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How Russian Tycoon Vladimir Yevtushenkov Is Set to Lose More of His Wealth

Leading mogul once again finds himself the target of aggressive legal actions from powerful enemies

By Mikhail Fishman and David Kharebov

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Vladimir Yevtushenkov **Artyom Korotayev / TASS**

The Forbes list of top Russian billionaires is known for its high volatility, but even by its usual standards, the fall of Vladimir Yevtushenkov is impressive. As of June 27, the Russian tycoon's wealth had shrunk from $3.5 billion down to $1.9 billion in just four months.

The reason for the fall was simple enough: Yevtushenkov's conglomerate Sistema had been hit with a series of lawsuits, culminating in a June 27 court decision to arrest a number of its major holdings. Sistema's 31.76 percent stake in leading Russian telecoms operator MTS, the entirety of its 100 percent share in the Medsi chain of medical clinics, and its 90.47 percent

stake in the Bashkirian Power Grid were all frozen.

The fallout sent shockwaves across global markets, with Sistema's shares free-falling from 14.00 on Friday evening to 12.10 on Tuesday. Yevtushenkov's problems have stemmed from a long-running conflict with semi-state oil giant Rosneft over the future of regional oil producer Bashneft, previously under Sistema's control. The company was bought by Rosneft under highly controversial circumstances in 2016.

Rosneft is claiming that between 2009 and 2014, Sistema engaged in illegal asset stripping of Bashneft. They say the damages amount to 170.6 billion rubles ($2.9 billion), a figure the Sistema conglomerate referred to as "unscientific fiction."

"In Russia, justice and fair trials are not guaranteed," economic expert Sergey Aleksashenko told The Moscow Times in written comments. "We might suspect Rosneft is looking to get a big stake at MTS."

Unorthodox procedure

Rosneft defended the court decision to arrest Sistema assets as "standard procedure." Company spokesman Mikhail Leontyev told reporters that the affected shares were only in equal in value to the oil company's claim: "We wouldn't have resorted to this measure if [Sistema] hadn't publicly demonstrated its contempt for the legal procedure."

In a written statement, Sistema labeled the move "outrageous [...] unlawful and unfounded."

The case hinges on allegations that Sistema illegally stripped local energy assets from Bashneft between 2009 and 2014. According to the Kommersant newspaper, Rosneft says it has evidence of a written exchange between Sistema and Bashneft top-managers, where Sistema managers allegedly indicate Bashneft would "suffer" from a reorganization prior to the forthcoming Rosneft takeover. In response, Sistema is litigating the mere fact of reviewing such an exchange.

Sistema has already suggested a friendly settlement. In fact, Rosneft may not need one —it has the Russian court system on its side. Sistema is currently fighting to receive income from the dividends generated by the arrested shares, which were also frozen under that court order.

Experts agree that the move to freeze dividends is far from standard.

"A court will usually seize funds as an interim measure," said Denis Frolov, a partner in Moscow's BMS law firm. The court's decision to take an interim measure is unusual, he says, and the fact they arrested these shares and dividends is "doubly so."

A hopeless case

While lawyers believe that the dividend ruling will be overturned, such limited success is perhaps the best that Yevtushenkov can hope for. Rosneft's all-powerful CEO Igor Sechin is close to the Russian president and known to be extremely successful in Russian courts.

In Russia, oil is a political asset. It was reported that then-President Dmitry Medvedev helped

Yevtushenkov, his ally, to secure control over Bashneft. After Medvedev stepped down in 2012, Rosneft became the prime candidate to take over the regional oil producer.

Things came to a scandalous head in 2014, when Yevtushenkov was placed under house arrest, and control of Bashneft was transferred to the state. It was rumored that it was Yevtushenkov's punishment for lobbying for Medvedev's second term as a president.

The battle for control over Bashneft led to another major scandal in 2016, when government officials tried to persuade Vladimir Putin that transferring Bashneft to Rosneft could not be qualified as privatization. They failed. In Nov. 2016, Russian minister of economic development Alexei Ulyukayev was arrested after allegedly receiving a bribe from Sechin to help Rosneft acquire Bashneft. Many considered the arrest to be a set-up.

In 2014, when Bashneft was taken from Yevtushenkov, many political commentators called it a state robbery. There seemed to be clear parallels with the fate of Mikhail Khodorkovsky and the state capture of his Yukos oil company in 2004 (though on a reduced scale.) Now, as Rosneft challenges Sistema again, Yevtushenkov is arguably being robbed twice.

"It's not normal," says Sergei Aleksashenko. "Rosneft bought Bashneft from the state knowing what condition it was in. Historical changes [in its assets] should not make any difference."

But in this sequel to the original Bashneft saga, Igor Sechin, Putin's powerful ally, is once again proving he is among the strongest players in Russia's system of state capitalism.

And those inside government say they are not surprised by his latest moves.

"Sechin is on a mission to build the largest oil and gas company in the world," one government official told the Moscow Times. "Don't expect him to act like a little mouse."

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