
VimpelCom And MTS Strive For Armenia Telecom

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MTS intends to continue its expansion into CIS, having bought the Armenian cellular operator K-Telecom. The analysts estimate the given asset value at \$350-500 mln.

According to some information agencies, MTS negotiated purchasing the Armenian cellular operator K-Telecom, operating under the trade mark VivaCell. If the transaction is to take place JSC Systema daughter company is to compete in Armenia with its permanent competitor VimpelCom, which owns Armentel.

MTS did not comment on its interest in K-Telecom. "The Armenia market seems attractive to us like most of the cellular markets in CIS and abroad, - CNews conversable in the operator company says. - It is a well known fact that one of our politics items is expansion at the expense of acquisitions. We constantly study the possibility to enter this or other market. As a rule, one of the main questions arising is the relation of the assets value and their actual value".

Analysts consider K-Telecom price to come to \$ 350-500 mln. Thus, Margarita Zobnina, iKS-Media Expert believes the Armenian operator might cost \$ 400 mln., RBC reports. "The fact that MTS negotiates and intends to buy the operator is positive, while K-Telecom is even more interesting as it is rather profitable", - Mrs. Zobnina states.

K-Telecom started providing cellular communication services in July, 2005, having thus interfered with Armentel monopoly, 90% shares of which, it should be noted, was acquired by VimpelCom in November, 2006 for ~\$341.9 mln. (\$436.7 mln.) MTS also put in a bid for tender then but lost. In Spring, 2007 the Armenia Government agreed to sell the remaining 10% of Armentel shares to VimpelCom.

The Armenia population at present amounts to more than 3.2 mln. people. According to J'son & Partners by 2007mid the cellular penetration in the republic came to 39%. Armentel occupied 40% of the subscribers' base, while the remaining 60% fell to K-Telecom, relatively. "K-Telecom managed to override Armentel in less than two years, having started practically from the ground, - Irina Astafieva, J'son & Partners senior analyst says. - That happens mainly because of the active promotion. In 2005 K-Telecom significantly cut down the tariffs and started distributing SIM-cards in every possible place".

But, to tell the truth, according to specialist, the "quality" of K-Telecom subscribers in general is worse than at its competitor.

"MTS and VimpelCom have been long competing in Russia, and if they enhance their competition on Armenia that will be only to the benefit of the local subscribers", - Mrs. Astafieva says.
