

Report Sees Rostelecom Merging Wireless Assets with Tele2

By [The Moscow Times](#)

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State-controlled telecoms group Rostelecom may cede control of its mobile assets to bank VTB and banker Yury Kovalchuk in a deal that will merge its wireless business with Tele2 Russia, according to news reports.

Former fixed-line monopoly Rostelecom, Russia's fifth-biggest wireless carrier, has long been expected to become a partner for bigger mobile rival Tele2 Russia, with speculation renewed in April when state-controlled VTB bought Tele2 Russia from Sweden's Tele2 for \$3.6 billion.

Last month, VTB sold half of Tele2 Russia to affiliates of Kovalchuk's Bank Rossia and tycoon Alexei Mordashov, and Rostelecom said separately it could put its mobile assets under the management of a partner to focus on cable television and broadband internet.

Rostelecom is likely to get a stake of between 40 and 49 percent in the combined mobile

company, while VTB and Kovalchuk will get from 51 to 60 percent, Vedomosti reported Friday.

Bank Rossia, Rostelecom and VTB declined to comment.

"We think that the disposal of the mobile assets would be strategically positive for Rostelecom, as focusing on core, well-positioned businesses should improve the company's investment case," Sberbank analysts said.

"More importantly, abstaining from developing the wireless segment would be positive for generating free cash flow as capex should start falling.

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