

Putin's Son-in-Law Boosted by \$1.75 Bln Russian State Loan

By [The Moscow Times](#)

December 30, 2015



Kirill Shamalov

The son-in-law of Vladimir Putin stands to benefit from \$1.75 billion in cheap finance from the Russian state, a Reuters examination of public documents shows. The money will help fund a petrochemical project at a company in which Kirill Shamalov, husband of Katerina Tikhonova, the Russian president's younger daughter, has a significant interest.

Shamalov is a major shareholder in Sibur, Russia's largest processor of petrochemicals. This month Sibur obtained \$1.75 billion from Russia's National Wealth Fund to help build a huge new plant in Tobolsk, Siberia.

According to corporate documents, Sibur was able to borrow the money at a current interest rate of 2 percent. That is a bargain, according to financial analysts. Artyom Usmanov, an analyst at investment firm BCS, said borrowers on the Russian bond market would expect to pay over 7 percent interest for such a loan. Irina Alizarovskaya, an analyst with

Raiffeisenbank called the financing "quite cheap."

Shamalov did not respond to a request for comment.

In a statement by Sibur on Dec. 9, Dmitry Konov, its chief executive, described the state finance as having "favourable terms." A Sibur spokesman said the company had no information "about family relations or relations between the company's shareholders and the president of Russia." The state loan, he said, "underwent all necessary procedures and was approved in strict accordance with the ... laws."

The country's National Wealth Fund, which was valued at the start of 2015 at 4.8 trillion roubles (then \$72 billion), typically invests in national infrastructure projects such as railways, nuclear technology and major roads. Prime Minister Dmitry Medvedev issued a decree in October to add the petrochemical plant to the list of projects in which the fund can invest. The decision, Medvedev said, would reduce "dependence on imports" and create up to 15,000 jobs.

The state money forms part of the overall \$9.5 billion cost of Sibur's Siberian project, which is known as ZapSibNeftekhim, or ZapSib. Sibur has said in public announcements that the plant will be the "largest modern petrochemical facility in Russia" and create a world-class facility for making chemical products from Siberian gas supplies.

The development is central to Sibur's future — and to the value of Shamalov's stake in the company. In 2012, when design work began, Sibur's chairman Leonid Mikhelson said ZapSib would "change the image of the company and the Russian petrochemical sector."

After Shamalov married Putin's daughter in 2013, he increased his stake in Sibur five-fold and the company invested more heavily in the ZapSib project. As Reuters detailed earlier this month, Shamalov acquired a 17 percent stake in Sibur in September 2014, making him the second largest shareholder in the company, with a total stake of 21.3 percent. That investment is now worth \$2.85 billion, judging by recent share deals.

Later in September 2014, Sibur said capital expenditure on the ZapSib project would increase from 53 billion roubles (\$1.4 billion at the time) to 74 billion roubles.

In February this year, Sibur said the foundations for the plant had been laid. On Dec. 4, the company raised \$1.75 billion from the state by issuing 15-year bonds with an interest rate of either 2 percent or the U.S. annual consumer price inflation plus 1 percent, whichever is higher. Annual U.S. consumer price inflation in November was 0.5 percent.

The bonds were all bought by the state via the National Wealth Fund. The decision to make the loan was made by the state-controlled Russian Direct Investment Fund (RDIF), which said the project "fully complies with the rules for investing NWF money in infrastructure projects" and gives the fund, whose loan is less than 20 percent of the project's total cost, "maximum protection and corresponding profitability." RDIF said ZapSib "is one of the most promising projects in the world."

A spokeswoman for the Russian Ministry for Economic Development, which nominates projects for NWF funding, said the Sibur bonds would be profitable in rouble terms, and that

the state investment helps attract foreign investment as well.

Sibur has also borrowed \$3.3 billion from European banks.

To develop ZapSib, Sibur is working with Linde Group, a gas and engineering company based in Germany, and INEOS, a chemical company based in Switzerland. Neither company responded to requests for comment.

The plant is designed to produce 1.5 million tons of ethylene, which is used to make consumer and industrial products, from kitchenware to water pipes. Analysts at Moody's estimate the project could boost Sibur's revenues by 25 to 30 percent to about \$11 billion a year.

Another major shareholder in Sibur is the billionaire oil-trader Gennady Timchenko, who is an old friend of Putin. Timchenko is also a major shareholder in another company — Novatek — that has gained finance from the National Wealth Fund. A Wealth Fund list shows Novatek and Sibur as the only private companies that have been able to raise money this way.

Novatek did not respond to a request for comment.

Following Russia's annexation of Crimea in 2014, Kirill Shamalov's father, Nikolai, was sanctioned by the European Union for being "a long-time acquaintance" of Putin and for benefitting from his links with "Russian decision-makers." The sanctions restrict travel rights and freeze assets within the EU. Timchenko was sanctioned by the United States.

But Kirill Shamalov and Sibur have not been sanctioned.

The U.S. Treasury did not respond to a request for comment on whether it had considered sanctioning Sibur and Kirill Shamalov. EU officials told Reuters earlier this month that there had been no discussion about expanding the Union's sanctions list.

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