

Sale of Rostelecom Stake to Putin Ally Unravels

By [The Moscow Times](#)

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A deal to sell a 10.7 percent stake in Russian state-controlled telecom operator Rostelecom to tycoon Arkady Rotenberg has unraveled after a deadline for it to close expired, the owner of the stake said Wednesday.

Rotenberg, a construction tycoon who used to be President Vladimir Putin's judo partner, had agreed in March to buy the stake from Marshall Capital Partners (MarCap), a fund run by investor Konstantin Malofeyev.

The deal, reported at the time to be worth \$1.55 billion, brought around the departure of Rostelecom's chief executive Alexander Provotorov, an associate of Malofeyev who was replaced by Kremlin-backed manager Sergei Kalugin.

In a statement, MarCap said the two sides had reached a mutual agreement to cancel the transaction.

"The legally binding agreement in respect of the sale of Rostelecom shares has been terminated. The sides are free from mutual obligations regarding this deal," MarCap said in the statement.

In the intervening period, state bank VTB bought Sweden-based telecom operator Tele2's Russian unit for \$3.55 billion in cash and assumed debt, potentially paving the way for a mobile alliance with Rostelecom.

The changed competitive landscape — Tele2 is the No.4 player on the Russian market and is followed by Rostelecom — appears to have encouraged MarCap to hold out for a higher price.

"Rostelecom shares are quite an attractive investment asset and without doubt have significant growth potential," a MarCap representative said. "We are examining various options for the sale of our stake.

Representatives of Rotenberg were not reachable for comment.

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