

5/6/98

Serbs cede 'significant management rights' at telecom operator but keep veto

# OTE, Stet to take Serbian stake

By Kerin Hope in Athens  
and Guy Dinmore  
in Belgrade

OTE, Greece's state-controlled telecommunications operator, announced yesterday that it was participating with Italy's Stet telecoms group in a DM1.57bn (\$909m) deal with the Serbian government to buy 49 per cent of the state-owned Telecom Serbia.

A Greek telecoms official said Stet and OTE had initiated a preliminary agreement with the Serbian operator, while a senior

government official in Belgrade said the deal would be signed this week.

The Greek official said Stet and OTE would take stakes of 29 per cent and 20 per cent, respectively, in Telecom Serbia, with the Greek group retaining an option to buy a further 4.5 per cent of the company from Stet.

Telecom Serbia would also hand over "significant management rights" to its foreign partners, but the Serbian government would retain a "golden share" giving it the power of veto

over decisions by the board.

The deal would mark OTE's first equity participation in a telecoms operator outside Greece and reflects a flourishing political relationship between Greece and Serbia, including the Bosnian Serbs.

OTE has built up close links with Telecom Serbia and last year financed a \$260,000 study for a separate telecoms network for the self-styled Serb "republic" in Bosnia.

OTE is due to float another 10 per cent to 12 per cent of its equity on the

Athens stock exchange this month in the second stage of a partial privatisation that started last year.

Part of the proceeds, projected at about Dr300bn (\$1.1bn), would be used to finance acquisitions of strategic stakes in other Balkan and ex-Soviet telecoms operators.

Serbia Telecom was valued at DM3.1bn by the UK's NatWest Markets, advisers to the Serbian side, and at DM3.3bn by UBS of Switzerland, which is advising Stet.

BZW of the UK and Ionian Finance, a state-owned

Greek concern, are advising OTE.

The Greek official said Stet and OTE had agreed to pay DM1.57bn for 49 per cent of the Serbian operator. OTE would pay DM675m in two tranches for its 20 per cent stake: DM543m to be paid in cash after signing the contract and DM132m next year.

The deal also includes a GSM mobile telephony licence valued at DM125m.

OTE has agreed to pay DM51m for a 40 per cent stake in what would be Serbia's second cellular network.