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VimpelCom Completes Wind Merger

By The Moscow Times

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VimpelCom completed its merger with Wind Telecom to create the world's sixth-largest phone company by subscriber numbers.

Operations in Egypt and North Korea will be spun off to shareholders in Wind's Orascom Telecom Holding unit, North Africa's biggest mobile network operator, while the company will work to keep Orascom Telecom's Djezzy unit in Algeria, VimpelCom said Friday in a statement. Wind chief executive Khaled Bichara will become president and coordinate actions aimed at cost savings of $2.5 billion.

VimpelCom, Russia's third-largest wireless carrier by subscribers, announced its plan to buy assets from Egyptian billionaire Naguib Sawiris on Oct. 4. The deal, valued at about $6.5 billion at the time, doubles VimpelCom's mobile-customer base to about 181 million in 20 countries, adding subscribers in Italy, Pakistan, Bangladesh and Zimbabwe, as well as a shareholding in Globalive Wireless Canada.

The company issued new stock representing 20 percent of outstanding shares and 31 percent

of the voting rights to investors in Wind, in addition to $1.5 billion in cash. VimpelCom now owns 51.7 percent of Sawiris' Orascom Telecom and all of the Italian division, Wind Telecomunicazioni. Orascom Telecom shareholders approved the merger Thursday.

An arbitration proceeding that began earlier this year with VimpelCom shareholder Telenor, which objected to the deal, is continuing, the company said. Telenor, which held more than 39 percent of VimpelCom, would own 25 percent of the combined phone operator, according to the plan published in January.

Algeria's government has sought control of Djezzy, Orascom Telecom's biggest revenue contributor, and asked the unit to pay backdated taxes. VimpelCom, which is contesting the tax bill, is asking the government to let it keep Djezzy.

"We signaled our interest to the Algerian government a long time ago so they know exactly where we stand, but we couldn't formally approach them because we hadn't closed the transaction," VimpelCom chief executive Alexander Izosimov said. "Next week we'll initiate the process."

The company said Friday that it has a backup plan under which Weather II, a holding company controlled by Sawiris, would pay VimpelCom "the lion's share of the shortfall" should it have to sell the division for less than a pre-agreed price.

Altimo, the telecommunications arm of Alfa Group that holds the shares in VimpelCom, said it plans to initiate the termination of its shareholders agreement with Telenor and VimpelCom by selling some of its own preferred shares to bring its voting rights in VimpelCom to less than 25 percent.

"After the merger with Wind, VimpelCom becomes a global leading telecommunications company and its corporate governance rules now need to adequately protect its diverse shareholder base," Altimo spokesman Yevgeny Dumalkin said in an e-mailed statement.

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