

Russneft Debt Restructuring in 'Final Stages'

By [The Moscow Times](#)

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Sistema, billionaire Vladimir Yevtushenkov's holding company, plans to come up with a strategic plan for Russneft by the end of the year and is close to restructuring the Russian oil producer's debts, CEO Leonid Melamed said Wednesday.

Talks to restructure Russneft's debts are "in the final stages," Melamed told reporters.

Sistema bought 49 percent of debt-laden Russneft for no more than \$100 million in April. The purchase secured additional oil for Sistema's Bashneft unit.

Sistema's board expects to receive proposals for Russneft's strategic development by the end of the year, Melamed said.

"One way to reduce debt would be to offer creditors equity," said Alexei Kokin, an oil and gas analyst at Metropol. "Glencore, which trades oil, might be interested, Sberbank probably

not."

Russneft owed \$1.5 billion to Glencore International, Vedomosti reported in May. Glencore made two long-term loans of \$554 million to Russneft, according to a Glencore bond prospectus from August 2006.

Russneft had about 182 billion rubles (\$5.9 billion) of debt last year, according to a financial statement based on Russian accounting standards. It owed \$3.71 billion to Sberbank, the statement said.

Sistema also said Wednesday that second-quarter profit slumped 41.5 percent because of foreign exchange losses.

Net income declined to \$144 million from \$246.2 million a year earlier, the company said. Sales rose 63 percent to \$6.92 billion.

Revenue was nearly \$7 billion in the three months to end June, compared with \$4.2 billion a year ago.

Sistema's shares closed up 0.2 percent in London, outperforming the FTSE-100, which fell 0.2 percent.

"Solid results were posted across our entire portfolio. ... We will maintain our focus on optimizing our portfolio in the second half, while remaining alert to new investment opportunities," Melamed said in a statement.

Sistema's assets also include Russia's biggest cell phone operator, Mobile TeleSystems, and tour operator Intourist.

(Bloomberg, Reuters)

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