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Russian Standard Buys 9.9% of Central European Distribution

By The Moscow Times

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Vodka producer Russian Standard Vodka, owned by billionaire Roustam Tariko, has bought a 9.9 percent stake in Central European Distribution Corp, or CEDC, a Polish rival that has lost more than 80 percent of its market value this year.

CEDC, which holds a portfolio of some well-known brands on the Russian and Polish markets such as Absolwent and Parliament, has twice slashed its outlook this year.

Its operations are in "dire straits, especially in Russia," according to a research note published in October by Renaissance Capital. Analysts had predicted it was ripe for a takeover or breakup.

The 7.2 million shares acquired by Russian Standard were bought as a "strategic investment" between Nov. 15 and Nov. 21, according to a regulatory filing with the U.S. Securities and Exchange Commission early this week.

According to the filing, Russian Standard may propose to CEDC that it wants to buy more shares or abandon its interest.

Tariko, who has a fortune estimated at $1.9 billion by Forbes magazine, also founded Russian Standard Bank, a leading consumer lender. He also owns beauty pageant Miss Russia, according to a recent Financial Times article.

CEDC has come under pressure from Mark Kaufman, a shareholder with a near-10 percent stake, who in September wrote to the company seeking a meeting with the board to discuss further investments.

"Mr. Kaufman has his autonomy of judgment and action, and it seems that he will be willing to support initiatives that are loyal and cooperative to the company," a person close to the situation said.

Kaufman's lead adviser Cyril Benoit was quoted as saying in a statement: "Someone with major expertise in the wine and spirit business in Russia, and with substantial financial capabilities is certainly welcome as a shareholder."

CEDC's management welcomed Russian Standard's investment.

"We are pleased to have among our shareholders a company with such a strong standing on one of our key markets," CEDC CEO William Carey was quoted as saying in a statement.

Elsewhere in the drinks sector, French spirits group Remy Cointreau said it was actively looking for acquisitions as it beat forecasts for first-half profit.

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