

Rostelecom to Sell 12% Stake to VTB to Fund Buyback

By [The Moscow Times](#)

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National telecoms giant Rostelecom is planning to sell a 12 percent stake to banking group VTB for up to 35 billion rubles (\$995 million) to help to pay for a share buyback, business daily Kommersant reported Thursday.

State-controlled Rostelecom is planning a share buyback from those shareholders who will not support a spin-off of its mobile assets into a joint venture with Tele2 Russia that VTB bought from Sweden's Tele2 last year.

The mobile spin-off aims to create a stronger rival to compete with Russia's big three wireless carriers — MTS, MegaFon and VimpelCom — which currently control more than 80 percent of the Russian mobile market.

The price of the stake sale to VTB will be based on the market price and the bank and the telecoms operator will enter into a forward contract allowing Rostelecom to buy back that

stake in two or three years, Kommersant said.

Rostelecom owns about 17 percent of its ordinary shares accumulated during past buybacks and has repeatedly said it could sell them in a private placement to reduce debt. In December, the company said it was also considering a secondary public offering.

Rostelecom and VTB both declined to comment.

The first step of the reorganization of Rostelecom assets is set to be complete by April 1 when the new RT-Mobile subsidiary is set to come to life, Vedomosti reported Thursday. By the fall this new entity will become part of T2 Rus, the joint venture between Rostelecom and Tele2 Russia. By then the asset integration will be complete and the organizing of licenses from the Communications and Press Ministry will be done, sources told Vedomosti.

The expected combination of the mobile businesses of Tele2 Russia and Rostelecom is one reason why analysts at Credit Suisse cut their rating of the shares of the existing "Big Three" operators — MTS, MegaFon and VimpelCom. At the end of 2013, those three cellular providers controlled 87.6 percent of the Russian mobile market, while Rostelecom and Tele2 combined had only 12.4 percent.

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