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Bashneft Halts Asset Sale as Russian Billionaire Owner Stays Under House Arrest

By The Moscow Times

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The logo of Bashneft JSOC, in which Sistema has an effective ownership stake, is seen on its headquarters building in Moscow.

Bashneft, the oil company at the center of the unexpected arrest of a Russian billionaire last week, tore up an agreement on Wednesday to sell its 98 percent share in United Petrochemical Company (UCP) to Sistema, Bashneft's majority shareholder.

Oil-to-telecoms conglomerate Sistema is controlled by Vladimir Yevtushenkov, Russia's 15th richest man, who was placed under house arrest last week on money laundering charges in a case widely seen as a pretext for carving up Bashneft's oil assets among Russia's business elite. Bashneft is 87 percent owned by Sistema.

Bashneft said in a press release that "the board of directors approved the participation

of Bashneft in UPC through the termination of an agreement reached in September 2013 to sell a 98 percent stake in UPC to Sistema."

The deal was worth 6.2 billion rubles ($160 million) at the time of the sale, Bashneft said.

A source in Sistema told news agency RBC that the decision was taken to minimize exposure to the uncertain situation.

"Sistema is playing it safe with its cash. ... If the situation stabilizes, it's possible that the decision will again be made to purchase UPC," the source said.

UPC recorded net profit of 77 million rubles ($2 million) last year by Russian accounting standards and planned to pay out its first dividends this year.

The announcement came on the same day that a Moscow city court delayed a verdict on Yevtushenkov's appeal of his house arrest, which investigators say is part of a probe into Sistema's purchase of Bashneft in 2009.

The arrest has been widely viewed as a prelude to an attempted takeover of Bashneft, a mid-sized oil firm that has doubled its profits over the past four years to $1.5 billion.

Suspicions have focused on state-owned oil giant Rosneft, which has been cut off from international capital markets by Western sanctions on Russia over the crisis in Ukraine and is struggling to service 1.5 trillion rubles ($39 billion) in debt.

Yevtushenkov's arrest has been compared to that of formal oil magnate Mikhail Khodorkovsky, whose oil company Yukos was dismantled and its assets absorbed by Rosneft in the mid-2000s. Khodorkovsky was released last December after serving more than a decade in prison.

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