

## Epic to acquire 93% of Ukrtelecom for \$1.3bn

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Epic, a Vienna-based investment house, has agreed to acquire a 93 per cent stake in Ukraine's state telephone company for \$1.3bn after rivals were excluded from the privatisation tender.

Peter Goldscheider, Epic's managing partner, told the Financial Times that his group "will accept" the government's offer and hopes to close the acquisition of Ukrtelecom in March after talks with banks to finance the purchase.

The government offer values **Ukrtelecom at just \$10m more than the \$1.3bn starting price that was set in the privatisation tender** last December. Domestic investment banks argue the government could have generated up to \$1.8bn for its cash-starved budget coffers through a competitive sale.

On Sunday, Mr Goldscheider denied market suspicions that his company was acting as a front for domestic oligarchs and insisted that the tender was fair. He said Epic planned to use its vast telecoms advising experience to restructure Ukrtelecom and exit the investment in four to five years through an initial public offering, a sale to a strategic investor or a combination of the two.

Ukrtelecom is the first big privatisation tender since **Viktor Yanukovich took over as president in February** last year. There are concerns that valuable assets could be sold off at below market prices to well-connected oligarchs, as happened when Mr Yanukovich was prime minister in 2004.

Many top European telecoms groups that have expressed interest in Ukrtelecom over the years – including **Deutsche Telekom** and Norway's **Telenor** – were prohibited from taking part because they are more than 25 per cent government-owned. A second tender condition prevented bidding by telecoms groups that had more than a 25 per cent share on the Ukrainian market.

Alexander Valchyshen, head of research at Investment Capital Ukraine, a Kiev-based investment bank, said: "Yanukovich's administration declared plans to conduct competitive and transparent privatisations that raise maximum funds for budget coffers and showcase Ukraine to investors, but this sale has not demonstrated it ... We continue to see tenders which are open for a select few."

A highly bureaucratic and mismanaged corporate dinosaur, Ukrtelecom has lost much of its value in the past decade, falling years behind European peers in terms of introducing new telecoms technologies.

Ukrtelecom earned only \$6m in the first half of last year. Corporate and private clients have increasingly turned to better quality services provided by privately owned mobile and fixed-line operators.

Nevertheless, the company still controls about 80 per cent of the fixed-line market in Ukraine, a country of 46m citizens. It holds the country's sole 3G licence and is expanding into Ukraine's fast-growing mobile business.

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