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## The interview of « Cornet » Company's Director.

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The interview of «Cornet» Company's Director Boris Demirkhanian to Mediamax news agency

'We plan a large-scale advancement of WiMAX in Armenia starting from the third quarter of 2007'

In late October, 2006, the Russian 'Comstar - United TeleSystems», which is a part of the AFK «System», informed on its purchasing 75% plus one share of the international «Collnet» Operator, the assets of which in Armenia make the 100% share of the Armenian «Cornet» Internet provider. Simultaneously, the 'Comstar - United TeleSystems» signed an option on purchasing the remaining shares of the company. It was said in the statements on the deal that «Cornet» provides internet access services by telephone lines with the use of dial-up, ISDN, DSL and Wireless technologies, the access to the interbank SWIFT net, as well as web-hosting services.

The General Director of «Cornet» Boris Demirkhanian informed Mediamax on the details of the deal and the development prospects of the company.

- As opposed to other Armenian providers, «Cornet» and «Collnet» brands have been widely recognized by the ordinary customers. Which is your «strong point» and why your company in particular was chosen by «Comstar-UTS»?

- 'Collnet' - is an English international communication operator, which was the 100% share owner of the 'Cornet' Company. What concerns the interest of 'Comstar-UTS', I should say that being a dynamically developing company, it does not limit itself to the Russian market only, and our republic was of special interest for 'Comstar-UTS'.

To my mind, 'Cornet' is of interest, first of all, because it provides diverse services. Besides, 'Cornet' tries to be a company 'with a salt', from the point of view of specific services, which it can offer on the market.

I suppose that of no less significance a role in the choice of 'Comstar-UTS' played the fact that in 2004-2005 «Cornet» developed very intensively. In particular, in 2005, the growth of revenues as compared to 2004 made 100%, and the profit in 2005 made about 40mln AMD.

-What are the conditions, scales and the terms for the realization of the «Comstar-United TeleSystems» investments in Armenia?

- The formalities of the deal on purchasing 'Collnet' were finished in late 2006. It is obvious that the development program of 'Cornet' for 2007 is subject to fundamental reconsideration in the light of the plans and prospects of development with the participation of the parent company. However, as a rule, such prospect planning needs certain period of time, which we did not have in connection with the formalization of the relations only in late 2006. At present, 'Cornet' works on the development program for 2007, and we hope that already starting from mid-2007 certain steps directed at the implementation of the given program will be made. 'Comstar UTS' has

plans concerning the development of infrastructures and its positions on the Armenian market, but we will be able to talk about them more concretely some time later.

-In Autumn 2006, it was noted that 'Comstar' intended to purchase the remaining 25% of the 'Cornet' Company. When will that take place and under what conditions?

- I would like to once again clarify that the deal was made between 'Collnet' and 'Comstar UTS'. The conditions of the deal on purchasing 'Collnet' were the following: the control package (75%+1share) passes into the hands of 'Comstar', and the 25%-1 share remains as an option and is subject to conclusion at the expiration of the 2-year term. That is, following the year of 2008, the formalities of selling the remaining 25% shares will be determined.

- The new owner of 'ArmenTel' - 'VimpelCom' stated its readiness to gradually renounce all types of monopoly. Does it introduce serious changes in the plans of your company, or was the refusal of the tender winner from the monopolies a predictable event, and so, that was the reason for the decision of 'Comstar' to start working in Armenia?

- There were several companies participating in the tender on purchasing 'ArmenTel', including the 'Mobile TeleSystems' (MTS), and the talks concerning the legitimacy of the status of 'ArmenTel' were underway. 'VimpelCom', most likely, supposed that such a development of events was possible. Such large-scale companies should take a sober view of liberalization of the telecommunications market, and corresponding expectations were not a surprise.

What concerns the liberalization, and the form, in which it is being realized in Armenia, even if the market is liberalized de jure, de facto the stance, the scale and the status of 'ArmenTel' impose a certain specific character on the market. It will take much time until it becomes possible to announce with all certainty about the liberalized market of telecommunications in all its segments in Armenia. And that, in its turn, means that on the market there will appear a player, which will be able by its potential and services to really compete with 'ArmenTel', as the given company was developing in the course of ten years, based on the monopoly status. And, in the given process, to my mind, is not of less importance the role of the government as to how balanced will be its regulation of the relations between 'ArmenTel' and other companies, assisting real liberalization of the telecommunications market.

-Is it possible to talk about the fact that 'Cornet' will seriously try to compete with 'ArmenTel' in certain segments of the market?

- The very segment of the market, which we want to become strong in, does not intersect with 'ArmenTel' today. 'ArmenTel' is, first of all, a telephone company, a mobile net and datacom net. If the position of 'ArmenTel' on the market does not change fundamentally, we will not be competing with each other, at any case, in the segment of broadband access and provision of Internet services.

On the other hand, 'Comstar' is a huge company with a distributed network of services. It does not limit itself to providing services of broadband access to Internet, and if all the services, which the company provides in Russia, become available in Armenia also, first of all, in case of their legitimacy on the market, we can intersect with 'ArmenTel'. And here we will be able to talk about

competition in the form, in which it should be present on a liberalized market.

- According to you, when will it be possible to talk about full liberalization of the market of Internet services in Armenia? How legitimate are the assumptions on the near 'boom' in the sphere of Internet in Armenia, as a result of ArmenTel's renunciation of the monopoly?

- As a matter of fact, the internet-market in Armenia has never been monopolized. This is the only type of service, which never fell under the monopoly of 'ArmenTel'. The position of 'ArmenTel' indirectly influenced the development of internet-services in Armenia, as the international exit and surface communications channels belonged to the given company. On the other hand, the given dependence will be present on the Armenian market for a very long time yet, as today all the wire technologies are IAE connected to 'ArmenTel'. The only way to establish certain freedom in developing end-to end services is to implement various wireless solutions (radio-net).

- Does your company have any plans in the given direction? You are the only company in the country having a license for WiMAX, aren't you?

- Factually, there is no notion of a license for WiMAX in Armenia. Any company, which has a license for providing datacom services, and the most important, a permission to use radio-frequency spectrum line, can establish and operate radio nets, including ones, based on WiMAX technologies.

As 'Cornet' has all the necessary licenses and frequency range, we have launched a net in test regime, based in WiMAX technologies. This is a new technology, and there are not many standards for it, that is why for a start we are realizing a pilot project, which is being realized jointly with the 'Alvarion' Company. It will allow assessing the abilities and the prospects of the given technology, will allow probing the readiness of the market to accept a novelty.

We plan a large-scale development of the WiMAX net, starting from the third quarter of 2007. Strengthening the facilities in Yerevan, we intend to move through the entire republic, covering those regions of Armenia, where there is demand for the service. We plan to provide datacom services, Internet access and to establish a distributed department and corporate nets through the WiMAX net in the most developed and densely populated towns and regional centers of Armenia, using the privileges of quick expansion of the net and its penetration. The situation on the telecommunications market in the regions is reasoned by the unsatisfying quality of the copper cable infrastructure, and sometimes by complete absence of opportunity to use cable technologies, which gives the net of wireless broadband access (WBA) irrefutable competitive privileges. Naturally, for us of main interest are the corporate users, however, we consider the possibility of providing services to natural persons as well.

- In autumn, the Russian Media were writing that your company is in fact the only operator in Armenia, which provides services of connection to the global inter-bank S.W.I.F.T. network by means of close, protected IP SWIFT (SIPN) net. If possible, please, tell us in detail about the given sphere of activities and about the plans for its development.

- More than 70% of the Armenian banks are the customers of the

`Cornet' Company, however, we are not involved in SWIFT directly. We have the opportunity to provide the given service, but it is somewhat specific, and there are organizations on the market, which specialize in the given sphere.

I think that today SWIFT services do not represent a determinant service for the Armenian banks. The issues of interaction between the branches of the bank are more relevant, and `Cornet' on this occasion prefers to orient itself more on interbanking - the organization of telecommunications solutions for providing interbranch, interbank cooperation.

- What difficulties does your company face today?

- We go through all the difficulties, which each company, working in the same sphere as we do, faces on the Armenian market. However, the basic difficulty lies in the plane of state control and regulation. We go through a transition period, and any development is coupled with difficulties, which we overcome without assistance. We would like the regulation bodies to listen more keenly to the needs, which are present today in the IT sector.

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