

Fridman Seemingly at War With Himself in Tele2 Battle

By [The Moscow Times](#)

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Investors may be puzzled why billionaire Mikhail Fridman seemed to be bidding against himself for a telecom company that is no longer for sale.

Fridman is linked with two bids for the Russian unit of Nordic operator Tele2 — one from his A1 vehicle and the other, at a higher price, from MTS and VimpelCom, in which he is a leading investor.

Usually a master tactician with a ruthless focus on value, the 48-year-old tycoon is flush with cash and confidence after he and his partners pulled down \$14 billion by selling oil firm TNK-BP to Kremlin-backed oil major Rosneft last month.

"This is standard Fridman — he's being aggressive and he has cash now and feels he can be more aggressive," said one Moscow-based investor. "He probably wants to invest it instead of having it sit around earning zero percent in a bank."

For all Fridman's deal-making prowess, the game seems over.

Tele2 said on Thursday it had completed its \$3.55 billion deal to sell its Russian business to state-backed bank VTB. While the price was lower than the Fridman bids, the deal offered cash in hand, rapid clearance by Russian regulators and a cut of any profits if VTB sells the unit on quickly.

The deal was closed just eight days after it was announced. VimpelCom, MTS and A1 declined comment regarding the completion.

The approaches from A1 and the MTS-VimpelCom alliance of Russia's telecoms market leader and No.3 player were made public after Tele2 had announced its agreed sale. In the days that followed, they scrambled to show their hands. A1 offered up to \$4 billion, MTS and VimpelCom up to \$4.25 billion.

"There was an attempt to do it through A1 and later on VimpelCom tried directly... I don't see anything else than just a tactical approach, and then it did not work out," said one telecom executive who declined to be named.

Ukrainian-born Fridman, one of a group of businessmen who amassed vast fortunes and political influence under Russian President Boris Yeltsin in the 1990s, seems left with few options.

VimpelCom and MTS say Tele2 spurned their approaches, while A1 maintains it put forward its own higher offer before the VTB deal was signed, only to be ignored.

Analysts have described the A1 bid as a means to make the MTS-VimpelCom bid look more appealing to Tele2.

But they also note that Fridman's activism reflects his concern about VimpelCom's competitive position in Russia as the weakest, and most indebted, of the Big Three market players led by MTS and followed by Alisher Usmanov's MegaFon.

"I think (A1) has (made its bid) on behalf of VimpelCom to a certain extent, they're doing it to protect VimpelCom," said Anna Lepetukhina, telecom analyst at Sberbank.

The dual bids ratcheted up the pressure on Tele2 — ensuring a message was heard that more money is on offer. The telecom companies and A1, which is part of Fridman's Alfa Group, have said they are pursuing their bids separately.

Remaining tactics could include taking legal action or attempting to buy Tele2 outright — both things A1 has said it is considering. It could also try to buy the asset from VTB, although if the bank sells it within a year it will have to hand a chunk of the profit to Tele2.

"Alfa and A1 are extremely clever and extremely aggressive and they will sue anybody at anytime with any argument, whether it's a good one or not," said one Moscow-based lawyer.

Shortly after the VTB deal was announced, A1 said it was considering taking legal action, claiming lost opportunity and that it was in talks with minority shareholders. Minority

shareholders have not come forward.

A1's threat to litigate was in keeping with Alfa's modus operandi. Fridman has fought pitched legal battles against some of the biggest foreign investors in Russia — among them VimpelCom co-owner Telenor and oil giant BP.

There has been skepticism whether such an approach with Tele2 would work. "If it's really a question about a UK or U.S. public takeover, and the company is really in play, the board has a duty to go with the highest offer, but I don't think this is that kind of situation," said one Moscow-based lawyer who asked not to be named. "I think it's more like a private deal."

Flush with cash from a \$28 billion deal alongside three other tycoons to sell out of TNK-BP, and a \$5 billion windfall from selling a stake in MegaFon, Fridman has been encouraged by the Kremlin to pump money back into Russia.

However, some observers have said the tycoon, worth \$16.5 billion according to Forbes, is looking to spread his risk and pare back his exposure to Russia — where his assets also include stakes in Alfa bank and struggling food retailer X5.

Fridman has made some large exits in Russia, selling out of MegaFon and TNK-BP, while making moves to increase his influence over Egypt's Orascom Telecom and Turkey's Turkcell.

Alfa Group is setting up an international investment business, the head of the AAR consortium which invested in TNK-BP recently said. This would look for long-term strategic investment opportunities in Russia, North and South America, Asia and Africa.

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