
Update 1-MTS Buys Armenia Operator For 310 Mln Euro

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Mobile TeleSystems (MTS) (MBT.N: [Quote](#), [Profile](#), [Research](#)), Russia's biggest mobile phone service operator, said on Friday it had acquired 80 percent of Armenia's K-Telecom, which operates under the Vivacell brand, for 310 million euros (\$430 million).

MTS, controlled by services conglomerate Sistema (SSAq.L: [Quote](#), [Profile](#), [Research](#)), also said it had an option to buy the remaining 20 percent of what is Armenia's biggest mobile network provider.

"This acquisition fully complies with our strategy to capture growth opportunities in the fast growing CIS markets," MTS's chief executive, Leonid Melamed, said in a statement.

Russia's biggest mobile service providers are in fierce competition to expand into post-Soviet countries where fewer people own mobile phones and the markets still have a potential to grow.

Mobile phone penetration in Armenia is around 39 percent, MTS said, while penetration in Russia and Ukraine, MTS biggest markets, already tops 110 percent.

K-Telecom operates under the GSM-900/1800 standard.

Its licence, valid until the end of 2019, covers the entire territory of Armenia.

As of July 1 it had a 66 percent market share and provided services to over 986,000 subscribers, MTS said.

MTS said that it would consolidate the financial results of K-Telecom, which it bought from Lebanese investment group Fattouche, into its financial statements from Sept. 14, 2007.

"The option for the remaining 20-percent stake in K-Telecom will take effect not earlier than 2010 and will be effective until 2012," Melamed told reporters.

MTS's key rival in Russia, Vimpelcom (VIP.N: [Quote](#), [Profile](#), [Research](#)), bought Armenia's second-biggest mobile provider, Armentel, in 2006 for \$488 million.

Its client base in the country stands at 530,000.
