

Transneft Defends Dividends

By [The Moscow Times](#)

April 19, 2011

The  **Moscow Times**

Pipeline operator Transneft says paying more dividends would curtail aid to orphans and other charity work.

Transneft made 3.2 billion rubles (\$112 million) of charitable contributions in 2009, 7.8 times more than the dividends it paid to private investors, according to the company's financial reports. That spurred preferred shareholders such as Prosperity Capital Management and East Capital to demand more information as they seek a larger slice of profit.

Higher dividends would reduce money destined for "the sick, supporting sport, renovating churches and monasteries," Transneft said in a document dated March 16 and filed as part of the company's appeal against a ruling requiring it to release board minutes.

Alexei Navalny, the shareholder activist who filed suit to uncover details of the state-owned company's philanthropy, put the appeal on his web site Tuesday. President Dmitry Medvedev seeks to improve safeguards for minority shareholders to lure foreign capital and plans to set up a \$10 billion fund to co-finance international investment in Russian companies.

Transneft cut dividends to private shareholders by 75 percent from 2003 to 2009 at a time when net income increased fourfold to 121.8 billion rubles. The company gave 7.5 times more money to "charitable contributions" in the second quarter of 2010 than it paid in dividends to owners of preferred shares for all of 2009.

Transneft's preferred shares trade at 2.01 times last year's earnings per share. The shares trade on the ruble-denominated MICEX Index, where the average is 9.2 times earnings. The shares gained 24 percent in the past 12 months compared with 30 percent for the index.

"One of the flagship Russian state companies says in all seriousness, 'Why should it pay foreigners dividends?'" Navalny said in an interview. "How can they talk about improving the investment climate and creating an international financial center in Moscow after that?"

Moscow's Ninth Arbitration Appeal Court is scheduled to hear Transneft's appeal tomorrow. The court's press service said the filing would be made public during the hearing.

Transneft finances 16 orphanages in Moscow alone, Transneft spokesman Igor Dyomin said. The court filing didn't provide further details of the charitable work, and Dyomin didn't respond to a request for more information on these activities.

"The trend at state-controlled companies, as evidenced by Sberbank and VTB, is for higher dividends because all shareholders, including the government, want to get returns in the form of dividends," said Alexander Branis, chief investment officer at Stockholm-based Prosperity.

Pipeline operators typically pay small dividends, Dyomin said Friday. "We pay regular dividends, but they aren't very high," he said. "Look at other companies."

Transneft has a 12-month dividend yield of 0.62 percent. Calgary-based Pembina Pipeline Corporation, which operates oil and gas pipelines in western Canada, pays 6.81 percent, and San Antonio-based NuStar Energy, with 8,417 miles of pipelines, pays 6.49 percent.

Original url: <https://www.themoscowtimes.com/2011/04/19/transneft-defends-dividends-a6446>