

MTS Open to Get to Tele2 via VTB

By [The Moscow Times](#)

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MTS CFO Alexei Kornya **Shannon Stapleton**

Top mobile phone operator Mobile TeleSystems said it wants to help develop the local assets of Swedish telecom company Tele2 with Russian state-owned bank VTB.

Tele2's Russian unit was recently sold to VTB, although MTS has complained that its bid was significantly higher than the eventual purchase price of \$3.5 billion.

MTS's chief financial officer Alexei Kornya said in an interview on Monday that there was little the company could do after its joint bid with Vimpelcom for \$4.0-4.25 billion failed.

Tele2 disclosed that its deal with VTB included a provision that it has the rights to half the profit obtained by the state bank if VTB resells Tele2 Russia within a year.

"We believe that for intra-market consolidation the asset was sold cheap. Why is that? It is a question to the seller. We were ready to pay a higher price. However, at this point the deal is done and we have to move on and see what will be next," Kornya said.

"We are not in a position to challenge the deal," Kornya said while in New York for an investor conference and business meetings. He did not rule out working with VTB, which as a bank is not a major player in the telecom industry.

Asked whether MTS would like to develop the Tele2 assets, Kornya said yes but would not disclose details.

VTB is a financial investor here and so they are not a strategic investor in this asset. Sooner or later they will have to exit these assets. There are different options that can be considered. They said they are open to cooperation," he said.

MTS, Kornya said, does not want to expand too deeply into foreign markets, nor is it interested right now in raising capital through non-ruble-denominated debt given the majority of its revenues are in the Russian currency.

"I think this year, although we mostly need money for refinancing, we are planning to borrow around \$1 billion equivalent. Mostly we are focusing on ruble borrowings," he said, adding that about \$300 million of ruble bonds had already been sold.

The company recently reported a 39 percent increase in fourth-quarter earnings. Its Russian revenues rose 8.3 percent in ruble terms last year to 338 billion rubles (\$10.8 billion), out of \$12.4 billion in total.

MTS, controlled by Vladimir Yevtushenkov's oil-to-telecoms conglomerate Sistema, is ranked Russia's biggest mobile phone operator by sales and subscriber numbers.

It is one of the few Russian companies listed on a U.S. stock exchange. London has become the main destination for Russian foreign listings given their geographical proximity and larger trade flows with Europe.

Kornya lamented that much of the reason why so few Russian companies listed in the United States, with its deep capital markets and strong shareholder rights and regulatory institutions, was due to negative perceptions from both sides that have led to a low level of business relations.

"The U.S. has very little business relations with Russia, so they are basically nonexistent. This is very different from Brazil, from Mexico, from China," Kornya said.

"And on another side there is perception of limited advantages of being listed in the United States and growing costs of that. That is why I basically think London is becoming the primary listing market and primary market in Europe."

Anti-American rhetoric in Russia is at an elevated level, Kornya said. But at the same time U.S. perceptions, whether right or wrong, about high levels of corruption in Russia are proving to be an impediment to doing business.

"There is something to overcome in Russia. There is a lot of work to be done to develop our institutions and human capital," Kornya said, referring to a question about corruption.

"But I don't think it differs from many other developing markets ... I'm not trying to defend,

but I'm trying to be more realistic in facing this issue. One has to give time," he said.

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