

Message

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Subject: Writedown by foreign backer fuels fresh doubts about Wind Mobile's future

RITA TRICHUR - TELECOM REPORTER

The Globe and Mail

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Wind Mobile's foreign financial backer has written down its Canadian investment, fuelling fresh doubts about its future prospects in this country.

Vimpelcom Ltd. announced early Thursday that it swung to a net loss in the fourth-quarter of 2013 after recording non-cash charges on the impairment of assets in Canada and Ukraine.

The Amsterdam-based telecom said it "fully impaired" its Canadian assets because of "challenges" it continues to face here. It also stressed those same issues "resulted in the strategic decision to withdraw from the 700 MHz spectrum auction and the reassessment of the prospects for continuing operations in the country."

Its impairment of Canadian assets amounted to \$768-million (U.S.) during the fourth-quarter compared to \$328-million during the same period of 2012, according to its financial statements.

Vimpelcom's impairment of Ukrainian assets, meanwhile, amounted to more than \$2-billion during the fourth quarter. That resulted from "macroeconomic developments," softer operational performance and "an increase in the country risk premium," the company said in a release.

Overall, Vimpelcom's fourth-quarter net loss amounted to \$2.66-billion versus a year-earlier net profit of \$195-million.

"The net loss in the fourth quarter, and for 2013, was due to non-cash impairment charges taken on our assets in Ukraine and Canada," said chief executive officer Jo Lunder in a statement.

Vimpelcom, which has an indirect economic ownership stake in Wind through a Cairo-based subsidiary, continues to be at loggerheads with the Canadian government over its foreign investment rules.

Last summer, the company withdrew its application to take formal control of Wind through a pair of deals after it became apparent that Ottawa planned to reject the transactions on national security grounds, sources say.

Then in January, Wind was forced to drop out of the 700 MHz auction after Vimpelcom refused to fund its spectrum purchases due to its ongoing conflicts with the government over foreign investment.

"It is business as usual at Wind and this accounting decision has no impact on our operations," Wind Mobile CEO Anthony Lacavera said in an e-mailed statement.

"With an ever-improving network and an established market presence now in our fifth year of operations, I am more confident than ever that Canadians will enjoy the benefits of our market-leading value proposition and the true competition that Wind brings to the market long-term. Wind is here to stay."

Vimpelcom also updated investors on the performance of its Canadian operations on Thursday. Wind increased its subscriber count to 649,000 during the fourth quarter, up from year-earlier 590,000.

Wind's average revenue per user, a key metric that reflects the average monthly consumer bill, increased by 6 per cent on a year-over-year basis to \$29.80 (CAD).

"The government has made significant moves over the past 12 months to advance the competition policy, and we look forward to the implementation of the recent roaming decision which will ensure Canadians will finally have roaming choices and prices that are globally competitive," said Mr. Lacavera.

"We do need more spectrum to roll out LTE [long-term evolution] services long-term, and we look forward to discussing potential joint opportunities with spectrum owners in our current operating markets."

Toronto-based Globalive Wireless Management Corp. operates the Wind Mobile brand name in Canada. The carrier launched service in late 2009 after spending \$442-million (CAD) on wireless licences during the 2008 spectrum auction.

In doing so, Wind agreed to comply with a five-year ban on selling its wireless spectrum to established carriers such as Rogers Communications Inc., Telus Corp. or BCE Inc. Although that standstill period is set to expire later this month, the government has been clear that it will not approve any spectrum transfer deals that result in diminished competition or undue spectrum concentration.

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