igor Shchyogolev said Thursday that total investments under the government program called Information Society aimed at developing telecommunications and IT in the country in 2011–2020 were expected to exceed 4 trillion rubles, RIA Novosti reported.

The program, signed by Prime Minister Vladimir Putin in late 2010, envisages financing from the federal budget at about 120 billion rubles annually; investments from regional budgets at up to 50 billion rubles annually; and private investments of at least 200 billion rubles annually.

“Separately, expenditures of our (government) bodies, which ... are not stipulated in the program, are estimated at 1 trillion rubles,” Shchyogolev said.

Minister sees details of Rostelecom–Svyazinvest merger clear by year-end

Russian Communications and Mass Media Minister Igor Shchyogolev said Monday that the details of a merger between state-run telecommunications holding Svyazinvest and its 43%-owned affiliate Rostelecom were expected to be drafted by the end of the year.

The authorities are expected to decide on the details after it becomes clear whether state-owned Vnesheconombank (VEB) will buy a 25% plus one share stake in Svyazinvest from the stake’s current owner, Rostelecom, Shchyogolev said.

The government is currently considering several options of merging Rostelecom and Svyazinvest.

However, Rostelecom needs to sell its blocking stake in Svyazinvest to an entity controlled by the government before merging with Svyazinvest in order for the government to keep control over Rostelecom after the merger, according to earlier media reports.

The government currently has indirect control over Rostelecom via Svyazinvest with its 43.37% common stake; VEB with a 2.43% common stake; and state-owned Deposit Insurance Agency (DIA), which owns a 7.43% common stake in Rostelecom.

Russian telecom ministry says introducing NP service unreasonable

The Communications and Mass Media Ministry considers the introduction of a number portability (NP) service in Russia economically unreasonable, Minister Igor Shchyogolev said Tuesday. The minister specified that the creation of the system enabling number portability is to lead to an increase in mobile operators’ tariffs.

“To build such a system on a country-wide scale, they (operators) will have to invest so much money that it will definitely affect the tariffs,” Shchyogolev said, adding that there is unlikely to be a high demand for the number portability service.

The introduction of number portability has been mulled in Russia for several years. In 2009, the Communications and Mass Media Ministry said it supported the service but did not plan to introduce it in the near future due to technical issues.

Industry Politics

Shchyogolev also expressed his opinion over the possible creation of International Mobile Equipment Identity (IMEI) unique cell phone codes database in Russia. The State Duma, the lower house of the Russian parliament, is to mull a bill to enable mobile operators to block stolen mobile phones via IMEI soon. The bill is aimed at decreasing the number of mobile phone thefts. "We support the bill, but there are colleagues who think it will lead to tariff increase. Frankly speaking, we do not have anything to answer with on that," Shchyogolev said.

Russian minister sees LTE network launched in Moscow in 2012

Fourth generation (4G) wireless networks based on the Long Term Evolution (LTE) technology may be launched in Moscow in 2012, Russian Communications and Mass Media Minister Igor Shchyogolev said on Monday. "A potential possibility exists, if operators manage to settle technological, organizational, and legal issues," Shchyogolev said.

The Communications and Mass Media Ministry said in early September, that it planned to hold tenders for four licenses to provide 4G LTE services in January–March 2012. Besides the four winners of the tenders, wireless broadband operator Scartel and the Defense Ministry's affiliated company Osnova Telekom are expected to develop LTE networks, as both Scartel and Osnova Telekom have already received regulatory permission for LTE rollout, the State Radio Frequency Commission's official Yury Zhuravel said in September. In addition, one regional operator is also expected to build an LTE network as well, Zhuravel said.

Meanwhile, under a plan of using radio frequencies for developing innovative technology approved by the Russian government in January, 4G LTE networks are expected to be commercially launched in Russia in 2014–2015.



Official: Russian regulator to start drafting LTE tenders terms November

A working group of Russia's Federal Service for Communications, IT, and Mass Communication Oversight is expected to start developing terms of tenders for radio frequencies to be used in building fourth generation (4G) wireless networks via Long Term Evolution (LTE) technology in November, the federal service's Director Sergei Sitnikov told reporters Monday.

"I am going to sign an instruction on the working group members next week; it (the group) will start working at the beginning of November. I think that it will take us at least two months to develop the terms of tenders," Sitnikov said.

The terms of tenders are to be developed for the frequencies, used by military structures, Sitnikov said, adding that the service is to have complicated negotiations with the Defense Ministry. Russia's Communications and Mass Media Ministry said early September, that it planned to hold tenders for the total of four licenses on the frequencies in the 791–862 megahertz (MHz) range in January–March 2012. The winners of the tenders are expected to receive additional frequencies in the 2.5–2.7 GHz and 720–791 MHz ranges, Deputy Communications and Mass Media Minister Naum Marder said in September.

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Under a plan of using radio frequencies for developing innovative technology approved by the Russian government in January, 4G LTE networks are expected to be commercially launched in Russia in 2014–2015.

Regulator to draft personal data rules for cloud computing by 2012

Russia's Federal Service for Communications, IT, and Mass Communication Oversight is expected to draft personal data security requirements for cloud computing platforms by the end of the year, Deputy Communications and Mass Media Minister Ilya Massukh told PRIME Wednesday.

Specifically, the service is expected to create personal data security requirements for cloud computing platforms' work with state bodies, Massukh said. "This is to be done to enable cloud platforms to work normally not only with state bodies, but also with other institutions in the future," Massukh added.

If a cloud computing platform hosting company wants to work with state bodies, it must demonstrate the security of its servers from virtual as well as from physical menaces, Massukh said. "Apart from that the server providing cloud computing services must be located in Russia. Such terms make life harder for hosting companies to some extent because they will have to cooperate with such services as the Federal Service for Technical and Export Control and the FSB (Federal Security Service); but we have to start with something," Massukh said. Cloud computing is based on the principle of providing IT services remotely with all data being processed at cloud service provider's facilities.

Regulator approves longer Rostelecom 4G launch deadline in 39 regions

Russia's Federal Service for Communications, IT, and Mass Communication Oversight has prolonged the deadline for major telecommunications operator Rostelecom to launch fourth generation (4G) wireless networks in 39 regions where the operator won frequencies in early 2010 until the frequencies are assigned, the federal service's Director Sergei Sitnikov told reporters Monday.

Rostelecom won frequencies in the 2.3–2.4 gigahertz range that can be used to provide 4G services via Long Term Evolution (LTE) technology in 38 of Russia's 83 regions at tenders held by the service in February–March 2010. Rostelecom also planned to develop 4G services in one additional region, where frequencies were allocated to its affiliate Sibirtelecom, which was integrated into Rostelecom in April 2011.

Rostelecom cannot launch networks using these frequencies due to the Defense Ministry's refusal to approve Rostelecom's use of the frequencies. Without this approval, the telecommunications regulator has no right to permit Rostelecom to operate in the allocated frequencies. Under the terms of the licenses won at the tenders, Rostelecom must launch networks by the end of 2011.

Russian regulator seeks to close site with MTS users' personal data

Russia's Federal Service for Communications, IT, and Mass Communication Oversight is seeking to close down Web site zhiltsy.net, containing personal data of major Russian mobile operator MTS' users, Mikhail Vorobyov, an adviser to the service director, told RIA Novosti Tuesday.

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Specifically, the site contains personal data of some MTS users from the constituent republic of Bashkortostan and the city of St. Petersburg, Valeria Kuzmenko, MTS' spokesperson, said, adding that the site contains data as of 2006, and the majority of the phone numbers on the site are not up to date.

The Federal Service for Communications, IT, and Mass Communication Oversight plans to demand closing down the Web site either in court or from the site's registrar, Vorobyov said.

Vorobyov said that the zhiltsy.net Web site is a mirror of another Web site zhiltsy.ru, which was closed down earlier in October.



According to calculations made by Russian business daily Vedomosti, Web site zhiltsy.net contains data on more than 1.6 million MTS users. MTS' consolidated user base currently amounts to more than 100 million subscribers, MTS said.

After a data leak in 2006, MTS strengthened security measures, the operator's press office said, adding that there have been no more data leaks.

At present, zhiltsy.net is blocked thanks to joint activities of MTS and law enforcement authorities, Kuzmenko said.

Personal data leaks have occurred several times in Russia recently. Data on subscribers of major mobile operator MegaFon and users of several online stores became available on the Internet in July. Moreover, Web sites rusleaks.com, rusleaks.net, and rusleaks.org

containing such personal information as passport data, mobile phone numbers, and car registration numbers were closed down in early October.

Regulator gives 5 million MVNO phone numbers to 12 telecoms

Russia's Federal Communications Agency has allocated 5.330 million telephone numbers in the 958 code for MVNO (mobile virtual network operators) projects to 12 telecommunications companies, the agency said Thursday.

Specifically, the agency has allocated the telephone numbers to telecommunications companies 7K, Central Telegraph, Global Telecom, Mobilnye Meditsinskiye Tekhnologii, MTel, Multiregional TransitTelecom (MTT), Narodny Mobilny Telefon, Rostelecom, Topica Omni A Priori, TransTeleCom, Vainakh Telekom, and WestCall.

The agency plans to allocate 10 million telephone numbers in code 958 and then start to allocate telephone numbers in code 959, the agency said.

The agency has also allocated 3,000 telephone numbers in the 941 code in the Leningrad, Kursk, and Kaluga regions as well as in the city of St. Petersburg to Navigation and Information Systems (NIS GLONASS), which is expected to implement an emergency response system, called ERA GLONASS, under the MVNO model by 2013.

Russia's Communications and Mass Media Ministry allocated codes 958, 959, and 990 to MVNOs and code 941 to ERA GLONASS project in mid-September.

Mobile virtual network operators provide services under their own brands using the networks of other operators.

Industry Politics

Customs start charging 5% duty for GPS tablet PC imports

Russia's Federal Customs Service has started charging 5% duty for imported tablet computers with satellite navigation modules, Russian business daily Kommersant reported Monday.

Specifically, the Federal Customs Service has started to classify tablet computers with satellite navigation modules as navigational equipment, which implements imposing 5% import duty on them. Earlier, all tablet computers were classified as PCs, which are not subject to any import duty.

The Federal Customs Service confirmed it had started to classify tablet computers with satellite navigation modules as navigational equipment later on Monday.

The new classification rules are to lead to an increase in retail prices on tablet computers, Anton Panteleyev, a spokesman for major Russian consumer electronics retail chain M.Video told PRIME Monday..

The Federal Customs Service's decisions may prompt illegal imports of tablet computers with navigational modules in Russia, Anton Guskov, director for public relations of Russia's Association of Trading Companies and Manufacturers of Consumer Electronic and Computer Equipment said.

Moscow couple charged in \$1.1 billion movie piracy case

A Moscow couple has been charged with distributing pirated movies over the Internet, contributing to estimated losses of \$1.08 billion for studios and content owners, Dow Jones Newswires reported.

The charges, following a lengthy investigation, mark Russia's first major Internet anti-piracy case focused on films. Russia is frequently accused of not doing enough to enforce intellectual property rights, even as it negotiates to join the World Trade Organization.

Russia's deputy prosecutor general said Monday the Moscow couple, working under the pseudonyms Ripper, Shturman, Nadezhda and Piratka, distributed the movies over the Internet with the help of an accomplice in Germany, known as "Apple," through the interfilm.ru file-sharing site.

Access to Interfilm.ru was blocked in Holland in 2009 at the request of Russia's interior ministry, Interfax reported.

The Moscow couple allegedly distributed more than 30 films, including "Shrek 3" and "28 Weeks Later," between April 2007 and September 2008.

Moscow is seeking an agreement this year on entering the WTO. Intellectual property rights were one of the key issues with U.S. negotiators.

Official: Broadband services available on 70% of Moscow Region area

Broadband Internet access services are available on about 70% of the Moscow Region's territory, Alexander Sharykin, the region's information technologies and communications minister, said Monday, RIA Novosti reported. Broadband Internet access services are available in the region's major localities, large holiday home villages, and along the main highways, Sharykin said.

Industry Politics

Court upholds fine imposed on MegaFon for SMS leak

The Ninth Arbitration Court of Appeals has upheld a decision by a lower court to oblige Russian mobile operator MegaFon to pay a 30,000 ruble fine for a leak of SMS text messages sent from the operator's Web site, RIA Novosti's agency for legal and court information RAPSI reported Wednesday.

The court held a closed hearing on a motion from MegaFon.

The lower Moscow Arbitration Court imposed the fine on MegaFon in late August, thus siding with the Federal Service for Communications, IT, and Mass Communication Oversight, which filed a lawsuit against the mobile operator after major search engine Yandex displayed SMS text messages sent from MegaFon's Web site in its search results due to a failure on the operator's Web site in mid-July.

In the lawsuit, the service said that MegaFon had violated consumers' privacy rights by failing to prevent a public leak of SMS messages.

(30.4971 rubles – U.S. \$1) 

Mergers and Acquisitions

Rostelecom interested in buying cell assets in CIS

Major Russian telecommunications operator Rostelecom is interested in buying cellular assets in countries of the Commonwealth of Independent States (CIS), Rostelecom's President Alexander Provotorov said Tuesday.

"We are interested in buying mobile assets. In Russia there is little left for sale, (so) we are looking at (other countries of) the CIS," Provotorov said.

In particular, Rostelecom plans to study documents prepared for an auction for the Belarusian government's 51% stake in mobile operator MTS Belarus, Provotorov said, adding however that Rostelecom does not have firm plans to buy this stake in MTS Belarus. The auction is scheduled for December 1, a spokesperson for Belarus' state property committee, which is expected to hold the auction, said in early September.

Also, there are a couple of assets in Central Asia that may be possible acquisition targets, Provotorov said without elaborating.

As for mobile assets of Ukrainian fixed-line giant Ukrtelecom, these assets are not attractive to Rostelecom, as the Russian company has no main line operations in Ukraine, which could be a base for the development of third generation (3G) services provided by Ukrtelecom's cellular assets, Provotorov said. Ukrtelecom plans to soon sell its cellular assets and has already spun them off into a separate company.

In February Provotorov however said that Rostelecom had no plans to expand into foreign markets in the next couple of years.

MTS fully buys Tatarstan-based wireline operator TVT

Major Russian telecommunications operator MTS has fully acquired wireline broadband and cable TV provider TVT operating in the constituent republic of Tatarstan, MTS said late Monday.

The value of the deal amounted to U.S. \$162.87 million, without including TVT's \$17.13 million net debt, MTS said. MTS bought TVT from a group of investors, MTS said without specifying. MTS plans to consolidate the results of TVT in MTS' financial reports starting from Monday. The Federal Antimonopoly Service (FAS) cleared MTS to buy TVT in May.

TVT provides a wide range of telecommunications services, including Internet access, cable TV and radio broadcasting, telematic, and Web hosting services, according to the company's Web site.

MTS is Russia's largest mobile operator, with around 70.2 million subscribers as of late August and the country's second largest wireline broadband operator with 1.9 million subscribers as of late June, according to data from Advanced Communications and Media (AC&M).

Sources say VimpelCom board to mull upping stake in Euroset soon

The board of directors of major Russian mobile operator VimpelCom is expected in the coming days to consider exercising an option to increase its stake in cell phone retailer Euroset to 74.9% from the current 49.9%, Russia's RBC Daily reported Monday citing two sources close to Euroset shareholders.

Mergers and Acquisitions

A board meeting may be held on Tuesday, the sources said, the daily reported. The option expires in January 2012, a source close to VimpelCom said, RBC Daily reported.

VimpelCom is interested in gaining control over Euroset, which generates good cash flow, one of the sources said, adding that the question is whether exercising the option is reasonable taking into account the significant debt load of VimpelCom's parent company VimpelCom Ltd.

VimpelCom obtained an option to buy an additional 25% stake in Euroset when it acquired the 49.9% stake in the retailer in late 2008 from businessman Alexander Mamut, who currently owns a 50.1% stake in Euroset. Earlier in 2008, Mamut fully acquired Euroset from its former owners Yevgeny Chichvarkin and Timur Artemyev for a total of U.S. \$1.25 billion, including Euroset's \$850 million debt, RBC Daily reported. In early 2011, the value of Euroset was estimated at more than \$3 billion for an initial public offering (IPO), which was delayed because of unfavorable market conditions.

Central Telegraph may sell broadband project for \$1.5 billion

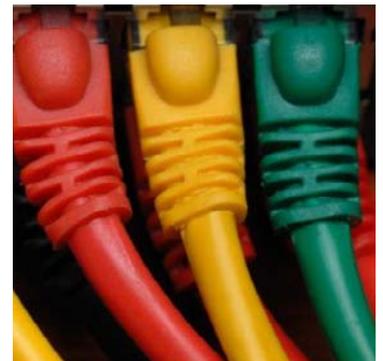
The value of wireline operator Central Telegraph's Moscow-based broadband business has preliminarily been estimated at U.S. \$1.2 billion to \$1.5 billion for possible sale to affiliated telecommunications major Rostelecom, a source close to the negotiations said Tuesday.

Central Telegraph is expected to sell last mile broadband infrastructure in Moscow to Rostelecom and keep main communications lines in Moscow and entire broadband networks in the Moscow Region, the source said, adding that Central Telegraph may sell infrastructure and equipment directly to Rostelecom or spin them off into a separate legal entity and subsequently sell the legal entity.

Rostelecom's President Alexander Provotorov meanwhile did not provide an estimated value of the possible deal and assets that may be subject to the deal. "The process (of negotiations) is ongoing, it is not easy, and if we do not reach an agreement, nothing bad will happen," Provotorov said, adding that Rostelecom has already achieved the goal to enter the Moscow broadband market by acquiring broadband group National Telecommunications (NTC) in early 2011.

Provotorov was quoted by business daily Vedomosti in late July as saying that the company was considering merging the Moscow-based broadband projects of NTC and Central Telegraph.

Provotorov also said that Rostelecom was still interested in buying another broadband company operating in Moscow, Akado, adding however that no negotiations are held on acquisition of Akado at the moment.



Mail.ru Group ups stake in job search unit Headhunter to 97%

Russian Internet company Mail.ru Group has increased its stake in job search Web site Headhunter Group to 97.20% from 91.31%, Mail.ru Group said in documents seen by PRIME Tuesday.

Mergers and Acquisitions

Specifically, Mail.ru Group bought a 5.89% stake in Headhunter Group from a minor shareholder in exchange for 432,867 common shares in Mail.ru Group, accounting for a 0.47% common stake, Mail.ru Group said.

In addition to Headhunter Group, Mail.ru Group owns Web portal Mail.ru and social networking Web site Odnoklassniki, as well as a stake in a rival social networking site, Vkontakte. Mail.ru Group also owns instant messenger ICQ and has stakes in the world's largest social network Facebook, social networking game producer Zynga, and other Internet projects in Russia and abroad.

Belarusian prime minister suggests Kazakh government buys 51% in MTS Belarus

Belarusian Prime Minister Mikhail Myasnikovich has suggested the Kazakh government buys the Belarusian government's 51% stake in mobile operator MTS Belarus, RIA Novosti reported Tuesday.

Myasnikovich said that during a meeting between Belarus and Kazakh leaders, the Kazakh party had expressed interest in the controlling stake in MTS Belarus.

The Belarusian government plans to sell the controlling stake in MTS Belarus at an auction scheduled for December 1. Bids are being accepted until November 15.

In July, the state property committee's Chairman Georgy Kuznetsov said the Belarusian government estimated the value of the 51% stake in MTS Belarus at between U.S. \$960 million and \$970 million. Major Russian mobile operator MTS, which currently holds a 49% stake in MTS Belarus and is seeking to gain control over the Belarusian operator, offered about \$400 million to \$500 million for the Belarusian government's stake in MTS Belarus, but when the government requested \$1 billion for the stake, MTS rejected the government's offer, Kuznetsov also said.

Meanwhile, some analysts estimated the value of a 51% stake in MTS Belarus at about \$700 million

Mobile Operators

Report: Cellulars may install base stations on Moscow traffic lights

Additional mobile base stations may be installed on Moscow traffic lights to improve the quality of mobile network in the city, Russian newspaper Izvestiya reported Friday citing a source in Moscow city government.

“At present, base stations are commonly installed on administrative buildings, and operators lose time for (obtaining) approvals and often money for rent,” the source said. The Moscow city government is expected to create a working group to settle the issue soon, the source said adding that the operators were expected to bear expenses for traffic lights modernization.

Svetlana Novikovskaya, spokeswoman for the Moscow center for traffic organization, told Izvestiya that 64 traffic lights with mobile base stations were expected to be installed in Moscow by the end of the year.

Representatives of two major Russian mobile operators VimpelCom and MTS said, that the Moscow government had offered them to participate in the city’s informatization program. MTS’ representative also said that installing base stations on traffic lights is technically possible, but it still needs to be thoroughly studied. Another major Russian mobile operator MegaFon said that it was ready to consider the project, but had not received an official offer from the city government.

At present, there are about 9,000 base stations in Moscow, but network problems still arise in some areas of the city, the newspaper said.

Construction of a base station outside a city or on an administrative building costs about 300,000 rubles, Marina Korobkova, ComNews Research analyst, told Izvestiya, adding that installing a base station on a ready frame without the need to pay rent may decrease the cost by almost 50%. (30.2421 rubles – U.S. \$1) 

Fixed-line Operators

Kazakhstan's Kazakhtelecom net profit up 43% in January–September

The net profit of Kazakhstan's largest fixed-line operator Kazakhtelecom increased 43% on the year to 39.918 billion tenge in January–September, the company said in statement Monday. The accounting standards used were not provided.

The company's revenue rose 11% on the year to 125.938 billion tenge in January–September. Kazakhtelecom is Kazakhstan's main fixed-line operator. The government of Kazakhstan owns a 51% common stake in the company. (148.00 tenge – U.S. \$1)

Ukrtelecom's net loss widens to 210 million hryvnas January–September

The net loss of Ukrainian telecommunications operator Ukrtelecom widened to more than 210.16 million hryvnas in January–September from a net loss of 62.65 million hryvnas in the same period of last year, the company said in a report filed with Ukraine's Securities and Stock Market State Commission and released on Wednesday.

The accounting standards used were not provided.

The company's revenue decreased 0.2% on the year to 6.006 billion hryvnas in January–September, Ukrtelecom said.

Of the total, Ukrtelecom's revenue from fixed-line local telephony amounted to 2.262 billion hryvnas and revenue from long-distance telephony services amounted to 1.925 billion hryvnas, the company said without providing year-on-year comparisons.

In 2010, Ukrtelecom's net loss narrowed 43.9% on the year to 258.77 million hryvnas, the company said in February.

Ukrtelecom is the largest fixed-line telephony operator in Ukraine. The company's wireline telephony user base amounted to more than 10.20 million users as of September 30.

(7.9762 hryvnas – U.S. \$1)

Satellite Operators

Number of Russia's operational GLONASS satellites increases to 23

The number of Russia's operational Global Navigation Satellite System (GLONASS) satellites has increased to 23, as operations of the GLONASS-M satellite put into orbit on October 3 have been launched, the Central Scientific and Research Institute of Mechanical Engineering said in a statement seen by PRIME Wednesday.

At present, there are a total of 27 GLONASS satellites orbiting the Earth, of which 23 are operational, one is being integrated in the system, two are undergoing maintenance and one satellite is in reserve, according to data from the research institute. Before October 3, the number of operational GLONASS satellites also amounted to 23, but one satellite was transferred to reserve on October 12.

In order to cover the entire territory of Russia, GLONASS requires at least 18 operational satellites, and to provide global coverage it requires 24 operational satellites.

GLONASS is an alternative to the U.S.' Global Positioning System (GPS) and the E.U.'s future Galileo positioning system.



Russian military officer: GLONASS to reach GPS' accuracy by 2015

The General Staff of the Russian Armed Forces expects the country's Global Navigation Satellite System (GLONASS) to reach a level of accuracy equal to that of the U.S.' Global Positioning System (GPS) by 2015, the General Staff's representative Rear Admiral Sergei Kozlov said, RIA Novosti reported Friday.

At present a space geodesic system is being developed in Russia, which "will ensure jointly with the terrestrial complex a significant improvement in the accuracy characteristics of GLONASS, as well as improving the accuracy of using weapons and military equipment," Kozlov said, without providing investments in the space geodesic system development.

In early October, Ukraine's State Space Agency Director Yury Alekseyev said that the Ukrainian government had signed an agreement to participate in a project aimed at increasing the accuracy of GLONASS. The project aims to decrease GLONASS' margin of error to 30 centimeters, while GLONASS's current margin of error is estimated at five meters to 10 meters, Alekseyev said.

GLONASS is an alternative to GPS and the E.U.'s future Galileo positioning system.

Launch of three GLONASS-M satellites brought forward to November 3

The launch of three GLONASS-M satellites for Russia's Global Navigation Satellite System (GLONASS) has been brought forward to November 3, Russia's Space Agency said Thursday, RIA Novosti reported.

The launch was initially scheduled for November 4. The reason behind the rescheduling was not provided. Three GLONASS-M satellites are expected to be launched from the Baikonur space launch facility using the Proton-M carrier rocket with the Briz-M upper stage, the agency said.

Satellite Operators

By 2012, a total of four GLONASS-M satellites are expected to be launched, the agency said. GLONASS is an alternative to the U.S.' Global Positioning System (GPS) and the E.U.'s future Galileo positioning system 

Equipment

Rostelecom to cooperate with Rusnano in telecom equipment development

Major Russian telecommunications company Rostelecom and state-owned nanotechnology company Rusnano signed an agreement to jointly develop telecommunications infrastructure and communications equipment at the international forum on nanotechnologies Rusnanotech-2011 on Friday, RIA Novosti reported.

“We expect to receive Russian equipment, which will not be inferior to foreign equipment,” Rostelecom’s CEO Alexander Provotorov said. Rostelecom is interested not only in telecommunications equipment, but also in energy saving devices, Provotorov said.

Rostelecom is Russia’s largest main communications line operator. The total length of its main lines amounts to 500,000 kilometers, according to the company’s data.

Rostelecom, Sagemcom to produce broadband, digital TV equipment

Major Russian telecommunications company Rostelecom has signed a cooperation agreement to develop and produce broadband Internet access user equipment and digital TV receivers with French high technology company Sagemcom, Rostelecom said in a statement Tuesday.

The investment and the timeline of the project were not available.

The companies plan to create and distribute the equipment under the Rostelecom brand.

Rostelecom and Sagemcom are considering production facilities in several countries for the project, including facilities of Rostelecom’s subsidiary Bashinformsvyaz in Russia’s constituent republic of Bashkortostan, Rostelecom said.

Nokia to launch research, development center in Skolkovo in November

Finnish cell phone manufacturer Nokia plans to launch a research and development center at the innovation center in Russia’s Moscow Region locality of Skolkovo in November, Nokia representative Tapani Ryhanen said Tuesday, RIA Novosti reported.

The investment in the project was not disclosed.

Ryhanen said Nokia planned to expand its operations in Skolkovo by 2013.

Nokia is interested in the possibility of attracting highly-qualified staff as well as in Skolkovo’s infrastructure, Ryhanen said.

In November 2010, Nokia signed a memorandum of understanding to open a scientific research center at Russia’s research and development center in Skolkovo in 2011.

Nokia has similar scientific research centers in Finland, China, India, Kenya, Switzerland, the U.K., and the U.S.

Yandex agrees to preinstall search engines in Samsung smartphones

Major Russian Web search engine Yandex has signed a partnership agreement with South Korea’s Samsung to preinstall the search engine in Samsung’s smartphones using the Bada Wave 3 operational system, which are to be sold in the Commonwealth of Independent States (CIS), Yandex said in a statement Tuesday.

Equipment

Apart from Yandex' search engine, Samsung's smartphones are also to have Yandex' applications such as Yandex.Maps, Yandex.Mail, and Yandex.Market preinstalled.

Sales of smartphones with preinstalled Yandex services are expected to begin in November, Yandex said 

Retail Market

Svyaznoy overtakes Euroset in January–June revenue

Major Russian cell phone retail chain Svyaznoy overtook its key rival Euroset, which had been the largest cell phone retailer, in terms of revenue in January–June, Russian business daily Vedomosti reported Monday citing the retailers' financial reports for this period, as calculated under International Financial Reporting Standards (IFRS).

The revenue of Svyaznoy rose 26% on the year to 29.33 billion rubles in January–June, while Euroset's revenue increased about 4% on the year to 28.58 billion rubles in this period, the daily reported.

Svyaznoy's revenue includes 1.6 billion rubles worth of payments from major mobile operator MTS for assistance in the development of MTS' monobrand retail chain, Euroset's President Alexander Malis said. Svyaznoy's CEO Denis Lyudkovsky confirmed that the company's revenue included a payment from MTS, but said that this payment accounted for less than 10% of Svyaznoy's gross profit, or less than 1 billion rubles, Vedomosti reported. Malis said he did not believe that Svyaznoy's revenue grew by 26%, as both retailers generate about 75% of their revenue from sales of cell phones and other devices, which could not show such a significant increase.

Meanwhile, Euroset posted a net profit of 1.46 billion rubles and EBITDA (earnings before interest, taxes, depreciation, and amortization) of 2.10 billion rubles in January–June against Svyaznoy's net profit of 139.40 million rubles and EBITDA of 1.37 billion rubles in this period, according to their financial reports, Vedomosti reported.

Also, Euroset operated 4,500 stores as of the end of June, while Svyaznoy had 2,700 stores, Vedomosti reported. (31.3361 rubles – U.S. \$1)

MTS to cooperate with MasterCard in NFC-based services development

Major Russian mobile operator MTS has signed an agreement to cooperate with international payment system MasterCard in the development of non-contact payment services based on the Near Field Communications (NFC) technology, MTS and MasterCard said in a joint statement Wednesday, RIA Novosti reported.

NFC technology enables data exchange between devices over a 10-centimeter distance.

Under the agreement, MTS plans to expand the range of NFC-based services by enabling subscribers to pay for goods and services using their cell phones with special SIM cards supporting the MasterCard PayPass non-contact payment solution, the companies said, adding that this payment method allows MTS subscribers to pay for goods and services with money both on their mobile accounts or bank cards.

MTS also plans to enable this payment method in its project for issuing company branded credit cards in partnership with affiliated Moscow Bank for Reconstruction and Development (MBRD), MTS said.

During a test period, MTS equipped several thousand SIM cards with NFC chips, MTS' President Andrei Dubovskov said, adding that the company plans to develop a large-scale non-contact payment project across Russia. Several million MTS subscribers are expected to use NFC-based non-contact payment services, Dubovskov said.

In early October, MTS said it had commercially launched an NFC-based service in cooperation with oil major Lukoil, enabling MTS subscribers to pay for gasoline at Lukoil's

Retail Market

gas stations in the Perm Region with money from their mobile accounts by placing cell phones near gas pumps, business daily Vedomosti reported then, adding that these were the first NFC-based services to be commercially launched in Russia.

MTS is Russia's largest mobile operator with 70.2 million subscribers as of late August, according to data from Advanced Communications and Media (AC&M).

CEO says Tele2 Russia may double monobrand stores by end-2014

Tele2 Russia, the Russian subsidiary of Swedish mobile operator Tele2, may more than double its number of monobrand stores to 1,000 by the end of 2014 from the current 434, Tele2 Russia's CEO Dmitry Strashnov said, Russian business daily Vedomosti reported Friday.

In particular, Tele2 Russia plans to open at least 100 monobrand stores within six months, Strashnov also said, the daily reported.

Also, Tele2 Russia plans to switch almost all of its monobrand stores, which are currently operated by dealers, to direct rent contracts between the mobile operator and the owners of facilities by the end of 2011, Strashnov said, adding that direct rent is expected to optimize expenditures, Vedomosti reported. Dealers are still expected to operate Tele2 Russia's monobrand stores, but they would have to cover the operator's rental payments, Strashnov told the daily.



Tele2 Russia also plans to change the design of its monobrand cell phone stores, turning them into stores where cell phones are displayed openly so that customers can easily try the phones. The mobile operator plans to spend up to U.S. \$25 million on the change of store design by the end of 2012, Strashnov said, adding that the change is likely to result in a 15% increase in the stores' sales, the daily reported.

At present, Tele2 Russia sells 19% of its SIM cards via its monobrand retail chain, Vedomosti reported.

Tele2 Russia is the country's fourth largest mobile operator with 20.2 million subscribers as of late August, according to data from Advanced Communications and Media (AC&M).

Source says MegaFon seeks to restore Apple device sales by year-end

Major Russian mobile operator MegaFon is seeking to reach an agreement to restore sales of the U.S.' Apple products by the end of 2011, Russia's RBC Daily reported Thursday citing a source close to MegaFon.

MegaFon may even take part in the launch of sales of Apple's latest iPhone 4S smartphone model, which is expected to take place in December, the source said without providing the terms of cooperation that MegaFon would consider favorable, RBC Daily reported.

Meanwhile in August, sources on the cell phone retail market were quoted by RBC Daily as saying that Russian sales of the iPhone 4S smartphone model might start in November, shortly after the start of sales in the U.S. The U.S. sales of the smartphone started on October 14.

Retail Market

MegaFon's press office confirmed that the company was in talks with Apple, but declined to provide further comments, the daily reported.

The mobile operator has not sold Apple products since mid-2010, when a contract between the operator and Apple expired. MegaFon did not extend the contract, unlike other major mobile operators MTS and VimpelCom, because of Apple's overstated requirements regarding the volume of smartphone sales, a source familiar with the situation said, RBC Daily reported 

Internet and Cable

Yandex US GAAP net profit up 52% on year in January–September

The net profit of major Russian Web search engine Yandex rose 52% on the year to 3.650 billion rubles in January–September, as calculated under U.S. GAAP, the company said Thursday.

The company's adjusted net profit increased 52% on the year to 3.805 billion rubles in January–September.

Revenue rose 62% on the year to 13.594 billion rubles in January–September.

Operating profit increased 47% on the year to 4.431 billion rubles in January–September.

Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 51% on the year to 5.968 billion rubles in January–September.

In July–September, Yandex' net profit increased 93% on the year to 1.705 billion rubles, while the company's revenue increased 65% on the year to 5.159 billion rubles.

Yandex is the most popular Web search engine in Russia; it processed 62.7% of all searches made by Russian Internet users in July–September, according to data from Internet statistics service LiveInternet. (30.5732 rubles – U.S. \$1)

Yandex ranked world's fifth largest search engine in September

Major Russian Web search engine Yandex has been ranked fifth in the world by the number of search queries in September, research company comScore said, RIA Novosti reported Thursday.

Yandex processed more than 3 billion search queries in September, according to data from comScore. The largest search engine was the U.S.' Google, with more than 118 billion searches processed in September; followed by China's Baidu, with more than 11 billion searches; the U.S.' Yahoo!, with about 11 billion searches; and search engines of the U.S.' Microsoft, with about 5 billion search queries processed in this period, comScore said.

Yandex is the most popular Web search engine in Russia; it processed 62.7% of all searches made by Russian Internet users in July–September, according to data from Internet statistics service LiveInternet.



Mail.ru Group IFRS revenue up 59% on year in July–September

The revenue of Russian Internet company Mail.ru Group rose 59.1% on the year to U.S. \$124.9 million in July–September, as calculated under International Financial Reporting Standards (IFRS), Mail.ru Group said in a statement Tuesday.

Of the total, revenue from display advertising rose 56.1% on the year to \$34.1 million and revenue from contextual advertising rose 53.7% on the year to \$14.5 million in this period. Also, revenue from online games increased 29.9% on the year to \$30.7 million and revenue from interactive value-added services (IVAS) more than doubled to \$30.0 million in July–September from \$14.3 million in the same period of last year.

Internet and Cable

Mail.ru Group confirmed its revenue forecast for 2011 made in August, saying that revenue is expected to grow 50% on the year in 2011.

Also, Mail.ru Group revised its unaudited IFRS net profit for January–June, the company said, adding that the final unaudited net profit amounted to \$85.9 million in January–June, compared to \$85.6 million reported in late August.

Mail.ru Group's key asset, major Web portal Mail.ru had 27.8 million monthly users in September, up 10.3% on the year, according to estimates from research company TNS. Besides Mail.ru, which is one of the most popular Russian Web portals, Mail.ru Group also owns social networking Web site Odnoklassniki and instant messenger ICQ.

Mail.ru Group also has stakes in social networking sites Vkontakte and Facebook, social networking game producer Zynga, and other Internet projects in Russia and abroad.

TransTeleCom agrees to build fiber optic lines in Yakutia by 2013

Russian wireline operator TransTeleCom has signed a protocol of intentions to build fiber optic lines in the constituent republic of Sakha (Yakutia) by 2013 to ensure the availability of broadband Internet access services in the region, the press office of Yakutia's government said Friday, RIA Novosti reported.

The timeline of the project and other details are to be stipulated in an agreement, which is expected to be signed on November 25, Alexander Borisov, the republic's deputy prime minister, said.

The fiber optic line is expected to connect the region's capital of Yakutsk with the city of Tynda, located in the neighboring Amur Region.

At present, the total capacity of communications lines in Yakutia amounts to 2.9 gigabit per second, Borisov said, adding that TransTeleCom's projected fiber optic lines are expected to drastically increase the total capacity in the region.

TransTeleCom operates one of Russia's largest main communication networks, with a total length of more than 53,000 kilometers.

Rostelecom's GPON subscriber base in Novosibirsk reaches 25,000

The number of subscribers to major Russian telecommunications operator Rostelecom's wireline broadband services via Gigabit Passive Optical Network (GPON) technology in the Russian city of Novosibirsk has reached 25,000, the company said Wednesday.

The GPON subscriber base in Novosibirsk was at 20,000 users as of mid-August.

The installed capacity of Rostelecom's GPON broadband network in Novosibirsk and its satellite town of Berdsk amounts to about 90,000 lines, the operator said.

Wireline operator Sibirtelecom, which was integrated into Rostelecom on April 1, launched the GPON broadband project in April 2010.

Apart from Novosibirsk, Rostelecom currently operates GPON networks in the Altai, Irkutsk, Kemerovo, Krasnoyarsk, Omsk, Tomsk, and Zabaikalsky regions, as well as in the constituent republics of Khakasia and Buryatia.

Internet and Cable

GPON technology allows broadband services to be provided at an increased connection speed of up to 1 gigabit per second. Rostelecom presently provides broadband services mainly via Asymmetric Digital Subscriber Line (ADSL) technology.

Russian businessman Milner invests in US programming learning startup

Russian businessman Yury Milner has participated in the first financing round of U.S. startup Codeacademy, which provides services for people learning programming, representatives of Codeacademy said on its Web site Friday.

Codeacademy did not provide any details, while a technology Web site called TechCrunch reported that the total investment in the startup had amounted to U.S. \$2.5 million. The stake received by Milner was not provided.

Codeacademy plans to attract more developers and designers, as well as providing its users with new services and content.

Codeacademy launched its services in August. At present, people from more than 200 countries use Codeacademy's services. Of the total user base of the service, residents of the U.S. account for 30%.

Yury Milner is a shareholder of Russian Internet company Mail.ru Group. Milner and his co-owned fund DST Global often invest in different Internet projects.

Runa Capital invests in cloud computing platform developer ThinkGrid

Russian venture fund Runa Capital has invested in U.K. company ThinkGrid, which provides a platform combining different cloud computing technologies, the fund's representatives said Thursday, RIA Novosti reported.

The volume of investments was not disclosed. ThinkGrid is expected to allocate the funds to sales and products development, as well as to the creation of data centers.

ThinkGrid, established in 2008, provides a cloud computing platform for IT companies, which allows them to provide customers with a wide range of cloud computing services.

Russian VoIP startup Zingaya raises \$1 million in investment round

Russian computer-based Voice over Internet Protocol (VoIP) telephony startup Zingaya has raised U.S. \$1.15 million during its first investment round, the company said Thursday, RIA Novosti reported.

The funds, received from several Russian and foreign investors, are expected to be allocated to the development of sales and products, Zingaya said.

London-based Zingaya was established in 2009 by Russian IT developers. Its services are available in 14 countries. After installing Zingaya's widget into their Web sites, companies are able to receive calls from potential and actual customers calling on the companies' mobile or fixed-line phones from the companies' Web sites.

Internet and Cable

Russian invest companies join UK Internet project \$17 million fundraising

Russian investment companies ru-Net and Kite Ventures have taken part in a U.S. \$17 million financing round held by U.K.-based Internet project Tradeshift focusing on the development of a platform allowing companies to exchange invoices for free, Russian business daily Kommersant reported Thursday.

Kite Ventures and ru-Net contributed a major part of the investments raised by Tradeshift via the financing round, the daily said, adding that Tradeshift was valued at \$137 million for the deal.

Tradeshift plans to use the funds raised to finance product development and its expansion into North America among other purposes, Kommersant reported. Tradeshift's platform is currently used by 60,000 companies in 190 countries, the daily reported.

VimpelCom's Armenian unit upgrades network with DWDM equipment

Major Russian telecommunications company VimpelCom's Armenian subsidiary ArmenTel has upgraded its fiber optic network using dense wavelength division multiplexing (DWDM) equipment, ArmenTel said in a statement Wednesday, RIA Novosti reported.

ArmenTel constructed more than 100 kilometers of fiber optic lines in July–October, and made a direct connection of its network to the network of Azerbaijan's breakaway region of Nagorno-Karabakh, the company also said.

The total length of ArmenTel's fiber optic lines amounts to more than 2,770 kilometers, the company said.

DWDM technology allows for increasing the capacity of a fiber optic network to 100 gigabits per second, ArmenTel said. Within the Commonwealth of Independent States (CIS), VimpelCom also operates in Ukraine, Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan, alongside Russia and Armenia.

Beltelecom plans tender to buy IPTV platform, user equipment

Belarus' national telecommunications operator Beltelecom plans to hold a tender to buy an IPTV (TV via Internet Protocol) platform and set-top box (STB) assembly kits, the operator said in a tender statement Thursday.

The date of the tender was not provided. The bids are being accepted through November 22. Under the tender terms the winner is to supply an IPTV platform by February 15, 2012, and provide installation and integration in January–March 2012. The winner is to supply STB assembly kits in February–September 2012.

Beltelecom started to provide IPTV services in 2009. At present, the company's IPTV user base amounts to about 400,000 subscribers, the company said

Fixed Income Market News

ProfMedia Finance to offer bond issues totaling 6 billion rubles

ProfMedia Finance, a special purpose vehicle of Russian media group ProfMedia, plans to offer two 3-year 3 billion rubles each exchange bonds issues, the company said in a statement Thursday.

The bonds' face value is 1,000 rubles, the company said.

ProfMedia controls a number of TV channels, newspapers, and radio stations, as well as the Cinema-Park chain, film company Central Partnership, and Russian Internet company Rambler Media.

Russian cell phone retailer Euroset to offer 3 billion ruble bond issue

Major Russian cell phone retailer Euroset is expected to offer a 3 billion ruble bond issue, the Federal Service for Financial Markets said in a statement seen by PRIME Friday.

The federal service has registered the bond issue, the regulator said. Euroset plans to offer the bonds via its subsidiary Euroset Capital. No further details were provided.

Euroset operates more than 4,300 cell phone stores, according to the company's Web site. (30.2421 rubles – U.S. \$1) 

Stock Market News

Russian regulator uncovers manipulations with Rostelecom's equity

Russia's Federal Service for Financial Markets has uncovered manipulations carried out with major Russian telecommunications company Rostelecom's equity, the service's Director Dmitry Pankin told reporters Tuesday.

"There are signs of manipulation," he said. The Federal Service for Financial Markets started an investigation after significant fluctuations in Rostelecom's share price, Pankin said without elaborating.

Moreover, Pankin said that changes in the share price of Russian cosmetics producer Kalina and major oil company Rosneft had also interested the service.

"We are currently gathering information from stock exchanges," Pankin said.

Rostelecom itself initiated the investigation by sending the Federal Service for Financial Markets a letter in June–August, a source close to the company's management told PRIME later on Tuesday. In June–August, Rostelecom's equity price fluctuated significantly, the source said. The media reported that minority shareholder Yevgeny Yurchenko, who was CEO of state-run telecommunications holding Svyazinvest and chairman of Rostelecom in 2009–2010, had sold some of his Rostelecom's shares under a margin call in June–August.

Rostelecom board to mull share buyback on October 31

The board of directors of major Russian telecommunications operator Rostelecom is expected to consider buying back its shares from the market on October 31, the company said in a statement Tuesday.

The volume of shares to be bought back was not provided.

Earlier in October, the company's President Alexander Provotorov said Rostelecom might buy back some of its shares from minority shareholders on the open market.

Provotorov said later on Tuesday that the board of directors was expected to consider whether to buy back preferred shares as well as common ones. "We think that there is a point in buying back preferred shares at certain levels (of the share price) as well," Provotorov said on the sidelines of a telecommunications forum in Geneva. He also said that Rostelecom has no plans to buy back a certain stake, adding that the projected buyback "is not a goal in itself, but a tool to increase the (market) capitalization of the company, an opportunity to earn additional money, because we believe that shares may be more expensive."

Rostelecom may use the bought back shares as payment under some acquisition deals or sell the shares on the London Stock Exchange (LSE), where Rostelecom plans to make a listing by the end of 2011, Provotorov said, adding that no firm decision has been made on this matter.

The operator may use borrowed funds to finance the buyback, Provotorov said.

Provotorov also said that Rostelecom might abandon the idea to buy back shares at all. "If there are no sharp declines in the share (price), I don't rule out that we won't buy back anything at all," he said.

Stock Market News

Rostelecom currently trades on Russia's Moscow Interbank Currency Exchange (MICEX). The company's free float accounts for about 44.1% of its common shares and 71.2% of its preferred shares. The Russian government currently holds a 53.2% common stake in Rostelecom via state-run telecommunications holding Svyazinvest and state-owned Deposit Insurance Agency (DIA) and Vnesheconombank (VEB).

Source says Rostelecom may spend \$500 million on buyback

Major Russian telecommunications operator Rostelecom may spend up to U.S. \$500 million on a share buyback, Russian business daily Kommersant reported Wednesday citing an unspecified source.

Taking into account Rostelecom's market price as of Tuesday, the company might buy back a 3.4% stake in itself, if it bought back common shares only, the daily reported.

Meanwhile, Rostelecom's President Alexander Provotorov said Tuesday the company had no firm plans to buy back a specific stake. He also said that the company may buy back preferred shares as well.

The board of directors of Rostelecom is expected to consider buying back its shares from the market on October 31.

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The Russian government currently holds a 53.2% common stake in Rostelecom via state-run telecommunications holding Svyazinvest and state-owned Deposit Insurance Agency (DIA) and Vnesheconombank (VEB).

CEO says Rostelecom may up dividends to 50% of net profit

Major Russian telecommunications operator Rostelecom may increase its annual dividend payments to up to 50% of its net profit, Rostelecom's President Alexander Provotorov said, Russia's RBC Daily reported Wednesday.

"Everything will depend on a decision of the board of directors, (a meeting of) which is to be held in November. If the board decides to pay dividends at 50% (of net profit), then we will," Provotorov was quoted by the daily as saying.

A source from Rostelecom's board said that the company already has a preliminary plan for dividend payments, but did not disclose details, RBC Daily reported. Rostelecom is expected to approve a revised dividend policy by the end of 2011, the source told the daily.

In May, Provotorov was quoted by business daily Vedomosti as saying that Rostelecom might pay up to 40% of its net profit in dividends annually. Provotorov said then that Rostelecom was developing a dividend policy, but did not provide the timeline for completing the policy.

Meanwhile, an association of investors and shareholders of Rostelecom suggested in May that the company should pay 50% of its net profit in dividends, minority shareholder Yevgeny Yurchenko was quoted by RBC Daily in May as saying.

Stock Market News

The current dividend policy of Rostelecom envisages paying at least 10% of the company's net profit in dividends on preferred shares and at least 5% in dividends on common shares. Total dividends for 2010 amounted to about 1.245 billion rubles, accounting for about 35% of Rostelecom's net profit calculated under Russian Accounting Standards (RAS). (30.4971 rubles – U.S. \$1)

Executive reiterates Yandex plans no dividends so far

Major Russian Web search engine Yandex' Chief Financial Officer Alexander Shulgin reiterated Thursday that Yandex did not plan to pay dividends so far. "We don't plan to pay dividends while we see prospects for growth. Now there are investment targets, geographical expansion for instance," Shulgin said.

In April Yandex also said it did not plan to pay dividends in the near future. The last time Yandex paid dividends was for 2009, which amounted to U.S. \$30 million. The company also paid for several previous years.

In May 2011, Yandex made an initial public offering (IPO) on the U.S.' NASDAQ stock exchange, during which Yandex and its holders sold more than 15% in the company.

Shulgin also said that Yandex had retained its capital expenditures forecast for 2011 at about 30% of the company's revenue. Yandex expects its revenue to increase by 58%–60% on the year in 2011, Shulgin said without providing any absolute figures.

Earlier, Yandex expected its revenue to increase 55%–60% on the year in 2011.

Mail.ru Group to buy back \$35 million GDRs for share option plan by 2012

Russian Internet company Mail.ru Group plans to buy back up to U.S. \$35 million worth of its Global Depository Receipts (GDRs) by the end of the year to use them in a share option program, Mail.ru Group said in documents seen by PRIME Tuesday.

Specifically, Mail.ru Group's financial unit, Mail.ru Employee Benefit Trustees Limited, plans to buy back the GDRs to use them in an option program for Mail.ru Group's managers and board members.

Of the total, Mail.ru Group has reserved a stake of about 5.4% for option programs.

On Monday, Mail.ru Group's shares closed at \$33.41 on the London Stock Exchange (LSE). Mail.ru Group owns Web portal Mail.ru and social networking Web site Odnoklassniki, as well as a stake in a rival social networking site, V Kontakte. Mail.ru Group also owns instant messenger ICQ and has stakes in the world's largest social network Facebook, social networking game producer Zynga, and other Internet projects in Russia and abroad

Stock Market Results

INDICES

Index	Value, Oct 28	Weekly change, %	Monthly change, %	Year-to-date change, %
RTS	1610.32	+10.5	+17.8	-9.0
MICEX	1526.57	+5.5	+10.8	-9.6
MICEX TLC	2148.00	+3.2	+9.1	-11.9

MICEX

Company	Closing price Oct 28, rbl	Weekly change, %	Monthly change, %	Year-to-date change, %
Rostelecom, RTKM	157.48	+6.8	+4.5	+1.1
MTS, MTSI	194.00	+2.4	+4.0	-25.4
MGTS, MGTS	420.00	0.0	-4.3	-2.4
Bashinformsvyaz, BISV	12.54	-6.1	+22.3	+112.5
Central Telegraph, CNTL	33.10	-15.5	+27.3	-52.7
Tattelecom, TTLK	0.2110	-0.6	+10.4	+16.6

ADRs

Company, stock exchange	Closing price Oct 27, USD	Weekly change, %	Monthly change, %	Year-to-date change, %
MTS, NYSE: MBT	14.99	+10.8	+10.5	-28.2
VimpelCom Ltd, NYSE: VIP	11.74	+13.6	+16.8	-21.9
Mail.ru Group, LSE: MAIL	35.25	+5.5	+10.2	-2.1
Yandex, Nasdaq: YNDX	27.74	+10.6	+5.2	n/a

Yandex became one of the growth leaders last week, after it increased 7.6% on Thursday on strong financial and operating results for July–September, investment company Veles Capital’s Head of Equity Research Department Ilya Fedotov said, adding that investors appreciated the significant growth in Yandex’ revenue and net profit in this period.

Rostelecom gained partly on expectations of a share buyback, which the company is currently considering, Fedotov said.

American depositary receipts (ADRs) of mobile companies **MTS** and **VimpelCom Ltd.** increased mainly on factors common for the broader market, which grew on improvements in the debt situation in Europe, Fedotov said, adding that MTS and VimpelCom Ltd. were also recovering after a recent major drop

Appointments

Akado names Nazarov vice president for commercial activities

Russian broadband and cable TV group Akado has created the position of vice president for commercial activities and appointed Sergei Nazarov to this position, Akado said Thursday. In this position, Nazarov is expected to coordinate operations of commercial units at Akado's subsidiaries and develop strategic plans for Akado's business development, among other tasks, Akado said.

Nazarov worked with major Russian mobile operator MTS as an advisor to the president on fixed-line and broadband services in August 2009–March 2011. Before that he held various managing positions with a number of telecommunications companies.

Nazarov, born in 1971, graduated from a technical institute in 1995 and from the Higher School of Economics in 2007 

Calendar

<p>October 31</p> <p>Rostelecom board to mull share buyback</p>	<p>November 1</p> <p>Court to hear RU-CENTER's appeal in 240 million rubles case against antitrust</p>	<p>November 2</p> <p>Court to hear Antares unit's appeal in 600 million ruble case against regulator</p>
<p>November 3</p> <p>Launch of 3 GLONASS-M satellites</p>	<p>November 3</p> <p>M2M-Communications&Connections Forum 2011 in Moscow</p>	<p>November 8</p> <p>Region Telecom 2011 conference in Moscow</p>
<p>November 8</p> <p>Moscow government to hold tender for 2.67% stake in COMCOR</p>	<p>November 10</p> <p>Convergent Services-2011 international conference in Moscow</p>	<p>November 10</p> <p>CNews Forum 2011 communications, IT forum in Moscow</p>
<p>November 22</p> <p>Auction for 100% in Yugratel</p>	<p>December 1</p> <p>Telecoms M&A Russia 2011 conference in Moscow</p>	<p>December 1</p> <p>Belarusian state property committee to hold auction for government's stake in MTS Belarus</p>

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