

Kremlin Trip May Spark Telecoms Sale

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Mobile operator VimpelCom and Egyptian businessman Naguib Sawiris may be poised to unveil a deal combining their telecoms assets, a source said Friday, ahead of President Dmitry Medvedev's visit to Algeria this week.

An announcement relating to VimpelCom and Sawiris could come as early as Monday, the source said.

VimpelCom, the telecoms operator part-owned by Alfa Group and part by Norway's Telenor, is in talks to buy Sawiris' Italian unit Wind and his 51 percent stake in Egypt's Orascom Telecom, in a deal potentially worth \$6.5 billion.

But the talks have been stymied by the Algerian government, which says it has the right of first refusal over Djezzy, the Algerian unit that is Orascom's single biggest revenue generator.

Further complicating the situation, Orascom said last week that Djezzy had been hit with a \$230 million preliminary tax reassessment. The company unsuccessfully challenged a \$600 million back-tax bill levied last year by Algeria for 2004-07 — a feud many believe was sparked by a World Cup qualifier match between Egypt and Algeria that turned violent.

But this source and several others said no definitive agreement between VimpelCom and Sawiris had yet been reached and suggested that talks could still break down.

Potential obstacles to the purchase include Telenor's attitude toward the deal and the complexity and refinancing needs of Sawiris' companies, as well as finding the appropriate role for Sawiris in a combined group.

Algiers vetoed the sale of Djezzy to South Africa's MTN last year and some VimpelCom investors fear that it could intervene again. VimpelCom may hope to have a preliminary deal in hand so Medvedev can negotiate with the Algerian government.

If the deal goes through, the combined group would become the world's fifth-largest mobile operator, roughly doubling current revenues. Shareholders might also be satisfied with a cash buyout by the Algerian government at what they deemed a fair price.

But it is not clear whether Alfa Group and its Norwegian partners, each with about 40 percent of VimpelCom, have agreed among themselves on Orascom. They have "philosophical" differences over the risks they would face in the frontier markets where Orascom operates, a source close to VimpelCom said.

Telenor said last month that it would back plans by VimpelCom to expand in new regions but was concerned about the dividend policy. VimpelCom revived dividends last year with an interim payout of \$324 million.

The shareholders made peace after a five-year war for control of VimpelCom, resulting in the company's relocation to neutral in Amsterdam.

VimpelCom, Alfa Group's telecoms arm Altimio and Telenor declined to comment on the talks.

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