

Russian Conglomerate AFK Sistema Announces 3.9Bln Technical Default

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Sergei Bobylev / TASS

Russian conglomerate AFK Sistema announced a technical default on a debt worth 3.9 billion rubles (\$66 million), the RIA Novosti news outlet reported Monday.

The announcement comes after a Russian court arrested more than \$3 billion worth of AFK Sistema assets as part of a legal feud with state-controlled oil giant Rosneft.

On June 26, the Bashkortostan Arbitration Court froze the shares of three companies belonging to AFK Sistema and its daughter company Sistema Invest — telecoms operator, MTS; the Medsi private clinics chain; and the Bashkir Electric Grid Company (BESK). Combined, the shares are valued at 185 billion rubles (\$3 billion).

The court action came in response to a lawsuit that Rosneft filed against AFK Sistema in May, claiming that the company illegally stripped the assets of regional oil producer Bashneft from 2009 to 2014 before it was transferred to Rosneft, resulting in damages valued at 170.6 billion rubles (\$2.9 billion).

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In a statement published on Monday, AFK Sistema explained that the default occurred because the court arrested its assets. The company also said it plans continue to service its loan obligations in full.

AFK Sistema shares fell significantly after the company's announcement about the default. The shares were worth 11.88 when the stock market opened and dipped to a low of 11.50 — the minimum since June 27 — before bouncing back slightly.

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