

Telenor Won't Back \$6.6Bln Acquisition

By [The Moscow Times](#)

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VimpelCom's \$6.6 billion bid for telecoms assets owned by Weather Investments received a major setback Monday when Norwegian shareholder Telenor said it would not back the deal.

Analysts were split on whether Telenor's opposition effectively derailed the long-contested transaction or was a tactic to strengthen VimpelCom's hand in negotiations.

"We do not believe this transaction makes strategic or financial sense for VimpelCom's shareholders," Telenor spokesman Dag Melgaard said in a statement.

He added that the company's objection did not kill the deal, as Telenor had just 36 percent of voting rights and three of the nine VimpelCom board members.

The deal needs six of nine votes to go through, since it requires a share issue to partly finance it, meaning that all three independent board members must back it for it to pass.

The move pits Telenor against VimpelCom's other major shareholder Altimio, the telecoms

arm of Alfa Group, with which it fought a protracted shareholder battle before a resolution in 2009.

VimpelCom in October announced the proposed acquisition of Weather — which includes a controlling stake in Egypt's Orascom Telecom and Italy's Wind — from Egyptian tycoon Naguib Sawiris. The acquisition has met a series of obstacles, most notably the Algerian government's plans to nationalize Orascom's most lucrative asset Djezzy.

Amsterdam-headquartered VimpelCom is scheduled to hold a two-day meeting from Tuesday to vote on final approval of the deal. VimpelCom's supervisory board said in a statement that it "will consider the interests of all of the company's shareholders in reaching its decision."

Telenor has three seats on the board, while three seats belong to directors nominated by Altimio.

First Securities analyst Ole Joergen Roed said he believed that "the deal is dead" because it effectively requires cooperation by VimpelCom's two main owners, which was unlikely now.

But VTB Capital analyst Viktor Klimovich said Telenor's move could be part of a plan to get better share swap terms from Weather's owner Sawiris.

"VimpelCom's major shareholders are interested in this deal in principle, so there could be more negotiation. In the short term, though, this is an obstacle to the deal," he said.

Telenor said it sent a formal letter to VimpelCom on Sunday explaining the "financial and strategic reasons" for its opposition, although it did not elaborate.

"The transaction could still go through, but clearly it will be much harder," said Argo Securities analyst Tore Toenseth. "This is positive in the short term for Telenor ... but in the long term it could create a conflict among VimpleCom shareholders."

The deal would see VimpelCom, Russia's second-largest mobile phone operator, become the world's fifth-largest and expand into developed markets for the first time.

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