



Optical Networks Daily

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Foreword

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VimpelCom is now the 6th largest mobile company but debt, Telenor and Algeria are problems

On April 15, 2011 VimpelCom, a multinational owner of telecommunications assets and operations in 19 countries* finally closed its \$6 billion acquisition of 51.7% of Orascom of Egypt and 100% of Wind of Italy.

The deal creates what the company describes as "the world's sixth-largest mobile provider", after China Mobile, Vodafone, America Movil, Telefonica and Bharti Airtel.

Following the closure of the deal, the economic ownership (EO) and voting rights (VR), respectively, of the company are distributed as follows:

1. Telenor of Norway: 31.7% and 25.0%.
2. Altimo (Alfa Group): 31.4% and 31.0%.
3. Weather Investments: 18.8% and 29.6%.
4. Minorities: 18.2% and 14.4%.

Prior to the special general meeting of VimpelCom to approve the acquisition, Telenor made strenuous attempts to prevent it happening, partly because it resulted in heavy dilution of Telenor's influence in VimpelCom and partly on more substantive grounds such as the \$20 billion of additional debt, the reduction in VimpelCom's attraction as an investment due to acquiring heavily indebted Wind, and a reduction in the standard of corporate governance of the company.



Following closure of the deal, Telenor acknowledged that a majority of shareholders decided on the acquisition but noted that 60.2% of the unaffiliated shareholders voted against and that if Altimo's additional voting rights (through preferred shares) were excluded, a clear majority of 51.5% of the total economic interests in VimpelCom said no to the deal.

Meanwhile, Telenor has continued to pursue the issue in London relating to what it claims as a pre-emptive right created by its October 2009 settlement with Altimo, of which it says it was deprived as a result of the Wind transaction.

However, on June 6, Altimo, the telecommunications arm of Russia's Alfa conglomerate and one of the three main owners of VimpelCom**, announced that it had agreed to sell 6% of its voting rights in VimpelCom for \$100 million to a Cyprus-based company owned by Russian entrepreneur Oleg Kiselyov.

That sale will reduce Altimo's voting rights in VimpelCom to less than 25% and, as a result, the current shareholder agreement with Telenor will terminate six months after the closing of the deal.

On June 1, VimpelCom reported results for the fiscal fourth quarter and full year ended March 31, 2011, prior to closing of the acquisition, as follows:

1. Revenue of \$2.8 billion, up 22% year on year, and full year 2010/11 revenue up 20.8% to \$10.5 billion.
2. Net profit of \$461.2 million, up 63% year on year, and full year net profit up 49.2% to \$1.7 billion.
3. Mobile subscriptions up 43.5% year on year to 92.7 million and broadband subscriptions up 66.2% year on year to 3.8 million.***

Commenting on the results, VimpelCom's CEO Alexander Izosimov, who will step down at the end of June to be replaced by Chairman Jo Lunder, noted country-specific data, including for:

1. Russia: the company's largest business unit reported an increase of 5.3% in net operating revenue in 2010 compared to 2009 and fourth quarter revenue up 9.7% year on year, with some acceleration in growth.
2. Ukraine: consolidated revenue down 0.3% on a pro-forma basis, which it was claimed was "in line with market trends", but "underlying" growth of 3.4% year on year in the fourth quarter.
3. CIS: net operating revenue for the year grew 17% but included the consolidation of the operations in Kyrgyzstan from the first quarter of 2010/11.
4. Vietnam: the joint venture maintained its operations on a limited level during the fourth quarter as shareholder negotiations regarding the further financing and expansion of the business continued.
5. Cambodia: active subscriber intake up 29% and revenue up 38% sequentially in the fourth quarter.

Since the end of the first quarter a number of other important events have taken place. On April 26, after the close of the quarter, VimpelCom announced it had agreed with its local partner GTEL an up-to \$500 million financing plan through 2013 for the development of its Vietnamese joint venture, GTEL-Mobile, raising VimpelCom's stake from 40% to 49% with plans to raise that to 65%.



On May 6, VimpelCom announced that within the next four weeks it expected to close the acquisition of 90% of the shares of New Telephone Company (NTC) from KT of South Korea and Sumitomo.

NTC is a mobile operator in the Primorskiy region of Russia that provides voice and data services through a range of wireless, fixed and broadband solutions, as well as IPTV and VoIP.

VimpelCom said it would subsequently launch a mandatory tender offer under Russian law to acquire the remaining 10% of NTC shares.

On June 3 shares in Milan Stock Exchange-quoted Italian broadband specialist Tiscali were up 5% on speculation that VimpelCom was interested in acquiring either Tiscali or its competitor FastWeb to strengthen the position of Wind in the Italian market.

Summary

Despite promoting itself in terms of mobile subscribers to become nominally the sixth largest mobile operator globally, VimpelCom is a sprawling holding company that is left with a number of problems, including \$20 billion of debt, unresolved litigation by one its three largest shareholders Telenor, no resolution to the long standing problem of agreeing a valuation with the Algerian government for its highly lucrative Djezzy operation in Algeria, and the issue of its joint venture in Vietnam, for which a solution is now in process but has only just been initiated.

To date, this kind of multinational structure has not appeared very convincing and in many cases has proved rather ephemeral. Where it has arguably been successful, as in the cases of MTN and Vodafone, the success appears to have been as much to do with the ongoing dynamism of the mobile market as with any particular synergy of the model itself.

Regarding the apparently very amicable departure of CEO Izosimov, announced May 16, the exact reasons for the change of management are unclear, but the company is now considerably larger and more complex and former Telenor executive Jo Lunder's particular skills may be more appropriate to VimpelCom's new phase of growth. However, the change could also be seen as a sign of nervousness and anxiety by the board with respect to the new challenges it has taken on.

The model does have some attractions other than heavy investment in emerging mobile markets, one being that economic risk is fairly widely spread across many nations. Another positive is that, under pressure, cash could be raised fairly easily from the sale of many different assets without much affecting the performance of the business as a whole.

* Russia, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Armenia, Georgia, Kyrgyzstan, Vietnam, Cambodia, Laos, Algeria, Bangladesh, Pakistan, Burundi, Zimbabwe, Central African Republic, Italy and Canada (covering a total population of around 868 million people).

** To recap, in October 2009 Altimo and Telenor, both with significant ownership positions in VimpelCom and Kyivstar of the Ukraine but who had for some time been at loggerheads over the management of the two companies, agreed to sink their differences and combine their assets in a new ownership structure for VimpelCom under an agreement that involved:

1. The new VimpelCom being owned by a holding company located in Amsterdam but incorporated in Bermuda and managed under New York law.
2. The appointment of nine directors, three appointed by Altimo, three by Telenor and three independent, with the chairman of the board normally being one of the independent directors.

Following the closure of the agreement the economic ownership and voting rights, respectively, of the company were as follows: Telenor 38.84% and 35.42%; Altimo 38.46% and 43.89%; all other 22.70% and 20.69%.

*** The company's pro forma mobile subscribers (including the acquisitions of April 15) are stated as 186 million.

Regarding broadband subscribers, in February 2011 it was reported that the Russian IPTV service Beeline TV (operated by VimpelCom) had over 100,000 subscribers, compared to an estimate 500,000 IPTV subscribers for all of Russia.

2) Cyan launches tower-optimised wireless backhaul solutions with enhanced Z-Series transport platforms

June 6th [Cyan](#) of Petaluma, California, a privately-held supplier of packet-optical transport, software and SaaS solutions, which in May 2011 launched Service Level Aware Networks (SLANs),

- a. A framework designed to help service providers manage complex, rapidly scaling, multi-layer networks.
- b. Enabling the planning, management and verification of multiple network layers using the CyPlan, CyMS and CyPortal systems working with Cyan's Z-Series transport platforms and CyNOC support suite.

Has now announced TowerAware, a tower-optimised wireless backhaul solution set providing service differentiation, scale and simplified network operations.

Leveraging the SLANs framework, enhanced Z-Series platforms, Cy360 software systems and CyAlliance partner products, Cyan has designed TowerAware to satisfy mobile service providers' demands for guaranteed throughput of low latency Ethernet services, sub-50 millisecond protection switching, hitless software upgrades, guaranteed upgrades to faster speeds and real-time verification of SLA performance.

Key attributes of Cyan's TowerAware wireless backhaul solutions include:

1. Scalability: Cyan has enhanced the Z-Series family with an array of service modules and platforms, including new outside plant cabinet systems and temperature-hardening for deployments toward the network edge, up to and including deployments at the cell tower.
2. Carrier-grade Ethernet: MEF 9/14-certified platforms support connection-oriented Ethernet with guaranteed service levels while support for industry standards such as ITU G.8032 guarantee protection switching of Ethernet services in less than 50 ms.

3. Service level aware network design, management and SLA verification: using the CyPlan integrated multi-layer planning tool for network design at both the service and optical layers, CyMS management system for a comprehensive service level aware view of the network, and cloud-based CyPortal for a detailed view of SLA performance metrics and wireless backhaul services in a Google Maps format.

Cyan said several customers have already deployed TowerAware solutions to win wireless backhaul service contracts for AT&T, Sprint, T-Mobile, Verizon and other mobile service providers.

3) PMC-Sierra samples quad-port EPON OLT SoCs with integrated network power management and fibre diagnostics

June 6th [PMC-Sierra](#) of Sunnyvale, California, a \$1.8 billion-capitalised supplier of communications and storage semiconductors, has announced the sampling of a new family of multi-port EPON OLT system-on-chip devices designed to increase network functionality while reducing power consumption.

The PAS5400 devices integrate four 1 Gbit/s EPON MACs and are scalable to enable high-density OLT equipment. When used with PMC's PAS6500 EPON ONU SoC, the new OLT devices are claimed to reduce ONU power consumption by up to 80% while maintaining connectivity and QoS.

Key functionality of the PAS5400 four-port EPON OLT solutions includes:

1. Optical diagnostic unit: integrated in-band OTDR that enables carriers to test the outdoor fibre optic line while in service, and locate errors within a few metres.
2. Power save controller: implements an algorithm for ONU remote power-down at idle periods and recovery of full operation without losing data.
3. Mobile backhaul support: synchronisation features such as IEEE 1588v2, synchronous Ethernet and 'time of day' delivery enable EPON to be used as the uplink to the mobile backhaul.
4. Integrated traffic management and packet processing: replaces separate traffic management device and enables deep packet inspection and support of IPv4 and IPv6 protocols.
5. Line card traffic aggregation, direct connectivity to the backplane: multiple devices can be cascaded to connect directly to the backplane using the integrated cascading function, thus enabling high port-count OLT line cards.

In addition, all devices integrate four 1 Gbit/s upstream and downstream PON channels, including the EPON MAC, SerDes and fast-locking burst mode CDR, and support SGMII, XAUI and RXAUI backplane interfaces. On-chip fibre automatic protection switching also enables a rapid switch-over in cases of failures in the optical network.

The family specifically includes three SoCs that comply with IEEE 802.3ah and China carrier specifications for EPON networks: PAS5404 with 'lite' traffic management; PAS5414 with fully featured traffic management; and PAS5424 with fully featured traffic management and a cascading option that eliminates the need for an aggregation switch on the OLT line card.

The PAS5404 reference designs are available immediately and the reference designs for PAS5414 and PAS5424 will be available in the third quarter 2011.

4) Inoventica selects NSN 40G DWDM network to launch cloud computing services across Russia

June 6th [Nokia Siemens Networks](#) has announced the deployment of a 40 Gbit/s DWDM optical transport network for Inoventica, a new infrastructure service provider in Russia, for the delivery of cloud computing services to public and private customers in 83 Russian regions.

The Inoventica Group launched in May 2011 with the aim of implementing public, hybrid and private 'clouds' and providing Infrastructure as a Service (IaaS) and Software as a Service (SaaS) on a national scale. Initially the Group is building a 20,000 km fibre optic network with a capacity of 8 Tbit/s and the data centre infrastructure.

The solution provided by Nokia Siemens Networks is based on its multi-reach hiT 7300 DWDM platform, using CP-QPSK coherent transmission technology, offering effective 40 Gbit/s optical channel network design and low-latency connections.

Nokia Siemens Networks has also supplied its Transmission Network Management System (TNMS) for end-to-end administration and performance monitoring of the complete network.

According to Inoventica, Nokia Siemens Networks was selected from eight transport equipment vendors bidding for a contract with a total value said to be in the several hundred million roubles range.

5) ChinaComm deploys Tellabs SmartCore platform to support BWA in 10 markets across China

June 6th [Tellabs](#) of Naperville, Illinois, a \$1.6 billion-capitalised global supplier of mobile backhaul, optical networking and business services solutions, announced that its SmartCore 9100 platform has been selected for a packet core network by ChinaComm:

- a. A Chinese wireless provider with licences to operate 3.5 GHz fixed broadband wireless access (BWA) in 29 cities in China and currently set to construct networks in 12 cities.
- b. Owned 49% by ChinaTel Group, a holding company with investments in three other carriers - Sino Crossings, a Chinese dark fibre provider; Golden Bridge Network Communications, with wireless broadband access licenses in Fujian province; and Perusat, holding 2.5 GHz licenses in Peru.

ChinaComm selected Tellabs for broadband wireless access services in Beijing and across nine other Chinese markets, representing more than 90% of the markets where ChinaComm initially plans to deploy broadband wireless services.

The SmartCore 9100 platform will support broadband wireless access networks from various manufacturers, eliminating the need to use separate access service network gateways.

At the heart of ChinaComm's wireless broadband access core network deployment will be Tellabs SmartCore 9160 4G packet core platform, which Tellabs said was chosen for its throughput, smart content management and service flow based-design.

The Tellabs SmartCore 9160 enables carriers to provide value-added services such as differentiated QoS, SLAs and location-based services, based on customer preferences.

Mr. Zhu Shurong, Chief Technology Officer for ChinaComm, remarked:

- "We chose Tellabs SmartCore 9100 platform because of its interoperability with multiple broadband wireless access vendors and its ability to support future service expansion".
- "This decision will help us simplify network operations and save operational expenses by eliminating the need to manage and maintain two separate ASN gateways".

6) Ipanema offers application SLA enforcement for cloud-based applications, unveils cloud-ready network vision

June 6th Ipanema Technologies of Paris, a provider of network control and optimisation platforms for service providers and large enterprises, has announced availability of Autonomic Networking System (ANS) 7.0 with enhancements to guarantee application performance as enterprises migrate their key applications to the cloud.

Enhancements to ANS 7.0 include native SLA enforcement for popular SaaS applications, such as Google Apps, Microsoft Office 365, IBM Lotus Live and Salesforce, and enhancements to SALSA, the ANS multi-tenant management platform, including central application performance dashboards able to monitor the performance of SaaS applications.

Ipanema also announced the new ip|engine 20, an appliance designed for unification of high-speed hybrid MPLS and Internet networks at branch locations. When deployed across hybrid Internet + MPLS networks, ip|engine 20 assesses in real-time the available bandwidth and performance of each path and provides dynamic failover of application flows according to their application SLAs.

The company considers application SLAs are required because network traffic no longer comes from a single location. Branches are becoming focal points of enterprise communications. In each branch, private application flows must compete with flows coming from the Internet, SaaS providers, hosting providers and unified communications applications.

Ipanema cited Gartner's August 2010 forecast that through 2013, at least 60% of enterprises will experience slow or inconsistent application performance issues from externally hosted applications, due to improper network design.

In addition to the release of ANS 7.0, Ipanema described its vision of cloud-ready networks in which end-to-end application SLA enforcement is extended to all cloud-based applications. By the end of 2011, the company intends to deliver:

1. The nano|engine, a small form factor, high-bandwidth, plug-and-play branch office device that will automatically control the performance of the combination of cloud, in-house and peer-to-peer applications in modern enterprise branch offices, allowing service providers to extend services to small and medium enterprises.

2. The virtual|engine, a virtual appliance that integrates QoS and control, application visibility, WAN optimisation and dynamic WAN selection. As a software image, it can be deployed in the private data centre as well as with any IaaS provider to bring all the end-to-end benefits of ANS without the need of an appliance.

Frank Lyonnet, VP Product Marketing at Ipanema Technologies, emphasised:

- "The days when all network traffic originated at a central hub are over - the branches are now the hubs".
- "MPLS is unable to cope with this new reality... VPNs must evolve to cloud-ready networks that enforce application SLAs for cloud and in-house applications".

7) Fibernetics deploys Overture's Ethernet over copper platforms to reach Canadian SMB market

June 6th [Overture Networks](#), a privately-held supplier of Carrier Ethernet edge and aggregation systems, has announced the completion of a deployment of its Ethernet technologies for the Business Services division of Fibernetics of Cambridge, Ontario, a Canadian CLEC and ISP, which:

- a. Was launched in 2002 by founders who previously pioneered VoIP in Canada and currently reaches approximately 85% of the country's population, providing voice and data services at speeds ranging from 2 Mbit/s to 50 Mbit/s.
- b. As part of its business-to-business division offers a proprietary digital PBX phone system connected to its CLEC network that is designed to eliminate the cost of business phone lines.

Specifically Fibernetics Business Services deployed the Overture Networks' HN4000 and HN400 Ethernet over bonded copper platforms to deliver high-speed symmetrical enterprise-grade Ethernet services in the SMB business services market, a sector that has traditionally been underserved by incumbent service providers in Canada.

Chris Lehman, VP of Business Services at Fibernetics, stated, "Combining Fibernetics Business Services unique digital PBX offering with our Ethernet over copper solution through Overture Networks, we are able to reduce our customers' monthly voice and data costs by up to 80%, providing significant value for our SMB customers".

8) Aquantia raises \$21m Series E funding to ramp production of 40-nm 10GBASE-T PHY solution

June 6th Aquantia of Milpitas, California, a fabless supplier of 10 Gigabit Ethernet connectivity PHY silicon designed to enable cost-effective connectivity at the network edge,

- a. Developing ICs designed to connect cloud computing, large-scale data centres, application-optimised workgroup computing and virtual server networks via a low-cost, standards-based architecture.
- b. Whose flagship 40-nm devices build upon the company's disruptive, patent-protected, mixed-mode signal processing architecture, enabling a simplified analogue front end and reducing the size and complexity of the digital section of the chip.



Has announced the close of a \$21 million Series E funding round with participation of all existing investors, including New Enterprise Associates, Lightspeed Venture Partners, Greylock Partners, Pinnacle Ventures and Venture Tech Alliance, plus new strategic investor LSI Corporation.

Aquantia said the new financing would help the company scale its operation in response to increasing demand for its 40-nm 10GBASE-T PHY solution.

According to Jeff Richardson, EVP and COO of [LSI Corporation](#), "As a leading provider of silicon solutions that enable storage and networking applications, we believe that 10GBASE-T technology will play an important role in the enterprise and that Aquantia is well positioned to further the deployment of solutions in this growing market".

More Beans

(Links against the company name illustrate the entire history of the company; those against the "more" legend bring up the individual story).

[Sidera](#) to offer [Spread Networks](#) ultra low-latency wave service between NY and Chicago [more](#)

[SureWest](#) to pass further 5,000 homes with fibre in Olathe, Kansas [more](#)

Xfone extends PRIDE fibre network and launches triple play service in Littlefield, Texas [more](#)

[Broadband Forum](#) and IPv6 Forum partner to support adoption of IPv6 [more](#)

Infonetics reports Q1 2G/3G/4G infrastructure market down 13.8% Q/Q, up 14.4% yr/yr [more](#)

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