

## Versatel buy-out to strengthen Tele2

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Versatel International Telecom confirmed Monday it will be sold to Swedish rival Tele2, finally putting an end to rumors the Dutch company will be sold off to a European telecom group. The Amsterdam company will be sold to Tele2 for \$1.61 billion (1.34 billion euros), and the Swedish telecom group said it will pay \$2.64 (2.20 euros) per share, or a 14 percent premium on Versatel's closing share price last Friday.

When the share sales are completed, private equity group Apax Partners will purchase Versatel's German operations for a total of \$678 million (565 million euros). The significant mark-up in share price has not, however, dented Tele2's enthusiasm about the buyout. "The combination of our existing business and that of Versatel in (Belgium, Luxembourg, and the Netherlands) will enable us to continue to provide our customers with the best prices along with improved product offers," said Lars-Johan Jarnheimer, chief executive of Tele2 in a news release. "As I have said before, when we reach a certain scale and when it becomes cost justifiable, then we will consider backward integration.

The Benelux region is an excellent example of such a case and this acquisition immeasurably strengthens our position in this market. "In addition, Tele2 will continue to focus much attention on expanding the fixed broadband market across Europe, including Scandinavia. As for Versatel's German operations, London's Apax said it, too, will concentrate on expanding the broadband market in both businesses and households across the country, which Versatel had increased over the years. Since it was founded in 1995, Versatel has acquired about 1 million customers for voice, data and Internet services. Versatel's

commitment to Germany, as well as the Benelux countries, has had many speculating the Dutch group would be bought out by Deutsche Telekom, a speculation that was further fueled when a fake news release was sent to the Dutch media last week, stating Deutsche Telekom would buy out the company.

When the media reported the forged release, Versatel filed a complaint on Friday with prosecutors in The Hague. "That fake press release showed just how much people have been waiting for this announcement ...and some guys just bought (the release) hook, line, and sinker," one telecom analyst told United Press International on condition of anonymity. "This (announcement) could shake up the industry" in the longer term.

Tele2 describes itself as "Europe's leading alternative telecom provider," and offers cheap connections, not only for phone lines, but also the Internet and cable television in 25 European countries. The company considers its "main competitors are the former government monopolies," which often continue to dominate their respective domestic markets, even after they have been privatized. In trading on the Amsterdam Stock Exchange Monday, Versatel shares closed up 13.47 percent at 2.19, while Tele2 shares ended up 0.53 percent higher at 565.

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