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Report: Magomedov's Summa Group Mulls Selling Gas Company

By The Moscow Times

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Summa Group, controlled by Ziyavudin Magomedov, is considering selling the Yakutsk Fuel and Energy Co., or YaTEC, sources close to the company told Vedomosti on Thursday.

However, Summa denied that negotiations on the sale of YaTEC were under way.

Credit Suisse estimated the price of 100 percent of YaTEC at more than $2 billion, although the size of the stake allegedly being sold was not immediately clear.

One of the company insiders said Summa wants to keep a stake in the company, Vedomosti reported. He added that several big investors, including international oil and gas companies, have expressed interest in buying into YaTEC.

Summa bought YaTEC, formerly known as Yakutgazprom, in 2007. The company supplies natural gas and gas-engine fuel to Yakutia.

YaTEC says its proven and estimated reserves are 306 billion cubic meters, while its potential reserves are 606 billion cubic meters of natural gas.

Gazprom and Novatek both told Vedomosti they are not in negotiations now with Summa on the sale of YaTEC.

Alexander Nazarov, an industry analyst at the Gazprombank, believes YaTEC may be attractive primarily to Russian oil companies interested in expanding their presence to Yakutia, because the company produces natural gas for domestic consumption. He did not give his estimate for YaTEC's value, but other experts earlier estimated it at $400 million to $500 million, Vedomosti said.

Magomedov initially announced plans to hold an initial public offering of YaTEC last year. Summa president Alexander Vinokurov said YaTEC should have been ready for an IPO in autumn 2012, noting that the final decision will depend on the market conditions.

Summa is still interested in an offering, but its terms and volume still depend on the market environment, Vinokurov said.

Summa Group is looking to get rid of its noncore assets and focus on the transportation and logistics business, Vedomosti reported.

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