

Tele2 Says All Options Have Been Considered

By [The Moscow Times](#)

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STOCKHOLM — Sweden-based telecom operator Tele2 said Tuesday that it had decided to sell its Russian operator to bank VTB being fully aware what other options existed for the business.

Tele2's Russian business has become the center of rival offers in the wake of a \$3.5 billion agreed deal unveiled last week to sell the assets to state-controlled bank VTB.

In the wake of the news, investment group A1 rolled out an all-cash bid of \$3.6 billion to \$4 billion while Russia's top mobile operator, MTS, joined with rival VimpelCom in a \$4.0 billion to \$4.25 billion offer.

Tele2 in a statement defended its decision, which had left Russian billionaire Mikhail Fridman's A1 saying it could take legal action to secure its right to buy Tele2 Russia.

"The board of directors' decision to enter into this transaction was based on its experience in owning and successfully developing Tele2 Russia over many years, and a full awareness of all strategic options available," Tele2 said.

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The company said the terms of its deal with VTB, which it expected to be completed shortly, included provisions under which Tele2 for 12 months after closing had rights to half of net cash profits obtained by VTB from certain types of transfers of Tele2 Russia shares and assets.

Cellular providers MTS and VimpelCom remain interested in Tele2's Russian unit even after the Nordic operator said a sale to Russian state bank VTB was closed.

A source familiar with the MTS-VimpelCom offer to Tele2 said Tuesday that the pair was still interested in the asset and was considering all options. "MTS and VimpelCom are being proactive," the source said.

MTS said late Monday that it wanted Tele2 to start talks over the Sweden-based operator's Russian asset, and said it was strange for management to ignore such an offer.

"Our predominant focus is to get the Tele2 management and shareholders and board to the table to consider our offer and to show a sign of life," Michael Hecker, MTS's vice president for strategy and corporate development, in an interview. "We are waiting for an answer from Tele2 to our request, to acknowledge our offer, to get into a process, and put the VTB process on hold."

Hecker added that it was "strange and dubious" for management and the board to ignore a financially superior offer.

VTB has said its deal was concluded and legally binding.

Hecker, however, said he was not aware the deal was closed.

MTS said some minority shareholders had expressed their concern with the process, but declined to comment on which shareholders these were or how much they controlled.

Tele2 is Russia's fourth-biggest mobile operator with about 23 million subscribers last year after MTS, MegaFon and VimpelCom. Focused on Russia's regions, it does not have a 3G or 4G license in Russia. Without the ability to offer data services, analysts say its growth prospects are limited.

Analysts say there is little reason for VTB to hold the asset long and have speculated that the bank bought Tele2 on behalf of Rostelecom or that it will carve the asset up and sell it

to the "big three": MTS, VimpelCom and MegaFon.

MTS said the "door is fully open" should MegaFon want to join up to bid.

"The fact that VimpelCom and MTS teamed up together does not mean that MegaFon might not at a later stage also join," Hecker said.

MTS said it sees a strategic rationale in buying Tele2 as it would give Tele2 customers access to data services and superior network quality. MTS and VimpelCom would be able to realize economies of scale, he said by integrating Tele2's customer bases, network assets and sales.

MegaFon said it was not in talks with VTB, MTS or VimpelCom but was watching how the situation develops. Tele2 could not immediately be reached for comment.

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