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Russia's Sistema to Review Spending Plans After 'Challenging' Year

By The Moscow Times

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A man walks towards the headquarters of Sistema JSFC in Moscow on Sept. 17, 2014.

Russian conglomerate Sistema is reviewing its costs, portfolio of investments and future plans, it said on Thursday, after a drop in profits and a "challenging" year that saw the state seize its majority interest in oil firm Bashneft.

Sistema, whose main subsidiary is telecoms firm MTS, said net profit dropped more than 70 percent in the quarter, badly dented by the weakness in the Russian ruble.

Sistema's shares in Bashneft, a key source of dividends for the group, were confiscated in September, after a court found irregularities in the energy firm's privatization following the collapse of the Soviet Union.

Sistema's chairman Vladimir Yevtushenkov was put under house arrest for alleged money laundering in the $2.5 billion deal that saw his conglomerate take control of Bashneft

in 2009 — a fresh blow to Russia's investment climate.

Mikhail Shamolin, president and chief executive officer of Sistema, said the company had started "a substantial review," but gave no details on specific initiatives being considered.

"The reporting period and recent weeks have been the most challenging the company has faced," he said in a statement, reporting the company's results, which saw third-quarter net profit fall to $379.2 million.

Its revenues declined 4.3 percent to $8.86 billion.

"Our results have largely been overshadowed by the events surrounding Bashneft which have unfolded in recent months," he added.

Earlier this week, Sistema subsidiary MTS, Russia's top mobile phone operator, posted a 11.2 percent year-on-year fall in third quarter net profit.

MTS said then that it saw no risk to its business from Yevtushenkov's arrest, which has shocked Russia's business community and provoked comparisons with the high-profile case of oil tycoon Mikhail Khodorkovsky, jailed in 2003 for fraud and tax evasion after falling out with the Kremlin.

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