

# Bruised Telenor Puts on Brave Face

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A view of the Cairo headquarters for Orascom Telecom, one of the assets controlled by Sawiris' Wind Telecom. **Shawn Baldwin**

Norway's Telenor put on a brave face Monday after suffering a stinging loss in its latest battle with Russian partner Altimio at mobile phone giant VimpelCom Ltd., vowing to protect its interests even though its fight against a multibillion-dollar bid to buy Egyptian tycoon Naguib Sawiris' telecom assets had failed.

VimpelCom's supervisory board voted 6-3 in favor of a revised agreement to buy Wind Telecom assets to create the world's sixth-largest mobile telecommunications carrier by subscribers with projected total net operating revenues of \$21.3 billion, the Russian company said in a statement.

The vote late Sunday overruled fierce resistance from Telenor, which opposed the deal as strategically and financially unfeasible.

"Everything comes at a price," Telenor spokeswoman Anna Ivanova-Galitsina said. "And this

deal has too high a price.”

“Sawiris is selling off these assets to get rid of the burden of debt he is under, and VimpelCom will be stuck dealing with it,” she said by telephone.

Both VimpelCom's management and its supervisory board praised the new deal in the statement, saying it would "create a new global telecom player with significant scale and an attractive mix of developed and emerging market assets.”

The decision puts a new strain on relations with Altimo, already soured by five years of lawsuits over Ukraine's Kyivstar.

Altimo failed to provide a comment to The Moscow Times following multiple phone conversations and an e-mail exchange on Monday.

Ivanova-Galitsina promised that the Norwegians would soldier on in defending their interests to Altimo shareholders.

“We're doing business together, so we cannot just say we got offended and won't talk to you anymore,” she said.

But analysts believe that there is little Telenor can do to stop the transaction.

“Given that the [board of directors] already approved it despite understanding that it will trigger a conflict ... there is now a very high chance of the deal going through,” Troika Dialog analyst Anna Lepetukhina said.

A possible but unlikely measure is trying to exercise pressure on minority shareholders. “The deal will not go through only if minority shareholders will act, turn up at the meeting and vote against the issuance of shares,” Lepetukhina said.

The revised deal, which will need to be approved by shareholders at an emergency meeting March 17, envisages Wind Telecom shareholders giving their shares to VimpelCom in exchange for more than 325 million newly issued common shares, 305 million convertible preferred shares and \$1.49 billion in cash, the VimpelCom statement said.

In addition, at or shortly after the closing of the transaction, some of Orascom Telecom's assets in Egypt and North Korea and “other less significant assets” will be demerged from the group and transferred to Sawiris' Wind Telecom, formerly Weather Investments.

As for a long-disputed but highly lucrative asset in Algeria, Orascom Telecom Algerie, it “remains a strategically important asset for VimpelCom,” the statement said.

If the resolution to free the asset from any grievances from the local government cannot be found within six months after the deal is closed, VimpelCom and Wind Telecom will share the responsibility in “pre-agreed proportions,” VimpelCom's statement said without specifying the details.

The total value of the deal is \$6.5 billion, slightly less than an earlier \$6.8 billion proposal.

Upon issuance of the new VimpelCom shares, Telenor through its subsidiaries will hold about 31.7 percent of the economic rights to the shares, while Altimio through its subsidiaries will have 31.4 percent; as for the voting rights, the distribution between the two companies will be 25 percent and 31 percent, respectively.

Minority shareholders in VimpelCom will represent about 17 percent of the economic rights and 13.4 percent of the voting rights.

Telenor said in its statement that the new stakes breakdown will dilute minority stakeholders' shares and harm VimpelCom's shareholders by giving the owners of Wind Telecom a 30.6 percent stake in VimpelCom and will represent 1.53 times the 20 percent economic stake the owners of Wind Telecom stand to receive.

To prevent this from happening, Telenor will vote against the additional share issue at the emergency shareholders meeting, said Telenor's spokeswoman, Ivanova-Galitsina.

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