

# RussNeft Profit Down by 43%, Sistema Purchase Price Clarified

By [The Moscow Times](#)

May 03, 2011



Gutseriyev

Oil company RussNeft posted a net profit of \$453 million in 2010 under Russian accounting standards, a drop of 43.3 percent from 2009, the company reported.

RussNeft blamed the decline on an exchange rate loss due to appreciation of the dollar against the ruble and growth in interest expense on existing debt.

Revenue rose 28.9 percent to \$6.87 billion in 2010. Operating income before depreciation and amortization was up 2.3 percent to \$1.23 billion on rising production as well as higher prices on output and improved structure of sales.

AFK Sistema paid \$20 million in April 2010 for a 49 percent stake in RussNeft from founder Mikhail Gutseriyev, according to a disclosure in Sistema's recently released annual report.

It was reported earlier that Sistema might make additional payments following completion

of due diligence of RussNeft. The total value of the deal might rise to as much as \$100 million contingent on RussNeft achieving a number of financial and operational targets.

Last December, Leonid Melamed, RussNeft's board chairman and president of Sistema, said due diligence of RussNeft had been completed and that RussNeft's co-owners were agreed on additional payments based on the shareholder agreement.

There is no conflict among RussNeft shareholders, Melamed said. "All of the interested parties have their views on RussNeft and their interests in it. A palette of motivations forms the background for development of our relations. The shareholder agreement will determine whether Sistema will make additional payments for the RussNeft stake," Melamed said.

The section in Sistema's 2010 earnings report on "events after the accounting date" of April 26 contains no information concerning additional payments for the RussNeft stake.

Control of RussNeft passed from Gutseriyev to Oleg Deripaska's Basic Element in 2007, although Basic Element never received permission from regulators to become the actual owner. Control officially reverted to the original owner in 2010.

Sistema announced last April that it had acquired 49 percent of RussNeft shares, leaving Gutseriyev with 49 percent. Sberbank Russia, RussNeft's main creditor, held about 2 percent.

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