

MTS Misses Payment During Merger Talks

By [The Moscow Times](#)

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Mobile TeleSystems said holders of its dollar-denominated notes due 2012 who didn't receive a coupon payment last week would receive their money "promptly."

MTS Finance, a Luxembourg-based company that MTS used as a vehicle to issue \$400 million of the dollar eurobonds, notified its parent that its trustee, Bank of New York Mellon, declined to transfer interest payments due Jan. 28 to note holders, MTS said Monday.

The bank wishes to confirm that a ruling against MTS Finance doesn't prohibit the transfer. "MTS Finance is working to ensure that the interest payments are paid to holders of the notes promptly," MTS said.

MTS Finance was served with a freezing order issued by the High Court of Justice on Jan. 26 after a court ruled that the company was liable for payments related to MTS's purchase of Kyrgyz mobile operator Bitel.

In 2005, MTS bought 51 percent of Bitel for \$150 million with a put option on the remaining shares. MTS wrote off the investment on the grounds that Bitel had lost control of its assets, and challenged its obligations under the put option in London courts.

Meanwhile, spokespeople for Telekom Austria and Danish operator TDC have denied that they are in talks about a possible merger with MTS, following comments by AFK Sistema chairman Vladimir Yevtushenkov on Monday that a deal is in the works.

Spokespeople for Deutsche Telekom, Vodafone and Dutch Royal KPN declined to comment on talks with MTS when reached by Bloomberg.

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