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Gunvor Boosts Profits Despite Exit of Sanctioned Russian Billionaire Timchenko

By The Moscow Times

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Businessman Gennady Timchenko attends a session of the St. Petersburg International Economic Forum 2014 (SPIEF 2014) in St. Petersburg.

LONDON — Trading house Gunvor reported a healthy rise in core earnings on stable revenues in the first six months of 2014 despite a brief spell of turmoil when its co-founder, Russian businessman Gennady Timchenko, was put on a U.S. sanctions list.

Timchenko sold his 50-percent voting stake in Gunvor to co-founder and chief executive Torbjorn Tornqvist a day before the U.S. slapped sanctions on him and other allies of Russian President Vladimir Putin over the crisis in Ukraine.

Some U.S. oil companies briefly stopped dealing with Gunvor but resumed trading within hours when it became clear Timchenko was no longer a shareholder.

The results on Friday provided the first account of the firm's performance this year. They revealed no detail about the transaction between Timchenko and Tornqvist and how it was financed.

"While we had to manage certain particular challenges during the first half, Gunvor continues to diversify and expand globally to find available opportunities in new trading and assets," Tornqvist said in a statement.

The trading house said its core earnings (EBITDA) increased by around 12 percent year on year to $395 million while revenues were steady at around $45 billion. Net profit declined to $152.8 million from $162.6 million.

Physical traded volumes increased to 71 million tons from 61 million during the same period of 2013 as the company started trading metals such as copper, aluminum, alumina, zinc, lead, nickel, tin, manganese and chrome ores.

"We maintain a high level of cash so we can move quickly to take advantage of opportunities as they arise," the company said after its cash position rose to $1.586 billion from $840 million in the first half of 2013.

It said its owners' equity increased to $2.6 billion from $2.4 billion but did not say which figure was used to value Timchenko's stake for the sale.

"It was an irrevocable, fair value transaction," a spokesman for Gunvor said. The company said it expected the trading environment to remain challenging for the second half of 2014.

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