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Russia's Facebook Vkontakte Taken Over by Country's Richest Man

By The Moscow Times

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Mail.Ru said it had bought UCP's 48 percent stake and now owned 100 percent of the country's biggest social network VKontakte.

Mail.Ru Group, majority-owned by Russia's richest man Alisher Usmanov, has resolved a shareholder dispute over the country's biggest social network VKontakte, or VK, buying out a rival co-investor for $1.47 billion.

The deal could clear the way for a revival of plans for a stock market listing of VKontakte, scrapped in 2012 because of poor market conditions.

VK, known as Russia's answer to Facebook, has been the focus of an ownership battle since April 2013 when investment fund United Capital Partners, or UCP, bought a 48 percent stake.

The dispute over control and strategy led to VK founder Pavel Durov leaving the CEO post and accusing the shareholders of acting in the interests of the Kremlin, which has been

tightening its grip on media and the Internet.

The parties had filed mutual lawsuits in international courts, seeking to assert influence over VK.

On Tuesday, Mail.Ru said it had bought UCP's 48 percent stake and now owned 100 percent of the company. It said all the parties involved had agreed to withdraw their lawsuits.

"UCP, Mail.Ru and Pavel Durov have agreed that simultaneous with this acquisition all the outstanding litigation, and claims concerning VK and related matters between these parties, will be dropped with immediate effect," it said in a statement.

It declined immediate comment on its further plans for VK's development.

Durov said in the statement: "I welcome the decision of my former partners to abandon their claims ... For my part I acknowledge the dismissal of claims against UCP and congratulate all parties involved in the settlement."

Mail.Ru also cited Victoria Lazareva, partner of UCP, as saying: "We are satisfied with the transaction and ... wish further successful growth for the business of VK".

Mail.Ru funded the deal with its own cash and a 22.2 billion ruble ($576.4 million) loan from Gazprombank, it said, adding the acquisition had brought its total investment in VK to $2.07 billion, including a 2007 deal for a 52 percent stake.

Shares in Mail.Ru jumped 4 percent. The company said it would start to fully consolidate VK's results into its financial statements.

VK made a net profit of 53 million rubles last year on revenue of 3.8 billion, compared with Mail.Ru's revenue of 27 billion rubles. In the first half 2014, VK generated 2 billion in revenue with core earnings or EBITDA of 694 million and net income of 248 million, Mail.Ru said.

Mail.Ru already operates the other two largest Russian language online social networking sites, Odnoklassniki and Moi Mir, as well as an email service and online games platform.

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