

MegaFon CEO Leaving, Perhaps for Cabinet

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Telecommunications giant MegaFon is preparing for changes in its management structure, with the announcement Friday that chief executive Sergei Soldatenkov plans to step down after nine years at the helm.

The move is widely considered an indication of Soldatenkov's possible appointment to the new government to be formed after the presidential election in March, with analysts and industry executives saying his experience could be useful there.

Soldatenkov's contract expires in June and he doesn't intend to prolong it, a MegaFon spokeswoman told The Moscow Times.

She declined to comment on the reasons behind Soldatenkov's resignation, but Ivan Streshinsky — chief executive of Telecominvest, which owns a 31.3 percent stake in MegaFon — said Soldatenkov's resignation marks "a certain change of generations in the company."

"It was his decision. He told us that he had been in the position of MegaFon CEO for too long and wants to change activity," he said in e-mailed comments.

Telecominvest is co-owned by billionaire Alisher Usmanov's AF Telecom, which also owns 8 percent in MegaFon directly.

The operator's other big shareholders are Swedish-Finnish telecommunications company TeliaSonera, which owns 35.6 percent; and Alfa Group's telecoms unit Altimo, which holds 25.1 percent through a subsidiary, according to MegaFon's web site.

Streshinsky didn't specify what Soldatenkov plans to do after his departure, but he said there's hope that "he will help the company in other ways, for example as a member of the board of directors."

Soldatenkov told Kommersant last week that he would be happy to join the board, if MegaFon shareholders make such a proposal.

Many industry players see Soldatenkov as a prime candidate to take over from current Communications and Press Minister Igor Shchyogolev — who does not have a telecoms background — when the new government is formed after the March election.

"[There are] lots of rumors, but one says Soldatenkov will be the next minister," said the head of a Moscow-based telecoms company, who didn't want to be identified because he wasn't authorized to talk to the media.

The former general manager of a leading Russian mobile operator described Soldatenkov as "a very respected professional."

"He is most likely to receive a promotion — possibly even become the minister," he told The Moscow Times, speaking on condition of anonymity.

But Soldatenkov, 48, said he had not received any proposal to become the minister.

"The same rumors circulated 3 1/2 years ago when Leonid Reiman was stepping down as a minister. And it's understandable: I've been working in telecoms for long enough, there are certain results," he told Kommersant. "But nobody offered me this position either then or now, and I hope they won't. A successful manager is not always a successful official," he said.

Though widely seen as a protege of former Communications and Press Minister Reiman, whose tenure was marred by accusations of government meddling in the private sector, Soldatenkov's reputation for independence has grown in recent years.

"A lot of time has passed and Soldatenkov has demonstrated his professional skills and his success in his own right, without the influence of his previous mentor," said one industry executive familiar with the matter.

Soldatenkov, who took office as the company's CEO in 2003, has turned MegaFon — which was born out of the country's first GSM operator, St. Petersburg-based North-West GSM — into one of the leading mobile operators, said Yuly Matevossov, a telecoms analyst at Alfa Bank.

As part of the government, Soldatenkov could encourage cooperation between MegaFon and state-controlled Rostelecom.

The changes in the company's management "might be one of the first steps toward an alliance between MegaFon and Rostelecom, which would be beneficial for both companies," Matevossov said.

"MegaFon has a strong mobile business and a meager presence in the fixed-line segment, while Rostelecom has yet to boost its presence in the mobile communications sector," he said by telephone.

Rostelecom's parent company, state-owned Svyazinvest, was seeking to purchase control of MegaFon in 2010, Vedomosti reported at the time, citing Shchyogolev.

The government was in talks with AF Telecom to buy the 31.3 percent stake it owns in MegaFon through Telecominvest, but the negotiations stalled, Vedomosti reported.

With about 61 million subscribers across Russia, MegaFon is one of the "Big Three" mobile operators, which also include MTS and VimpelCom, with 69.7 million subscribers and 57 million subscribers, respectively.

MegaFon declined to comment Friday on who could take over after Soldatenkov.

One possible candidate is Ivan Tavrín, former CEO and current board chairman of United Television Holding, or UTH, which he co-owns with Usmanov.

Tavrín, 35, was appointed deputy CEO at MegaFon and will start in that role later this month, Kommersant reported Friday.

He could be upgraded to CEO after Soldatenkov's resignation, the report said, citing a source close to the mobile operator.

But Tavrín has yet to prove that he has enough management experience to convince MegaFon's shareholders to put him in the chief executive's chair.

"As an investor, he's proven himself, but we'll have to see whether he's able to make the switch to managing a company with 30,000 employees," a senior manager at MegaFon told The Moscow Times, speaking on condition of anonymity because he wasn't authorized to talk to the media.

Tavrín invested in regional media assets to establish the Media One holding in 2007, which he later merged with Usmanov's AF Media Holding to create UTH.

UTH sold a 49 percent stake in its 7TV television channel to Walt Disney for \$300 million late last year, with the U.S. media giant subsequently launching a local Disney channel to replace 7TV.

Tavrín was unavailable for comment Friday, but a source close to UTH told PRIME that he would remain the chairman of the media holding's board of directors.

The company's former executive director Dmitry Sergeyev has taken over as CEO.

Meanwhile, MegaFon will continue the efforts to boost efficiency that were started by Soldatenkov, said Streshinsky of Telecominvest.

"The whole telecoms industry is facing uneasy times ahead, so there's a need to focus on efficiency of the company's work," he said without elaborating.

The industry is facing increasing competition amid the growing penetration of the country's 3G network and plans to launch fourth-generation, or 4G, mobile communications, said Ilya Rachenkov, a telecoms analyst with Investcafe.

One of the biggest challenges for MegaFon is to introduce new services and retain profitability, Rachenkov said.

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