

Sistema's Russneft Share Could Gain 15,000% in Value

By [The Moscow Times](#)

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AFK Sistema, the telecoms-to-energy group controlled by Vladimir Yevtushenkov, expects to profit from a faster-than-expected turnaround at oil producer Russneft.

Sistema acquired a 49 percent stake in Russneft last year for \$20 million. Since then, the producer increased output 17 percent to 280,000 barrels a day and sold assets, cutting debt quicker than planned. Sistema chief executive Mikhail Shamolin said the stake may eventually be worth as much as \$3 billion, and that options for the holding including selling it or folding it into the group's larger oil company, Bashneft.

"Once we create value in our stake, then we will decide if we should do anything else with it," Shamolin said. "We are not there yet, but we are well on the way."

Sistema has not integrated Russneft into its accounting and in its 2010 financial statement gave the stake no value.

Even so, Urals crude prices have topped \$100 a barrel since February, helping Russneft shed \$769 million in debt in the first six months of the year. Russneft said total debt had fallen to \$5.44 billion in a Sept. 14 statement.

Sistema, which holds stakes in telecoms, retail, tourism and medical businesses, has identified Russneft as a possible bargaining chip in talks to create a venture with India's Oil and Natural Gas Corp., it said in December. Additionally, it sees Russneft's output as feedstock for Bashneft's refineries near Ufa.

"Sistema shares will move when there is an agreement with ONGC or Bashneft that forces the market to react," said Artyom Konchin, an oil and gas analyst at UniCredit.

Sistema agreed to buy 49 percent of Russneft from founder Mikhail Gutseriyev in April 2010 after the billionaire returned to Russia from three years of self-imposed exile. Gutseriyev fled the country in 2007 amid criminal charges and tax probes that were later dropped.

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