

Deripaska's Basic Element to Start Buyback of Strabag Shares

By [Irina Filatova](#)

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Basic Element is buying back a 17 percent stake in Strabag, the Austrian construction firm, by the end of this month, the companies said. **Igor Tabakov**

Billionaire Oleg Deripaska's Basic Element agreed to buy back a 17 percent stake in Austrian construction firm Strabag by the end of this month after parting with the shares amid the height of the crisis last year, the companies said Monday.

Deripaska may buy another 8 percent before July 2014 under an extended option, the companies said.

In a reciprocal move, Strabag said Monday that it would acquire a 26 percent stake in Basic Element's road builder Transstroj.

Strabag also said Monday that it signed a tentative agreement with another Deripaska company, Glavstroj, to build 350 million euros' (\$485 million) worth of hotels and residences

for the 2014 Winter Olympics in Sochi.

Basic Element's unit Rasperia Trading is buying the 17 percent in Strabag from its core shareholders for 373 million euros, or 19.25 euros per share, the companies said in separate statements. The shareholders include Haselsteiner Group and Raiffeisen/UNIQA Group.

Basic Element may exercise its option to repurchase the 8 percent stake before the 2014 deadline, Basic Element spokesman Sergei Babichenko told The Moscow Times.

Deripaska acquired 25 percent in Strabag in 2007 but was forced to sell the stake to other key investors last year when he had to reduce his debt burden. He retained one personal share, which guaranteed two seats in the company's supervisory board, and an option for repurchasing the stake.

"We view our involvement with Strabag as a long-term strategic investment," said Andrei Elinson, Basic Element deputy chief executive and a member of Strabag's supervisory board.

After the deal is closed, Haselsteiner Group will hold a 29.5 percent stake in the construction firm, while Raiffeisen and UNIQA Group will own 15.5 percent and 15 percent, respectively. A total of 23 percent of Strabag's shares are free float.

Strabag said it was happy to get back Basic Element as a shareholder, considering it a "strong partner" needed to expand business in Russia.

The construction company will buy a 26 percent stake in Basic Element's road construction unit Transstroi "to take a leap forward in intensifying its Russian business," Strabag said in the statement.

The company's CEO Hans Peter Haselsteiner said Russia is becoming even more attractive for Strabag as its economy is bouncing back after the crisis.

"Russia is already showing the first signs of a recovery from the financial and economic crisis. I am convinced of the strong market potential there," he said in the statement.

Russia could be one of the three largest markets for the Strabag Group by 2020, he said. Entering the transportation segment by taking a stake in Transstroi is a step to reaching this goal, he added.

Strabag has always wanted "to investigate a possibility of forming a Russian construction group with Basic Element," said Strabag spokeswoman Diana Klein, adding that it was the right time now to consider this opportunity.

Strabag, which came to Russia in the 1990s, has been active in the construction of buildings and civil engineering, she said during a conference call.

"So in order to grow there we have to enter the market for public clients, meaning the market for road construction as well. We believe that the market is huge and we need a strong partner," she said.

The market for the construction of roads, bridges, tunnels and other infrastructure may grow

at least 4 percent to 730 billion rubles (\$23.5 billion) this year, the head of the builders' association AMOST, Sergei Mozalyov, said in September.

The sides didn't specify the cost of the Transstroi deal. The Austrian firm said it would make an advance payment of 70 million euros before the end of this year and agree on "a definitive purchase price" after conducting a due diligence of Transstroi. Strabag has until October 2012 for the research, Klein said.

The 70 million euros is only part of the payment based on "a first quick guess" of Transstroi's value, Klein said, adding that the sum might change after due diligence.

Strabag may have paid a bit too much as the advance payment in order to demonstrate its commitment to the market, said Dmitry Baranov, an infrastructure analyst at Finam.

Both Basic Element and Strabag may withdraw from the Transstroi deal if due diligence results don't satisfy one of the partners, Klein said, adding that in that case Basic Element will return the advance payment in full.

Under a memorandum of understanding with Glavstroi, Strabag may start construction of residences and hotels in Sochi later this year and complete the work by September 2013.

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