The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Rostelecom Dials Up Broadband, TV

By Rachel Nielsen

April 27, 2012



Rostelecom president Alexander Provotorov **Maxim Stulov**

Rostelecom posted a 7 percent increase in revenue and a 47 percent increase in net income for 2011, ramping up television and Internet services as part of strategies that are continuing this year.

In an earnings statement released Friday, Rostelecom said revenue for last year was 296 billion rubles ($10.1 billion) and net income was 46.1 billion rubles.

The uptick in overall revenue came from corporate-subscriber and government-subscriber revenue, as well as from sales of broadband Internet services, said Konstantin Belov, a senior telecoms analyst with UralSib Capital.

The rise in net income resulted from "good control" over expenses, Belov said by e-mail.

Rostelecom president Alexander Provotorov said in the earnings statement that the company had "significant growth" in revenue and net income "in spite of the newness of the merged

company and the possible integration risks," a reference to Rostelecom absorbing regional telecoms in 2011.

Following the mergers, the company is "a much more powerful player" in the market, said Yuly Matevosov, a senior telecoms analyst with Alfa Bank.

The effects of the mergers aren't reflected in the 2011 figures, however, as Rostelecom restated its 2010 figures, he said.

In a research note, Rye, Man & Gor Securities analyst Ksenia Arutyunova said that while Rostelecom "delivered good results" in 2011, the "stagnation of traditional telephony services and modest growth of mobile services are still concerning factors."

Rostelecom has been rolling out more modernization efforts this year. It will be actively seeking market share in fixed-line broadband, wireless broadband and paid television services, Matevosov said.

In February, it was preparing to take full control of a Moscow broadband operator, National Telecommunications, Vedomosti reported at the time. That gives Rostelecom a foothold in the capital's market for fixed-line Internet and paid television services.

Rostelecom also has a deal with Yota-brand operator Scartel to develop LTE, sometimes called wireless broadband or 4G, and it is expected to begin offering LTE service on Sept. 1.

In addition, President Dmitry Medvedev has issued a March 2013 deadline for merging Rostelecom and national telecom Svyazinvest.

The companies hold major stakes in each other, and the Federal Property Management Agency has stakes in both, according to Vedomosti's business database. That merger "will make it possible to consolidate the government's main telecom assets into one company," Belov said.

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