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Sistema Says Unlikely to Sell to Hayward

By The Moscow Times

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Sistema is unlikely to sell its profitable oil assets to former BP chief Tony Hayward, sources at Sistema said Monday.

Sky News reported over the weekend that Hayward is considering a bid for major oil firms Bashneft and Russneft, part-owned by Vladimir Yevtushenkov's holding company AFK Sistema to create an industry powerhouse.

A high-ranking source at Sistema dismissed the reports. "I can tell you that information is unlikely to materialize," he said.

"Why should Sistema sell Bashneft? It has been bringing added value to the company," another source close to Sistema's board of directors said.

Bashneft's net profit jumped to $1.43 billion in 2010 from $420 million in 2009.

Sistema's press service declined to comment, saying it would not address rumors.

Yevtushenkov's company, whose main asset is Russia's largest mobile phone company MTS, acquired Bashneft with Moscow's support in spring 2009 after Kremlin and regional authorities spent years disputing its fate in the courts.

Analysts at the time said the Kremlin was keen to strengthen control over Russia's regions amid the economic downturn and put major assets under direct federal control or at least under the control of loyal businessmen such as Yevtushenkov.

According to reports, Hayward could combine both of Sistema's stakes in the companies in an £8 billion ($13 billion) deal using his investment vehicle Vallares, which raised £1.35 billion from investors last month to target emerging market oil assets.

Sistema directly owns 52 percent of Bashneft's equity, with another 21 percent held by a controlled entity called Sistema Invest. It controls 49 percent of Russneft, which has some $6 billion of debts.

Sistema's oil holdings, apart from its upstream assets with output of about 285,000 barrels per day, also include refining plants Novoil, Ufimsky, Ufaneftekhim and Ufaorgsintez.

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