



 STRATFOR

**MIKHAIL FRIDMAN:
Background Investigation**

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Summary

Mikhail Fridman was one of the original Russian oligarchs who robbed the Russian state blind in the 1990s. He also is one of only a handful from the early days who is not dead, exiled or in prison. His friends (few) and enemies (many) describe him as slick, nimble, evolving, patient, calculating, combative, vindictive, and above all, underestimated. Fridman has repeatedly outmaneuvered far more politically and economically powerful rivals to end up on top, crushing his foes in the process. His skilled allies, impeccable business acumen, lack of a temper and utter absence of emotional attachment to his business holdings has made him rich, and will keep him so for a long time to come.

Basic Background



Mikhail Maratovich (Misha) Fridman was born on April 21, 1964, to a Jewish family in Lviv, Ukraine. Fridman's parents were part of the middle class and belonged to the Communist Party, working as engineers in the defense manufacturing industry. In 1986, Fridman graduated with high honors from the Moscow Institute of Steel and Alloys. He currently serves as the chairman of the board of directors of the Alfa Group Consortium, chairman of the board of directors of Alfa Bank, and chairman of the board of directors of energy firm TNK-BP.

Fridman overwhelmingly prefers to keep a low profile in terms of his business, politics and personal life. That does not, however, translate into a humble life. He has any number of palatial homes across the former Soviet Union, with his Moscow flat alone believed to exceed 12,000 square feet.

Public sightings of Fridman typically occur at one of Moscow's jazz clubs, which he frequents. His more notable hobbies include gun and art collecting, in which he displays a penchant for extremely expensive art, such as pieces by Picasso.

Fridman maintains his own security group for himself and his fellow Alfa executives that in many ways acts like a small police force. Yet despite his wealth and notoriety, he seems to believe that his low profile has ensured his personal safety. Since the turbulent days of the 1990s, Fridman has steadily whittled down his personal entourage, now rarely retaining more than two or three visible bodyguards. His schedule is whimsical enough not to allow time to screen public locations, most often jazz clubs, before his arrival.

This sense of safety does not carry through to his family, however. His wife and two young daughters live in Paris, where he visits them on weekends. This sentiment of protecting his family is carried over into all of his business dealings. (None of his family is employed in his business ventures.)

Like many of Russia's oligarchs, Fridman considers himself a Jew first and a Russian a distant second. In Fridman's case, however, there is definitely a dark streak. He despises Russians and seems to take a perverse pleasure in the part he played in Russia's economic meltdown during the 1990s. He has no moral qualms about defrauding Russians, while his actions indicate that he has few problems defrauding anyone.

Business Ethic

Fridman moves aggressively against any asset he wishes to acquire, but does so out of greed, not ego. He is perfectly willing to abandon without a thought a business track that is not working out, and he has no goal to dominate any particular sector. For example, his goal of building a cellular telecommunications empire is predicated on the ambition of gaining shares in a major global cellular telecommunications firm, not because he seeks a niche or a monopoly for its own sake. If one target proves particularly resistant to his efforts, he will simply move on. He is after the income that the assets provide, not the assets themselves. He acts on greed, not ego or a need for revenge. But if he is angered in the process of an acquisition that is not abandoned, he will be sure that the appropriate people are utterly bankrupted.

In broad terms, Russia's leading businessmen can be divided into two categories: tacticians and strategists. Men like Vladimir Potanin, Roman Abramovich and Boris Berezovsky are part of the first category. The tacticians exploit any advantage they think will benefit them in the short term. They care little about their assets except regarding the amount of money they are able to extract from them now, a mentality often taken as looting in the Russian mind. These are the oligarchs the Putin government has little patience for who have been forced either into exile (Berezovsky) or to kowtow publicly to the Kremlin to keep their corporate empires (Potanin).

Fridman and the strategists are different. Though they often use the same mix of ethically unfettered techniques as the tacticians, and in Fridman's own words are "not angels," the strategists take a longer view. For them, the goal is not short-term maximization, but long-term growth of their assets. This is not because they have any great attachment to their assets or because they believe they have a core competency. It is just that they are able to keep their eyes on a much larger prize. Most strategists want to invest their earnings in their companies so that they can then sell their assets later for a higher price.

Fridman only invests in projects that he believes hold the opportunity for massive gains. Combine that with his lack of a moral compass, and one can easily see why he has proven one of Russia's most successful oligarchs. Few investment targets are beyond the reach of the tactics he is willing to employ, and once acquired, sound management turns his targets into corporate gems.

This mindset of investing is anathema to the tacticians' use-and-abuse strategies, while it is also incongruent with much of recent Russian history. The core concepts of basic investment were at odds with the ideology of the Soviet state. Fridman's business acumen developed as a family affair, from his grandmother specifically. She owned a kitchenware shop in Lviv, Ukraine, where Fridman grew up. Her business advice was simple: "Never have dealings with the Reds." As such, Fridman has sought to remain scrupulously aloof from national political discussions and was among the first Russia oligarchs to seek a meeting of the minds with the Putin administration.

In early 2000, Putin called all the oligarchs to the Kremlin and offered them a deal: Stop stealing, pay your taxes and stay out of politics and the state will leave you alone. Fridman enthusiastically accepted the offer; former Yukos CEO Mikhail Khordokovsky did not. Fridman eventually was able to use state sponsorship to seal his oil firm's (TNK) merger with international supermajor BP in order to create TNK-BP; Khodorkovsky is broke and in prison.

Fridman's desire to maintain a lower profile than the other oligarchs extends into his views of the media. Most of the oligarchs see the media as just another arena in which to compete to shape their corporate empires and slander their opponents. Fridman prefers a quieter approach, and owns no major media outlets aside from a share in a television group that focuses on entertainment programming. This decision appears to have worked to his benefit, as the government has become increasingly controlling of all media during the past five years. Aside from an annual lavish party for new news correspondents in the swanky Moscow suburb of Rublyovka, an effort primarily meant to purchase good public relations, Fridman largely ignores the press.

Business partners describe dealings with Fridman as professional, exacting, corrupt and vile. The problem is not doing business with Fridman, but ensuring at all stages of the business that one's best interests and Fridman's best interests align as closely as possible. If they do not, Fridman will not hesitate to use his power to upend the deal. Besides that very glaring issue, most groups have said he is easy to work with.

Concepts such as honesty and transparency not only are largely lost on Fridman, he purposely shuns them. He has no desire to reveal the inner workings of his assets not simply out of greed or to shield himself from legal scrutiny, but also out of simple fear. As Fridman has noted, the last major company to promote transparency was Yukos, which now has been completely broken up and its assets forcibly reintegrated into state holdings. Such a sentiment is shared widely among Russian oligarchs.

But such fears are hardly the only reason why Fridman and the other oligarchs prefer to keep their companies closed. Oligarchic empires are created by a series of insider connections, rigged privatization auctions, fraud, theft, embezzlement, tax evasion, brutality, bribery and manipulation of the legal system. Fridman is not likely to reveal any misdeeds, nor is there a pressing need for him to do so. Fridman sees no reason publicly to list his Russian assets, preferring instead to maintain full control.

Retaliation

While Fridman is thought to hold personal grudges against some individuals, such problems do not appear to spill over into the realm of business. In cases in which business partnerships did not develop, Fridman did not appear to take the situation personally, choosing instead to move forward and treat the opposing company as he would any other competitor. And in cases in which a business partnership eventually did arise after initial failure to develop, Fridman also did not appear to hold a grudge against the company, not hesitating to move forward with the business deal when it made financial sense.

The case of British energy firm BP illustrated this pattern. Though BP approached Fridman about a business arrangement when it first sought to enter Russia, the partnership did not develop. There is no indication that Fridman held a grudge against the company, though he did treat BP as he would have any other competition, and he moved forward with his own business plans. Fridman understood that, one way or another, the company eventually would become either a direct competitor because of industry consolidation or a partner. And once the TNK-BP partnership agreement was reached, all was just business.

It is much more dangerous for a firm to be considered a direct competitor to Fridman; in that case, the company involved would need to have a heavyweight protector able to strike a balance so Fridman would not attempt to use the typical tactics he employs against competitors. Specifically, Fridman probably would first try to have the company's domestic assets seized by using his political connections to enforce parts of contradictory laws. Fridman also could create serious legal complications for a company by challenging the

legality of any partnerships, potentially halting all business operations. Furthermore, organized criminal elements could be used to physically intimidate employees and executives, or to cause security problems at competitor facilities, including bomb threats or the detonation of small explosive devices. Such tactics are common in Russia, and often are clandestinely employed by the oligarchs.

Future Business Plans

Fridman does not view himself as a media mogul, consumer electronics wizard, bank manager or oilman. Instead, he sees himself as an investor. Any good investor is perfectly willing to let a problematic investment go with only a moment's thought, or as he has noted himself, at "the right time, place and price. We [Alfa] are sure that one day we will withdraw from our oil and banking assets and will possibly be investing in other assets."

Fridman thus has no qualms about foreign investors coming in and purchasing Russian assets, and has no opinion about whether such developments are "good for the country." Indeed, he actually expects and desires such a development for personal reasons, and would rather it happen sooner than later. This is a sharp mindset shift from just a few years ago, when he believed foreigners should be barred until after Russian insiders could get a hold of the state's most lucrative assets, and shows his adaptability to the changing political scene. Now that the oligarchs have secured these assets, Fridman will sell anything to anyone for the right price.

Alfa has no qualms about working with foreigners, whether bringing foreigners to Russia, selling foreigners Russian assets or other ventures: It is all business to Fridman. He was among the first oligarchs to recognize that his assets could be made more valuable by bringing in both foreign staff and foreign investors. According to Goldman Sachs, "The Alfa approach to bring in a foreign strategic investor with the ultimate goal of 'welling' a company. Alfa provides the political contacts and capital to some extent. They sort the company out with the help of the foreigners, who provide the expertise, with the goal of selling the company."

Fridman therefore has many foreigners staffing senior positions in many of the firms in his empire. His goals are efficiency, growth and maximizing corporate value in the long term. This does not mean that profit is not a key concern as well, but he has a diverse and complicated array of funds transfers and offshore and onshore tax havens to ensure that he can maximize his income and minimize the government's tax take to make money available for investments or acquisitions as needed.

The key word in all of that is "price," and Fridman does not see the right price coming along for quite some time yet. Fridman believes that it will be a long time before business in Russia even tangentially resembles what Westerners would consider normal no matter what legislation the Duma adopts or what government takes office. As such, the real barrier in his mind is the reluctance of Western investors to enter Russia in a big way. He sees that his large assets will not be sold to other Russians; only foreigners have deep enough pockets to take them. So until the major financial firms see Russia as an opportunity worthy of double-digit billion dollar operations, Fridman has no expectation of shopping around for a purchaser of Alfa.

But this does not mean that Fridman is content to wait until those Western firms' risk tolerances come into sync with Russian realities. He and many other oligarchs are now beginning to send some of their capital abroad, not only for purposes of tax evasion, but to invest in building up new corporate empires beyond Russia that could prove more palatable in the medium term to non-Russian corporations. Put another way, rather than wait for the

global investment giants to come around, Fridman has started taking his business in directions that will bring certain assets closer to them.

The sector that Fridman has targeted most with this strategy is telecommunications. Within Russia, Altimo -- Alfa's telecom arm -- has already secured a 25 percent stake in MegaFon and a 43.8 percent stake in Vimpelcom, Russia's two largest cellular telecommunications firms. Altimo also has acquired all of the much smaller Reservspetsmet. Abroad, Altimo holds 29.9 percent of Golden Telecom (United States), 43.5 percent of Kyivstar (Ukraine), 13 percent of Turkcell (Turkey), and all of Bakri Uzbekistan Telecom and Uzbek-Malaysian Communication (both Uzbekistan).

Ultimately, Fridman's goal is to swap his global telecommunications assets in exchange for a stake in a global operator such as Telenor or TeliaSonera. This mindset applies to Alfa as well, which he is willing to sell in pieces or as a whole.

The bottom line is that while Fridman certainly engaged in ruthless and legally questionable tactics in the 1990s, and while he certainly endeavors to keep his tax bill as artificially low as possible, and while he continues to engage in operations that most of the developed world considers corrupt at best and flat out illegal at worst, he is now perceived as a sort of paragon of the evolving Russian oligarch. By the standards of Russian oligarchs, he almost comes across as enlightened.

Alfa Group

Fridman's first business project was related to the theater. Under Soviet rule all theater tickets were expressly reserved for Communist Party members. Absent a direct link to a Party member, the only means of getting access to many Russian cultural events was through some intermediary brave enough to seek out tickets that would not be used, a highly illegal activity in a country where capitalism was the enemy. Fridman filled that role, shifting the tickets from the party members who did not need them to the politically disadvantaged Russians who wanted them. This billionaire thus got his start as a ticket scalper.

When then-Soviet premier Mikhail Gorbachev passed a series of economic reforms relaxing the prohibitions on private business, Fridman and his classmates from the Moscow State Institute of Steel and Alloys started a co-op, arranging for courier delivery of goods and a hodgepodge of other services. In 1988, Fridman set up his own photo cooperative, Alfa Foto, and subsequently ALFA/EKO, a commodities trading firm, which gave him the capital to establish Alfa-Bank in 1991.

Somewhat surprisingly, Alfa lost its first big battle for a piece of the Soviet pie to a used car salesman named Boris Berezovsky, a man who quickly became so powerful from his corporate and political empire that he was once dubbed the godfather of the Kremlin. The Alfa-Berezovsky fight occurred over Soviet oil assets that ultimately were incorporated as Sibneft. Berezovsky later had a falling-out with Putin, and as punishment, Putin arranged for Berezovsky to be stripped of his corporate empire, including Sibneft. Friends say that Fridman still laughs about the end to that affair.

The oligarchs' strategy in the early 1990s followed two paths. First, there were auctions by which the state both planned to privatize the economy and raise money. The oligarchs would meet in secret before the auctions and divvy up assets among themselves. During the auction, only the winner who was pre-selected by the oligarchs would bid, offering only a small fraction of the true value of the asset. The rigged auctions established Russia's first

true oligarchic class, and set the stage for the robber baron kleptocracy, speeding Russia's economic collapse.

In the early days, Alfa was not particularly successful, failing to win nearly as many prized assets as the other major groups that would in time become behemoths such as Millhouse Capital or Menatep. Alfa did, however, gain smaller firms, and from those firms it began to form a proper conglomerate. Most of the early oligarchs were content to run their ill-gained assets into the ground, but Fridman's patience allowed him to take a more conservative approach that resulted in growing the companies' strength. It must be noted that from a Western point of view, Fridman still abused his firms in order to extract wealth. It was all a matter of degree, though. Most of the early oligarchs left their firms utterly depleted and worthless; Fridman was among the first actually to invest in his holdings rather than simply to plunder.

This mindset was not, however, something that should be attributed to Fridman's internal machinations, but instead to his first and -- to this date -- most critical ally, Pyotr Aven. Aven was part of the original batch of idealistic reformers in the early 1990s who believed Russia could quickly and easily transform itself into a Western-style technocratic democracy. He was the minister of foreign trade in the 1991-1992 government of Prime Minister Yegor Gaidar, the first true post-Soviet government of the Russia Federation. Aven was one of the many Soviet/Russian bureaucrats who set the terms of the rigged auctions that created the oligarchs.

After many of Alfa's initial failures, Fridman befriended Aven and brought him in as a partner. (He currently serves as president of Alfa-Bank.) Aven is the brains behind Alfa's strategies and manager of its daily operations, while Fridman serves as both the face of the operation and as the charismatic, canny negotiator who cuts the deals. Aven is the accountant and economist behind the scenes who makes everything work; Fridman the CEO and face of Alfa who provides strategic direction. Aven's immaculately calculated financial policy, caution and thrift when married to Fridman's ambition, greed and farsightedness have enabled Alfa to increase its influence step by step.

Although Fridman dislikes politics, he is no stranger to political intrigue. In 1997, the Yeltsin government appeared certain to collapse in upcoming elections. Polls indicated that the Communists held a 3:1 advantage. Yeltsin's men approached the oligarchs for loans to finance the electoral fight, and all of them complied on one condition: that Yeltsin put up large chunks of the remaining state assets as collateral on the loans.

Those loans, combined with a press terrified of a return of the Communists, resulted in a Yeltsin win, but the terms of the loans, especially the loans made by Alfa-Bank, were such that there was no way the Russian government could repay them on time. The result was a default. Some government assets automatically defaulted to the oligarchs under the terms of the loans, while others were put up for auction to pay off other shortfalls.

The oligarchs repeated strategies used early in the 1990s, divvying up the assets among themselves before the auctions began, driving the prices through the floor. From the wreckage, Alfa-Bank managed to acquire 40 percent of TNK, now the crown jewel in the Alfa empire, for \$810 million. Through other maneuverings in the months that followed, Alfa Group became part of a 50-50 partnership in TNK with Access-Renova, another oligarchic holding. Today the firm is conservatively estimated to be worth \$8 billion.

Alfa-Bank

Alfa-Bank always has served as the backbone of Alfa Group. While other conglomerates spent most of their efforts acquiring production assets, Fridman and Aven focused more on traditional banking as opposed to other oligarchic banks, which were merely used to finance their oligarch owners' respective empires.

This assisted Fridman's rise in two ways. First, Russian firms in the early days completely lacked any concept of good financial management. So throughout the 1990s, firms that had taken out loans from Alfa went bankrupt frequently, especially after the crash of the ruble in 1998. Alfa was able to use the defaulted loans to foreclose on the firms and bring their assets into Alfa Group, thus providing Alfa Group with a steady diet of bankrupt and desperate firms and staff. Some ruthless pruning would typically separate the valuable assets from the chaff, steadily building Alfa Group's asset list.

Second, this strategy required the bank to honor commitments to both creditors and depositors after Russia's 1998 crash, a plan of action that nearly all other oligarchs refused to consider. In order to safeguard their fortunes, the other oligarchs largely allowed their banks to fold. Thus, MOST-Bank, SBS-Agro, Menatep, Inkombank, Uneximbank, Mosbiznesbank and Rossiyskiy Kredit now stand as empty shells from a banking perspective. Alfa-Bank followed a different route. In honoring its debts and credits, Alfa-Bank lost a large sum of money, nearly bankrupting Fridman, but it did more than merely enhance Alfa-Bank's reputation. The move allowed it to emerge as one of Russia's leading private banks, one of the very few with a true nationwide network.

Sustaining Alfa-Bank also made Fridman's empire far more nimble compared to the other major surviving financial-industrial conglomerates that no longer had functioning banking arms. That difference allowed Alfa Group to experience far faster growth for the next decade. Now, Alfa Group ranks one the slickest and nimblest of Russia's three mightiest corporate factions. The other two are Mikhail Prokhorov and Vladimir Potanin's Interros and Roman Abramovich's Millhouse Capital. The specific value of any of the three is impossible to determine because of the lack of transparency in all three entities.

Within a few years Fridman probably will emerge as Russia's most powerful oligarch in the financial sense. Differences of opinion between Prokhorov and Potanin are prompting the two to split Interros down the middle. Prokhorov wants to go international, while Potanin is preparing to sell most of his assets back to the government. Meanwhile, Abramovich largely has cashed out of his Russian investments, and now spends most of his time in London. Fridman is the only one of these major oligarchs who has a healthy, functioning bank and is not jumping ship.

Alfa Group is among the top tier of Russia's largest privately owned financial-industrial conglomerates, with interests in oil and natural gas, commodities trading, commercial and investment banking, insurance, retail trade and telecommunications. And its operations are expanding by the day.

Renaissance Capital, Russia's top portal for Western investment in Russia, considers Alfa the most aggressive conglomerate in Russia, saying "they prefer to use hostile methods to either buy assets, which usually makes acquisitions cheaper, or to sell their existing assets as a premium.... Alfa is pushing outside Russia with typical aggressions, adopting the foot-in-the door style which has served it so well as home."

Alfa Group traditionally follows one of four paths when seeking acquisitions.

First, as already noted, government privatization auctions were regularly rigged either by collusion among the oligarchs, directly bribing/threatening government personnel, or both. The most recent major instance in which Alfa participated in such an event was the 2002 privatization of state oil firm Slavneft. Fridman cooperated with Abramovich to split Slavneft for a price well below market value.

Second, Alfa often becomes involved in a legal conflict with an acquisition target. This is a favored tactic of many oligarchs. Oftentimes this involves a firm in which the government distributed shares to workers in the 1990s as part of a privatization scheme. Alfa would purchase a small minority of these shares from financially desperate workers and then would sue to obtain more control. At some point during the process Alfa would send in security personnel (more commonly thought to be armed thugs) to seize control of the operation. With physical control achieved, at such point it was rather simple for Alfa to use additional litigation, typically after bribing the appropriate judges, to turn de facto control into de jure control. Alfa employed this strategy (via TNK) in 1999 when it seized control of Sidanco from BP by having Sidanco declared bankrupt, thus making BP's claim null and void under Russian law.

Third, Alfa-Bank would attempt to grant loans to an acquisition target. After the target became somewhat financially dependent on Alfa-Bank, the conglomerate or its allies would take measures to pressure the target into having trouble paying back its loan. Using a carefully selected court, Alfa-Bank would then foreclose on the asset and seize control. Alternatively, direct attacks against the asset simultaneous to aggressive purchase negotiations often has allowed Alfa to acquire assets for less than normal market value. These attacks can be of a financial, legal or physical nature. This strategy is used primarily for small-scale acquisitions; most large operations are affiliated with an oligarch, and the oligarchs all have their own bank for internal operations.

And fourth, Alfa Group regularly seeks explicit government assistance for its operations. As Fridman's power has grown, he is better able to solicit government personnel to act on his behalf, bringing the full power of the state to bear for his benefit. The ultimate example of this is Fridman's personal appeal to Putin to help arrange the marriage of TNK and the United Kingdom's BP in 2003.

The Russian government largely has stopped sizable privatization auctions, so the first strategy is rarely used now. As Fridman himself has been known to say, "people have to be ready for a fight, though hopefully they can do it in the courts nowadays instead of with guns." Videos show that such statements after typically followed by Friedman's laughter.

The second strategy also has fallen somewhat into disuse within Russia as Fridman/Alfa has become richer and more influential. That is not the case, however, in other former Soviet states where the rule of law is even weaker than it is in Russia, most notably in Ukraine and Kyrgyzstan. In these locations, the second strategy is still a primary means of expanding Alfa Group's corporate reach. Renaissance Capital therefore considers Alfa the most aggressive Russian conglomerate.

The third and fourth strategies are still used regularly. Ever since former Alfa employee Mikhail Fradkov became prime minister in 2004, the fourth strategy has become a most prominent with Alfa as it pre-empts any political blowback from the Russian leadership.

It also is this fourth strategy that makes deals with Alfa relatively positive for foreign investors. Fridman/Alfa not only know how to work the system, they also have the Kremlin connections necessary to circumvent the shortcomings of the Russian legal system and to draw upon state resources to help support and realize international deals. If Alfa is on one's

side, and one is willing to turn a blind eye to some of their tactics, nearly anything can be achieved in Russia.

But regardless of the specific tactics used, one thread is common: Alfa Group is extraordinarily aggressive in going after what it wants. As a result, it comes in regular conflict with an array of other economic entities.

Group Assets

Alfa Group's current asset list consists of:

- A 25 percent share in TNK-BP, the country's second-largest private oil company in terms of production and reserves. (This is by far Alfa Group's single-most valuable asset.)
- Full ownership of Alfa-Bank, the second-most valuable asset in the Fridman empire. Alfa-Bank serves as the nexus for most of Alfa Group's operations both in Russia and internationally. Its rather hazy and corrupt operating guidelines landed it on the European Bank for Reconstruction and Development's black list in 1999 (where it remains).
- Full ownership of Alfa-Bank Ukraine, the central point for all of Alfa Group's Ukrainian operations and a growing asset (as a bank) in its own right.
- Full ownership of Alfa Capital, a direct investment fund often used for hostile takeovers.
- Full ownership of the X5 food retail conglomerate, which has been expanding aggressively in the vein of the strategies noted above. This holding includes an 80.41 percent holding in the Pyaterochka/Perekryostok trading house and retail chain.
- Full ownership of Bank Esparto, the fifth-largest Russian bank and the first private bank of Russia. In 1999, Bank Esparto created subsidiary companies in 10 areas of Russia. It thus created the second banking network, behind Sberbank. Esparto's holdings are all registered in Gibraltar and Luxembourg, making it Alfa Group's favorite tool for tax minimization. Alfa Group uses Esparto Bank Holding and Esparto Finances Holding to shift capital out of country, and hence beyond Kremlin reach.
- Full ownership of Crown Resources, a Swiss-based trading company specializing in the sale of Russian oil and petroleum products -- and increasingly aluminum -- to Western Europe. Crown manages most of the trade of Group Esparto and its own subsidiary, Crown Trade and Finance (based in the British Virgin Islands). Officially, however, Crown Resources runs nearly all of its finances and revenues through ERC Trading, a shell company, in order to minimize formal links to Alfa Group's primary tax evasion asset, Group Esparto.
- Full ownership of Alfa Capital Markets, an Alfa Group subsidiary that essentially has served as a money laundering and fraud vehicle that uses the United States in an attempt to round-trip capital back to Russia for use in defrauding and ultimately seizing control of the Russian cellular market. IPOC International Growth Fund launched federal racketeering lawsuits in 2006 against this subsidiary and its U.S. manager, Leonid Rozhetskin, in the U.S. District Court for the Southern District of New York.
- Full ownership of Capital Resources, a firm that specializes in the export of petroleum products such as gasoline, heating oil and crude oil, as well as aluminum.
- Full ownership of The Great Circle Fund, an emerging markets private equity fund that seeks leveraged buyout and expansion capital opportunities within the global transportation network. The fund's primary geographic focus is the countries of the former Soviet Union, Southeastern Europe and Turkey. It is formally registered in Connecticut to minimize Kremlin interference in its operations.

- Via the Great Circle Fund, Alfa-Bank holds an undetermined (but sizable) stake in Russian Logistic Service, a network of regional logistics companies in 20 cities in Russia and Kazakhstan that provides a full range of services, including freight forwarding by truck, rail, air and sea; consolidated cargo services; and storage and handling of cargo at 11 company-operated warehouses located in Moscow, St. Petersburg, Novosibirsk, Samara, Ekaterinburg, Krasnodar, Vladivostok and Khabarovsk. This link is responsible for supporting much of Alfa Group's retail operations.
- 50 percent ownership of Patriot Capital. This is a new firm formed by Alfa-Bank and Russian state arms exporter Rosoboronexport to drum up investment for the defense industry as well as to see to the financial and operational management of certain public assets in a sector undergoing a radical shake-up.
- Full ownership of A1, an affiliate in the vodka industry.
 - 50 percent ownership of Smirnov Trading House with Diageo (which owns Smirnoff and Captain Morgan). A1's Smirnov is the Russian version of Piotr Smirnov's Smirnoff vodka.
 - Full ownership of Russian Technologies, one of Russia's first venture capital funds focusing on high-tech investments, such as in the fields of nanotechnology and biotechnology. This firm holds a 40 percent stake in Ukrainian High Technologies, which is quickly becoming one of Ukraine's largest broadband providers.
- Full ownership of Alfa Estate, Alfa Group's real estate arm.
- Full ownership of Alfa Cement, which controls 25 percent of Russia's cement market.
- A 25 percent stake in CTC Media, a television entertainment firm. The company broadcasts entertainment programming through its CTC Network, Domashny Network, and 25 owned-and-operated TV stations. CTC Network is one of the top national broadcasters in Russia, with an audience of around 100 million viewers. It broadcasts through more than 300 affiliate stations and cable outlets. Domashny Network targets a mostly female audience; more than 85 percent of its programming consists of Russian-produced films and TV shows.

PricewaterhouseCoopers handles most of Alfa's accounting needs when an international accountancy firm is needed. Alfa Group is among PricewaterhouseCoopers' biggest Russian clients.

Allies and Confidants

As discussed above, by far Fridman's closest friend, true confidant and most valued business associate is Pyotr Aven. After his brief stint in Russia's first post-Soviet government, Fridman recruited Aven to head up Alfa-Bank; he is currently president of that institution. Aven is the brains behind Alfa's strategies and manager of its daily operations, while Fridman serves as the operation's face and as the canny, charismatic, though not necessarily likeable negotiator who cuts the deals.

Aven is also Alfa's link to much of the rest of Russia. While Fridman's personal connections should never be discounted, it is Aven who counts Putin as a friend. Their links go back to business agreements between his ministry post and Putin's bureau in St. Petersburg in 1992. Aven also is a close associate of presidential aid and adviser Igor Sechin. Aven personally advises state oil firm Rosneft (via Sechin) regarding what business strategies Rosneft should take, and is one of the reasons Rosneft continually outmaneuvers Gazprom despite Gazprom's ostensibly greater size and power.

Aven is not, however, clean. He is involved to the hilt in all of Fridman's business dealings, and as operational manager likely has more knowledge of any questionable or outright

illegal activities than Fridman himself. The Russian corruption task force of the U.S. District Court for the District of Columbia has marked him as a player in various corrupt activities, including drug trafficking.

Through Aven's links to Putin, Fridman also has accessed another critical ally: Prime Minister Mikhail Fradkov. Fradkov, a former Alfa employee, owes allegiance to Aven. He was installed in his present post in part because of Putin's approval of the TNK-BP tie-up. (Putin long has sought to increase foreign investment in Russia.)

German Khan is the second of the "Big Three" who founded Alfa. An old college friend of Fridman's from their days at the Moscow State Institute of Steel and Alloys, he is the executive director of TNK. Khan was instrumental in the takeover of Yugraneft from Canadian firm Norex and explicitly threatened and offered bribes to Norex CEO Alex Rotzang and Yugraneft's general director, Lyudmila Kondrashina.

Khan also sits on the boards of directors of Alfa Finance Holdings and Slavneft, a state oil firm that Alfa Group acquired a 50 percent stake of in a rigged auction in 2002. A native of Kiev, Khan is very active in the negotiations between Russia and Ukraine on energy supplies. Khan despises Ukrainian politician Yulia Timoshenko for both business and personal reasons and refuses to work with her when he is in Ukraine. Khan also is extraordinarily close to Alexei Miller, the CEO of state energy giant Gazprom, Russia's largest firm. The two of them regularly travel on "Gazprom" business, and their rapport suggests Khan is working to ensure TNK ultimately ends up on Gazprom's balance sheets, but in a way that Alfa Group gains sizable payment. Khan loves hunting, and like Fridman, maintains a large collection of sporting guns as well as expensive art.

Alexei Kuzmichev is the final person Fridman considers both a business partner and a friend. He is the final of the "Big Three" Alfa founders, and he, too, met Fridman in college. He chairs the board of directors of Alfa-Eco, personally heads Russian Technologies and headed Crown Resources until the oil tanker Prestige disaster in 2002. Kuzmichev lives in the United Kingdom. Of the entire Alfa team, he is most involved in the daily business of laundering the group's money through international shell companies.

These three individuals, most notably Aven, are the only ones privy to Fridman's thoughts and plans. Others are viewed as little more than resources to be exploited.

Lieutenants

Stratfor was unable to determine what high-level figures in Fridman's organization think of their boss from a personal or professional viewpoint. The staff's record does highlight an important detail, however. Unlike most Russian oligarchs' empires, Fridman's staff has a very low turnover. Most mid- to high-level associates have been with Fridman since before the 1998 financial crisis, suggesting a healthy respect for their employer.

The following men are the technocrats who have handled many of the details of Fridman's operations for years. They are trusted as subordinates, but none are friends or confidants of Fridman, who considers them all talented but disposable.

- Andrei Kazmin -- chairman of Alfa-Bank and Sberbank
- Oleg Sysuyev -- first deputy board chairman of Alfa-Bank, belonged to Committee 2008: Free Choice (a group of liberal politicians and activists critical of Putin) and has criticized Putin in interviews

- Chris Weafer -- close adviser to Fridman and Alfa-Bank's chief strategist; wrote Alfa's report stating that Putin should remain in office past 2008, paired on Vedomosti's front page against Renaissance Capital's opposite stance on the matter
- Mikhail Sarafanov -- former deputy minister for international economic relations and current head of International Investment Bank, which owns the headquarters of Alfa-Bank in Moscow
- Mikhail Grishin -- head of the legal department of Alfa-Bank

Business Associates (Not Friends or Confidants)

- Viktor Vekselberg is a longtime associate of Fridman. He heads Renova Group, a holding company that has partnered with Alfa on many occasions, most notably on the TNK-BP and Sual ventures. Vekselberg and Fridman are not friends or confidants, and they have been steadily splitting their interests after a decade of cooperation because many of Vekselberg's recent decisions have earned him new enemies, and Fridman feels he has enemies enough.
- Len Blavatnik, who heads Access Industries, holds substantial shares in Sual, Svyazinvest telecommunications group, and TNK-BP (all independently of Alfa Group). He became involved in the scandal between Alfa and Telekominvest, but when Fridman asked him to not support his new friends in Telekominvest, he pulled back. In 2005, Blavatnik's Access Industries planned on forming a joint venture with Telekominvest because it needed Telekominvest's clout to help it reach for a third telecom asset, Svyazinvest. But Alfa was just getting embroiled in a scandal with Telekominvest over Megafon. Following a meeting between Blavatnik and Fridman, Access Industries withdrew its bid, reportedly bowing to Fridman's "persuasion."
- Hans Bodmer, a Swiss lawyer who assisted Leonid Rozhetskin and Fridman with the Sonic Duo/Megafon acquisitions. He has pled guilty to criminal conspiracy to launder money in the United States and South Korea in connection to a scheme to bribe foreign leaders, specifically in Azerbaijan, along with Czech financier Victor Kozeny.
- Norbert Seeger is a key Alfa lawyer who enjoys excellent relations with, and does business for, the royal family of Lichtenstein. It is assumed, though not proven, that he provides ample advice on the subject of legal cover for Alfa Group's tax evasion and money-laundering operations.

Fridman's Entourage Outside Alfa

- Igor Pushkaryov is a close personal friend of Fridman, and Russia's construction industries' strongman in the Far East. He is a member of the Federation Council's (upper house) Budget Committee.
- Boris Nemtsov is personal adviser to Ukrainian President Viktor Yushchenko. Nemtsov was recently seen yachting with Fridman in the port of Viareggio, Italy. The two have been known to collude on the issue of Ukraine's mobile telephone market, a big target for Alfa Group.
- Vladimir Gusinsky is a former Russian oligarch/media tycoon who fled Russia after a falling out with Putin. He now lives in Israel and serves with Fridman on the Jewish Congress of Russia, one of the few NGOs Gusinsky actually has a real interest in.
- Vladimir Solovyov is a leading pro-government TV journalist and longtime friend of Fridman. Solovyov first met Fridman in college at the Moscow State Institute of Steel and Alloys in 1982.
- Marc Rich has long had ties to Fridman and Alfa Group. In 2001, Rich nearly sold his company to the Alfa division Crown Resources (now renamed ERC Trading). During the U.N. oil-for-food program in Iraq, both Rich and David Bay Chalmers of Bayoil bought oil from Alfa (via TNK and Onako) that had in turn been purchased from Iraq.

U.S. investigators assert that Alfa paid illegal surcharges to the Saddam Hussein government.

- Czech-born Victor Kozeny holds Irish citizenship, but currently is in the Bahamas attempting to avoid extradition to the United States. New charges are being brought against him by Omega Advisors, which says Kozeny forced it to pay more than \$500,000 to bribe the Azerbaijani government. Kozeny's Azerbaijani scam co-conspirator, Bodmer, helped set up Liechtenstein trusts for Azerbaijani officials, including then-president Heydar Aliyev's daughter, Sevil Aliyeva, and son, now-President Ilham Aliyev. Kozeny is a onetime ally of the Bush administration. Kozeny is accused of funneling money into Bush's first election campaign in order to keep him close to U.S. deals with Azerbaijan and during Bush's second campaign to prevent his extradition. He also allegedly participated in an Alfa scheme to defraud U.S. investors and companies. He is supposedly being extradited from the Bahamas to the United States to face charges of criminal conspiracy to launder money and conspiracy to violate the U.S. Foreign Corrupt Practices Act in connection with a scheme to bribe foreign leaders. He also faces international extradition warrants from the Czech Republic. The media often calls him "the pirate of Prague" and he was at one time Czech Republic's richest man. He is considered to have run some of the greatest post-Communist Czech scams in the early 1990s. In his Czech scam, Kozeny founded one of the Czech Republic's most successful mutual funds, named Harvard Capital Consulting (after the Ivy League school that he attended, but did not graduate from). Harvard Capital Consulting began running TV reruns on Czech television of "Dallas," giving the Czech public glimpses of what wealth could be like. The public had been completely disinterested in the Czech state's attempts at "coupon privatization" in which the state handed over vouchers to the public in trade for shares in companies. But once the reruns began, thousands were handing over their vouchers or coupon books to Harvard, which promised a 1,000 percent rate of return on investment. Harvard used those vouchers and coupons to purchase shares in a number of companies, strip the assets and then transfer the money to his offshore tax havens, mostly in the Bahamas. At one point, Kozeny owned one-third of the Czech economy. In his Azerbaijani scam, Kozeny tried to conduct a similar transaction. Kozeny used his connections to Chechen mobsters (who were familiar with the current Azerbaijani high-ranking officials) to gain an introduction to Ilham Aliyev. Kozeny offered his services beginning in 1994 to the government, which was considering privatizing its state-run oil company. U.S. investors gave Kozeny approximately \$182 million, but when the Azerbaijani government changed its mind, Kozeny did not return the money. Instead, he put into his tax haven in the Bahamas. The largest investor defrauding in this scam was the New York hedge fund Omega Advisors. Kozeny faces 25 years in prison in the United States and similar time in the Czech Republic. He has lived with his wife and mother in the Bahamas since 1993. He was expected to be extradited to U.S. authorities in June 2005. He was taken again into custody in the Bahamas in 2006 in order to be transferred to the United States, but was freed in 2007 "after paying a \$300,000 bail." To say the least, the United States is furious, but he has not been handed over yet.
- Leonid Rozhetskin is a U.S. citizen who stands accused of bribing officials from U.S.-based firm Diligence to steal IPOC property in Bermuda on behalf of Fridman's M.C. Enterprise.
- Sergei Shatalov is a deputy Russian finance minister. Shatalov helped Fridman drastically reduce a recent back-tax bill from \$158 million to just \$17.6 million.
- Mikhail Bezeliansky is a discreet and little-known but influential businessman. He is active in Moscow's retail business through the firms Hypercenter and Mosmart, which he manages and partly owns with another former Alfa executive, Andrey Shelukhin. Bezeliansky's personal fortune is estimated at around \$100 million. He was an early associate of Fridman. The two met in college in 1983, and Bezeliansky held several

executive positions in the Alfa Group in the 1990s. From 1995 to 1998, he and German Khan co-chaired an affiliate of the Alfa Group that specialized in trading metals and oil. Since then, Bezeliansky has turned his attention to the retail business in Moscow (with associates who had worked with Carrefour in France and Poland), using handsome loans from Sberbank whose boss, Andrei Kazmin, is a close friend. Bezeliansky also runs the Bumizdelye firm, which holds 15 percent of the Russian market for paper and cardboard. He took control of it in 2003 under conditions described as somewhat muscular, and until last August he was the biggest shareholder in Jirkombinat in Moscow, the federation's leading producer of fat.

The Kremlin

At present the Kremlin is not overly worried about Alfa/Fridman's ever-growing economic clout. Unlike many of the oligarchic groups Aven's predilection for investment and Fridman's talent at courting foreigners mesh nicely with Putin's goals of developing and internationalizing Russia. Add in that the Alfa team seems to have no political aspirations, and the Putin team seems willing to overlook Fridman/Aven indiscretions that are part and parcel of oligarchic life in Russia. In the Kremlin's view, Fridman and Aven are both thieves and liars, but they are among the more respectful and constructive of the bunch. Aven in particular goes to great lengths to ensure the Alfa Group in general and Fridman in particular do not step on the Kremlin's toes.

In order to discuss Fridman/Alfa's direct relations with the Kremlin, an overview is required of the power players who truly matter behind the Kremlin wall. First and foremost is Putin, who shares no personal or professional connection with Fridman. As noted before, however, Aven and Putin consider each other close friends and even confidants. While this relationship is obviously critical, it is the second-most important as regards Alfa-Kremlin relations. Russia is preparing for a leadership transition, with the next presidential elections scheduled for March 2008, thus making a different personality more important than even the president.

The two leading candidates -- which is to say, the two men that Putin is choosing between to be his successor -- are First Deputy Prime Minister's Sergei Ivanov and Dmitri Medvedev. Neither Fridman nor Aven are particularly close to either, but ironically, these are not the two people to watch.

The two men who are the powers behind Ivanov and Medvedev -- and to a great degree behind Putin himself -- are Igor Sechin and Vladislav Surkov. Surkov is by far the more powerful of the two, serving as Putin's right-hand man and the deputy head of the presidential administration. Currently, Surkov works more directly with Medvedev, but Putin has let it be known that should Ivanov be selected as president that Surkov will change sides and be the power behind the Ivanov throne.

Surkov is a bizarre personality -- quiet, reserved and completely and utterly amoral. Were it not for his determination to climb to the top of Russia's political heap, he undoubtedly would have become one of Russia's most powerful oligarchs. Half Jewish and half Chechen (his original name, changed years ago, was Islambec) Surkov has worked for the now-deceased Chechen President Dzhokhar Dudayev, the now-exiled Boris Berezovsky, and the now-imprisoned Mikhail Khodorkovsky. Surkov's actions were the critical, precipitating events that lead to the exile, imprisonment and death of these three.

Of all Russians not to trifle with, Surkov should always be at the top of the list. He is utterly ruthless and extraordinarily and pathologically opportunistic. He does not merely outmaneuver his opponents, he ensures their destruction; he will sacrifice anyone to move

up the ladder. The only jobs he is not interested in are the presidency and the premiership; he fully realizes that his ethnic background makes such positions impossible in extremely anti-Semitic and anti-Chechen Russia.

Fridman's Relations with the Kremlin

Fridman's relationship with Vladislav Surkov has been on-again, off-again ever since the two attended the Moscow State Institute of Steel and Alloys in 1982. In the early 1990s Surkov served for a time as the deputy chairman of Alfa-Bank, ultimately betraying Fridman in order to advance himself. Surkov already had befriended Putin during his first presidency and was going to be made head of Transnefteprodukt in trade for providing negative information about Fridman. But instead of getting Transnefteprodukt, Surkov was pulled away to run Putin's election campaign, leading him to become Putin's chief adviser soon afterward.

Fridman counts himself lucky that Surkov did not arrange for him to be exiled, arrested or killed. Surkov chose not to "throw Fridman under the bus" as he did many of his other employers, but he certainly sacrificed much of Fridman's operation in order to solidify his current position next to the Russian president.

Since Surkov's ascendance to the very center of Putin's inner circle, Fridman and Aven both have lobbied Surkov extensively to re-ignite their past associations, and with some success. But the relationship should not be thought of as collegial or friendly. It is much simpler: Surkov tells Fridman precisely what he needs to do to stay off of the Kremlin's hit list or to secure Kremlin assistance in a business battle, and Fridman complies completely.

From this "association" Patriot Capital was born under the aegis of Alfa Group to facilitate investment in the Russian defense sector. The sector is going through a radical shakeout led on the industrial side by Sergei Chemezov and his state firm, Rosoboronexport. The company has been greatly diversifying recently, and is now involved in building cars (under AvtoVAZ), producing titanium (under VSMPO-Avisma) and making drilling systems (Motovilikhinskye Zavody), and is intending to enter the warship construction and military electronics business. The company also is transforming into a larger state corporation called "Russian Technologies" that will be run by Chemezov but overseen by First Deputy Prime Minister Sergei Ivanov.

Rosoboronexport is known for its lack of management skills, which is only increasing as the company grows. This is where Alfa is stepping in. Alfa's role not only will be to drum up investment for Russia's defense industry, but also to oversee the financial and operational management of certain assets in the defense sector while Rosoboronexport undergoes its shakeout.

The alliance stunned many, since Fridman and Chemezov seemed to be coming from different worlds. Fridman made his name as one of the original oligarchs, taking assets from the state, while Chemezov is seen as a "new oligarch" serving to return the assets seized by the old oligarchs to the state. Chemezov has known Putin personally since their time together with the KGB in the late 1980s serving in East Germany. Chemezov is now one of the leaders in the United Russia party, and is solidifying his place as one of Putin's top wheeler-dealers. Surkov personally arranged for the Chemezov-Fridman tie-up. Fridman jumped at the opportunity, knowing that having both Surkov and Chemezov on his side was safest for him and Alfa. Surkov also is pushing another of his loyalists, Igor Zavyalov, as the new boss of Patriot Capital. Zavyalov served as vice president of one of Gazprom's pocket banks, Vneshtorgbank.

Alfa Group offers heavy financial support for the Nashi (Ours!) youth political organization. Nashi is one of the Kremlin's newest political tools to ensure nationwide political loyalty, and clearly represents a reaction to Ukraine's 2004 Orange Revolution in 2004, in which youth movements were a strong driver. Financial backing for the Nashi is one of the many ways in which the oligarchs, including Fridman, "pay homage" to the Kremlin sentiments.

The Nashi movement today is ultranationalist, standing against what they call fascism, which in Russian politics is an emotionally powerful and eminently flexible term. The Nashi stand against what they see as the growing Western influence within Russia, protesting Western media and businesses alike. The Nashi were responsible for the large protests against Estonia in May during which the ambassadors to Sweden and Estonia were attacked.

The Nashi movement enjoys strong though unofficial backing by Putin and his associates. Surkov has been taking an active hand in shaping the group's organization and ideology since 2005, modeling it in part after the now-defunct Soviet youth movements of the Cold War era. Many of Alfa's charitable organizations and "donations" also come in direct response to Surkov's diktats.

But the biggest sacrifice Surkov has ordered, which should become manifest during the course of the next year, is surrendering TNK to the government. When the TNK-BP tie-up was agreed to in 2003, one of the conditions was that neither party would be allowed to sell its shares for a period of five years. That restriction expires at the end of 2008, and Surkov has made it clear to Fridman that he has earned enough profit from TNK and the time is approaching for the oil firm to be surrendered to government control, specifically to Gazprom.

Putin appreciated Fridman's efforts to link Russian oil into the British economy via the TNK-BP deal, and partially as a reward, Putin appointed Mikhail Fradkov as his prime minister in 2004. In Surkov's mind, Fridman has profited enough from this arrangement, so Fridman will not be continuing in a major government role once Putin transfers power to his as-yet-unchosen successor.

The final Kremlin power broker of note is Igor Sechin, Surkov's nemesis and competitor for Putin's attention as the presidential administration's other deputy head. Sechin's background in the intelligence services makes him a far more opaque individual to pick apart, and Stratfor's attempts to date have met with few conclusive results. What we do know is that every time Surkov and Sechin have clashed in a serious way, Sechin has managed to outmaneuver his rival.

Just as Surkov is heavily involved in Gazprom, Sechin's fate is intertwined with Rosneft, Gazprom's competing state energy giant. Unlike relations between Alfa and Surkov, which are best described as servile, Sechin is a very close personal friend of Pyotr Aven and could even be considered a protector (of Aven, not Fridman). Sechin often has asked Aven to advise him about Rosneft business operations, and that advice is undoubtedly responsible for much of Rosneft's success vis-à-vis the much larger Gazprom.

Fridman is extremely concerned about the nature of his dependence upon and vulnerability to Surkov, but knows that submission is by far the safest choice for now. Fridman knows how to play the game and knows that for now it involves Surkov. In time Fridman and Aven certainly hope that Sechin ultimately overpowers and deposes Surkov as Putin's favorite, but they know better than to do anything that Surkov might perceive as a threat.

This managing of Surkov is merely the most recent manifestation of what ultimately has proven to be Fridman's most important characteristic: his adaptability.

By continually moving and morphing to the current political situation in Russia, Fridman has ensured his fortune and his life. On a number of occasions this has forced him to change his business philosophy, industrial exposure, negotiation tactics, staff and even friends. This malleability has empowered him to use Alfa to create, build and manage not just one of the most powerful and effective financial-industrial conglomerates in Russia, but also the country's most sophisticated and effective political lobbies.

This is in no way to insinuate that Fridman does not live day to day walking a very fine line. The Duma's International Affairs Committee often has examined the impact Alfa's behavior is having on Russia's international reputation. Duma committee reports regularly note that the "foreign economic activities of Alfa Group are accumulating a critical mass of problems which are dangerous to the reputation of Russian business and whole economy of the country."

The Duma is a fully owned and operated tool of the Kremlin, so Fridman need not worry about the Duma causing problems unless the Kremlin wills it to be so. But it must never be forgotten that Fridman's position, similar to the position of any businessman in Russia, is wholly dependent upon the whim of the Kremlin. Throughout the 1990s and in many ways still today, the Russian legal code is contradictory, sometimes intentionally so. Such contradictions make it literally impossible to carry on with business in the country without breaking at least some of the rules. That alone gives the Kremlin ample leverage to challenge any businessman at anytime under legal pretexts.

All security forces in Russia are controlled by the Kremlin, so long as Fridman is able to meet the minimum threshold of loyalty in order to keep the Kremlin happy, he will not face any problems from police, military, internal security or intelligence organs of the state.

The Future Kremlin & Fridman

Fridman has done remarkably well at maintaining his low profile (relative to his wealth), but as his power has grown this has truly become possible only by maintaining close, friendly links to the Kremlin. Unfortunately for Fridman and anyone associated with him, the Kremlin is about to undergo a changing of the guard.

In March 2008 popular elections will rubber-stamp Putin's chosen successor, be that Dmitri Medvedev or Sergei Ivanov. Neither Fridman nor Aven have particularly close ties to either potential candidate, and business associates note that both are positive that Mikhail Fradkov's time in the premiership will end with the Putin presidency.

This does not mean that Alfa will be on the outs: Fridman still has his relationship with Medvedev's power broker (Surkov) and Aven remains close to Ivanov's power broker (Sechin), but there is a war brewing within the Kremlin. Surkov and Sechin hate each other and the two have been sparring indirectly, over the future direction of Russian policy and the future control of the state itself. Putin has been attempting to balance the two, but Putin himself will soon be stepping down. (Note: We do not see Putin retiring completely from public life, but his profile and influence certainly will diminish.)

Once the government transfer is completed, Stratfor expects Surkov and Sechin to begin an open battle for dominance, a battle in which every tool and ally that they can call upon will be brought into play.

The danger to Fridman is not so much that he will lose Fradkov's position or that the new order will be substantially more hostile to him and his interests; it is simply that the order is changing and that brings unpredictability. Surkov certainly thinks of Fridman as a despicable man who eventually will be laid low, albeit a despicable man who has his uses. Surkov sees Fridman as he sees Fradkov: as being disposable.

For Fridman and Alfa to thrive under the new government it will need to seek the individual who wins the power struggle and negotiate a new set of terms. This will be a benefit to anyone seeking to do business with Fridman; this is a skill set that he and Aven have perfected.

Violence & Fridman

There are few public incidents for which conclusive evidence links Fridman directly to ordering violent action, but that is similar to the records of all of the current Russian oligarchs. All of the current oligarchs are skilled at using intermediaries and fronts to provide a veneer of businesslike legitimacy to make illegal activities appear to be the work of others.

In Fridman's case, the use of violence can be broken into three broad categories. The first is the empowerment of political violence in the hands of the state. Fridman is a large financial supporter of the Nashi youth organization, according to two leaders of the movement that Stratfor spoke with. At present it is unclear whether Fridman can leverage his financial support into calling on Nashi to take action for him, but for now Fridman is at least indirectly responsible for the rising power of that organization.

Second, Fridman is closely tied into the Muscovite Solntsevo (Solsnetskaya) Organization, one of Russia's largest and most powerful organized crime associations, via funding from Alfa. Solsnetskaya is a confederation of a half-dozen criminal groups often accused of drug-running, racketeering, money laundering and bribery. The organization is led by Sergei Mikhailov, widely considered to be one of the most dangerous and notorious gangsters in Russia.

Russian media have frequently tied many oligarchs to the Solsnetskaya organization, though a Russian prosecutor Stratfor spoke with said the evidence that Fridman and Aven are involved with the group has been officially removed from all records. Fridman and Aven have been involved with this organization since the beginning of the 1990s, when they used it for protection. As Alfa became more successful, they turned from customers to partners, and now they are in business with Solsnetskaya. Aven is believed to be heavily involved specifically in applying his business regimen to Solsnetskaya's global drug trade. Aven's direct involvement in the drug trade also has been documented in filings made in U.S. federal court. Specifically, Alfa Group is now involved in transporting drugs from Southeast Asia through Russia into Europe, laundering money of Colombian drug cartels, and bribing organs of justice in Russia in order to keep the entire operation below law enforcement's radar.

Despite Fridman's officially "clean" record so far as violence is concerned, he is believed to be at least partially responsible for many of the assassinations that plague Russian society, particularly regarding journalists. (Allegedly, such tactics are a large part of why Fridman enjoys such a clean record.) Two cases in point include the assassination of Ukrainian journalist Georgi Gongadze in Ukraine in 2000 and the 2004 murder of U.S. journalist Paul Klebnikov in Moscow. Fridman's involvement in the two murders has been alluded to by several media publications, including Radio Free Europe and Johnson's List, while also

partially corroborated by journalists and Ukrainian politicians Stratfor spoke with while preparing this report.

Gongadze was believed to be investigating links between Fridman (via Alfa Group) and Ukrainian Parliamentary Chief Oleksandr Moroz when he was killed. Supposedly, Moroz had promised Alfa many lucrative energy projects should he be elected president of Ukraine. (His bid ultimately failed.) According to witness testimony in the case, Alfa hired the local Izmailovskaya organized crime gang to murder and decapitate Gongadze in order to silence his investigations.

Klebnikov was a reporter for the Russian edition of Forbes and was investigating a number of activities of the Alfa Group when he was killed. An official within Putin's inner circle told Stratfor that before his death, Klebnikov was investigating Alfa's activities regarding IPOC, Megafon and Azerbaijani oil.

Appendix: Enemies & Investigations

There are very few important people in Russia who actually profess to like Mikhail Fridman, similar to other oligarchs. Once this fact is taken into account, he has surprisingly few enemies. This document outlines major investigations of Alfa Group and Fridman, as well as details about whom Stratfor considers to be the oligarch's chief foes.

Foes

- Fridman's most vocal critic is Russian Technology and Communications Minister Leonid Reiman, who began openly calling himself Alfa's biggest enemy after Alfa used questionable methods to obtain a 25 percent stake in MegaFon, Reiman's cellular telecommunications firm.
- Vladimir Yevtushenkov is the oligarch in charge of Sistema. Yevtushenkov is close to Moscow Mayor Yuri Lujkov. Yevtushenkov and Fridman have a rocky relationship, since Alfa and Sistema regularly go after the same assets, especially in the telecom sector.
- Jeffrey Galmond is the Danish lawyer who is leading the legal fight for the IPOC International Growth Fund against Alfa.
- Telenor's Russian representative Goran Olsen and the Norwegian government can be counted among Fridman's foes due to their dispute with Fridman over the management and ownership of telecommunications firm VimpelCom. The Norwegian government has said publicly that it was a mistake to do business with a corrupt firm like Alfa.
- Vladimir Potanin is a committed foe as a result of the Sidanco scandal.
- Exiled Russian oligarch Boris Berezovsky has a number of disputes with Fridman.

1) Telecominvest vs. Alfa over MegaFon

Telecominvest is a core asset of the St. Petersburg clan of Kremlin powerbrokers. Leonid Reiman, a businessman close to Russian President Vladimir Putin and his wife, Ludmilla, was the boss of Telecominvest before being named telecommunications minister in the first Putin administration, a position he holds today.

Telecominvest owns shares of mobile telephone operator MegaFon, alongside Sweden's TeliaSonera. When Alfa purchased a packet of shares of MegaFon itself, Reiman and Alfa/Fridman came into conflict and now Reiman is probably Fridman's most vocal opponent.

A legal battle is now raging between Reiman and Fridman concerning the shareholder structure of Telecominvest. Alfa/Fridman accuses the Reiman of holding shares in the telephone company, as well as in its mobile telephone unit, of which Alfa itself reportedly bought 25 percent through offshore companies. (Another offshore fund reportedly linked to Reiman is fighting for that stake.)

The screws are also being tightened on the man at the core of the affair, Leonid Rozhetskin, a 38-year-old born in Leningrad to a Russian family that immigrated to the United States in 1979. In the wake of a lot of complicated operations involving offshore firms in Bermuda, the Virgin Islands and Panama, Rozhetskin is said to have sold 25 percent stakes in MegaFon twice over: once to an offshore firm in Bermuda named IPOC (to the alleged benefit of Reiman, which Reiman categorically denies) and once to Alfa Group, which controls another mobile phone company, VimpelCom. The maneuver, which reportedly involved nearly \$300 million, triggered the ire of the St. Petersburg clan, particularly Reiman.

Rozhetskin has been under investigation since December 2006 for fraud. But that did not prevent him from continuing his career with the Norilsk Nickel group, of which he remained vice president until January. Rozhetskin is currently under the protection of Vladimir Potanin, another oligarch.

The affair is political from a number of standpoints. Foreign investors operating in Russia are keeping a close eye on it because a Scandinavian group, TeliaSonera, holds a 36.5 percent stake in MegaFon, which boasts 15 million subscribers. TeliaSonera would like to float MegaFon on the stock exchange but cannot do so until the conflict is resolved.

TeliaSonera and Telecominvest are putting the squeeze on Fridman to give up his 25 percent stake in MegaFon, so far without success as Fridman believes that cellular telecommunications are to be his corporate future. Fridman already escaped the first salvo fired at him in December 2006, when the tax authorities demanded he pay \$158 million in back taxes, a sum reduced to \$17 million after some extremely hard bargaining.

The case in the U.S. courts, based on claims under the Racketeer Influenced and Corrupt Organizations (RICO) Act, charges that Fridman conspired with Rozhetskin to steal IPOC's interest via money laundering, bribery, wire fraud and other criminal wrongdoing. The other defendants are Alfa Capital Markets, a U.S. corporation; Alfa Telecom (now known as Altimo); and Swiss lawyer Hans Bodmer. Alfa Group Consortium is an association of various companies controlled by Fridman.

2) Telenor vs. Alfa over VimpelCom

Alfa Group and Telenor are the two largest shareholders in VimpelCom, a New York Stock Exchange-listed company and Russia's second-largest mobile telecommunications operator. Both companies also control Kyivstar, Ukraine's second-largest mobile operator, holding 43.5 percent and 56.5 percent respectively. In early 2005, at Alfa Group's behest, VimpelCom expanded into Ukraine by acquiring Ukrainian Radio Systems (URS), also known as WellCom, a small mobile operator with less than a 1 percent market share, as well as a Kyivstar competitor. VimpelCom's offer was in excess of what Telenor and many analysts believed was URS' actual value. Telenor blocked the acquisition on the basis that, among other things, the price was inflated, the deal was in conflict with its interests in Kyivstar and it was inconsistent with VimpelCom's charter.

Shortly thereafter, an obscure minority shareholder of VimpelCom convinced the friendly Temruksky district court of Krasnodarsky Krai to order VimpelCom to modify its voting rules to end Telenor's effective veto of the acquisition. Alfa unconvincingly denied it was behind the suit. Telenor successfully challenged the lower court judgment in the Russian Supreme Court, which upheld its right to block the VimpelCom acquisition of URS. Not satisfied with this ruling, suits were filed by an Alfa affiliate in Ukrainian courts, seeking to bar Kyivstar management from performing many of its operating responsibilities, claiming that Kyivstar's charter violated Ukrainian law and challenging Telenor's rights as majority shareholder. Continuing to defy the VimpelCom charter and its partner Telenor, Alfa Group then led an aggressive lobbying campaign to gain the support of minority shareholders for the URS acquisition.

Telenor CEO Jon Fredrik Baksaas warned shareholders that Alfa Group was "executing an aggressive, self-serving campaign to take effective control of VimpelCom." On Nov. 11, 2005, VimpelCom completed the acquisition of URS, despite the opposition of Telenor. VimpelCom's management claimed it had no choice but to move forward with the deal after shareholders approved it. However, this vote took place only after the court ordered VimpelCom to modify its voting rules to end Telenor's effective veto of the acquisition.

On Jan. 12, 2006, Goran Olsen, director of Telenor's Russia office, said it was no longer possible for Telenor and Alfa Group to work together, but that Telenor intended to maintain its investment in VimpelCom. He was quoted in Russian media as saying, "The partnership with Alfa Group has deteriorated probably beyond repair." The Norwegian government, which owns 54 percent of Telenor, expressed its misgivings at Alfa's tactics. Former Norwegian Trade and Industry Minister Borge Brende explained that business partnerships should "be based on mutual trust ... I do not have such trust in Alfa Group."

Tensions increased between the two Dec. 7 when Russian authorities presented a \$158 million back-tax bill to VimpelCom. Fridman believes Reiman, from the MegaFon scandal, was behind that move.

3) U.S. Defraudment & Azerbaijani Oil

Fridman, Bodmer, Pyotr Aven and Viktor Kozeny all have been accused not only of the defrauding of IPOC (as noted above) but also of a scheme to gain control of Azerbaijan's state oil company. In 2003, a New York grand jury indicted Bodmer, a Swiss lawyer, for allegedly conspiring to violate the Foreign Corrupt Practices Act (FCPA) in connection with the bribery of senior Azeri officials. At the United States' request, South Korea extradited Bodmer to the United States in 2004. In June of that year, the trial court dismissed the FCPA charges based on technical issues relating to extradition. In October 2004, Bodmer pleaded guilty to money laundering.

On Oct. 6, 2005, a grand jury in New York indicted Kozeny, Frederic Bourke Jr. and David Pinkerton for allegedly participating in a massive scheme to bribe senior Azeri government officials to ensure those officials would privatize the State Oil Company of Azerbaijan (SOCAR) and allow Kozeny, Bourke, Pinkerton and others to share in the anticipated profits from that privatization. The indictment charged that Kozeny, acting on his own and as an agent of Bourke, Pinkerton and others, made a series of corrupt payments and promises to pay off a senior official of the Azeri government, a senior SOCAR official and senior State Property Committee officials, employees of the agency responsible for administering the privatization program.

The defendants also are charged with related crimes, including money laundering. Kozeny was arrested in the Bahamas and a U.S. request for his extradition is currently pending. Bourke and Pinkerton voluntarily surrendered to the FBI and have been arraigned. Three other individuals previously pleaded guilty in connection with their participation in this bribery scheme.

4) U.N. Oil for Food Scandal

The United Nations, via former U.S. Federal Reserve Board Chairman Paul Volcker, has charged Alfa Group with criminal wrongdoing and cited its \$2.3 million in illegal kickbacks and bribes to former Iraqi leader Saddam Hussein in the Oil for Food Program.

Mark Rich has long had ties to Mikhail Fridman and Alfa Group. In 2001, Rich nearly sold his company to an Alfa division: Zug-based Crown Resources Corp. (now called ERC Trading). Under the U.N. program both Rich and David Bay Chalmers (Bayoil) bought oil from Alfa units, according to the Middle East Economic Survey: Onako and Tyumen Oil Co., respectively.

5) Sidanco Dispute

Alfa Group took the leading role in two of Russia's most controversial bankruptcy cases concerning Chernogorneft, an oil production company and its parent, Sidanco. In 1998 an Alfa Group shell company, Beta-Eco, used a minor \$20,000 debt combined with manipulation of court personnel to force Sidanco into bankruptcy and gain control of its assets.

Alfa Group's Tyumen Oil Group (TNK) subsequently "bought out" Beta-Eco, gaining full control of Chernogorneft for a mere \$175 million despite the fact that British Petroleum earlier had paid \$571 million for just a 10 percent share. The European Bank of Reconstruction and Development branded the bankruptcy as "a sham" and "wholly contrary to the concept of fairness and transparency."

Foreign investors, including British Petroleum, immediately challenged the bankruptcy and sale. British Petroleum fought back and accused the TNK shareholders of theft and bribing judges in order to rig the bankruptcy auction.

In August 2001, BP (the successor to British Petroleum) and Alfa Group announced an agreement to create TNK-BP from the assets of the disputed bankruptcy; other shareholders are still trying to recover their losses. In June 2005, former German and Austrian shareholders asked Russia's General Prosecutor to reopen the investigation of the deals that led to Chernogorneft's allegedly "artificial" bankruptcy. Another minority shareholder, Canada's Norex Petroleum, continues to pursue legal action in U.S. courts, contending that the creation of TNK-BP resulted from numerous corrupt, illegal, and predatory maneuvers by Alfa Group. These cases remain active.

6) Turkcell Dispute

In Oct. 2005, the International Chamber of Commerce's Arbitration court in Switzerland sided with TeliaSonera against Alfa's deal to purchase 27 percent of Turkcell from Cukurova. TeliaSonera held 37 percent of Turkcell and had contractually agreed to acquire an additional 27 percent from Cukurova to give it a controlling stake. In striking a deal with Alfa Group, TeliaSonera alleged that Cukurova breached an earlier agreement entered into in early 2005.

The timing of Alfa's move to gain a piece of Turkcell led many analysts to speculate that Alfa Group's motive was, at least in part, linked to TeliaSonera's support of Alfa's rivals in the continuing conflict over a 25 percent stake in MegaFon. TeliaSonera is continuing to pursue two arbitration claims, in Geneva and Vienna, before the International Court of Arbitration to vindicate its contractual rights pertaining to the 2005 deal. In late 2005, TeliaSonera announced that it was initiating legal action against the Alfa Group itself, alleging illegal interference over its involvement in this transaction.

7) The Norex Dispute

In July 2001, Alfa-controlled TNK sent armed security guards into the offices of Yugraneft, a Western Siberian oil company 60 percent owned by Canada-based Norex Petroleum. Norex's stake in Yugraneft had been frozen in June of that year by a Russian regional court in the region of Khanty Mansiysk, the same court that had allowed TNK to take control of Chernogorneft. TNK-controlled Chernogorneft, which owned a minority stake in Yugraneft, responded by calling an extraordinary general meeting of the shareholders to install its own representatives on Yugraneft's board of directors. In essence, Alfa Group used a bribed judge to provide the pretext for seizing first operational, and then legal control.

Since 2003, Norex has been fighting in British Virgin Islands, Russian and American courts to reclaim ownership of its interest in Yugraneft. Norex claims that Alfa Group improperly gained control of Yugraneft through a corrupt process that included money laundering and racketeering. Claiming it lost its 97 percent stake in Yugraneft in the takeover, Norex has been pursuing a \$1.5 billion legal claim against TNK and other Alfa Group assets.

8) The ASVT Dispute

Some analysts in the Russian media believe the Alfa Group is behind an effort to undermine the position of AFK Sistema in connection with its shareholding in Mobile TeleSystems (MTS), a leading Russian mobile telecommunications operator listed on the NYSE, and Sistema's bidding position in the expected privatization of Svyazinvest. Svyazinvest owns and manages 90 percent of Russia's fixed-line telecommunications network and has a minority stake in a number of Russian mobile-telephone companies. It is an asset that would nearly guarantee Fridman's undisputed entrance into global telecommunications.

ASVT, a largely unknown Russian company, recently filed suit against Sistema, regarded as a leading potential bidder for Svyazinvest. Because the claims involve stakes in MTS held by Sistema, it is crucial to Sistema. Sistema holds an overall 50.4 percent stake in MTS, which allows it to control MTS and consolidate the company's financial performance into its own accounts. Many Russian news reports link ASVT to the Alfa Group. And in fact, ASVT Deputy Director Vadim Kucharin is the former Head of Alfa Telecom.

The suit by ASVT claims that Sistema failed to meet certain obligations under a 1995 agreement. Many believe that the lawsuit is part of Alfa's strategy to maneuver itself into the privatization of Svyazinvest. Alfa had previously indicated an interest in bidding in the Svyazinvest privatization but, according to reports, needed more time to raise capital. Sistema raised \$1.5 billion from an initial public offering earlier in 2005 to fund potential acquisitions, relying in large part on the cash flow from MTS.

9) Prestige Oil Spill

In November 2002, the Prestige, an aging tanker loaded with Russian fuel oil split in two and sank in the Atlantic Ocean. The spill created an ecological disaster as fuel oil coated beaches along a 125-mile stretch of coastline in the Spanish fishing region of Galicia, covering birds and other wildlife in sludge. Crown Resources, a Switzerland-based commodity-trading unit of the Alfa Group, owned the cargo on the Prestige. The fuel oil was loaded onto the Prestige in St. Petersburg and was bound for Singapore, Crown said. Crown said a buyer for the oil had not been lined up.

Crown has since been disbanded in order to minimize legal ramifications.

10) The Dachas Investigation

Aleksandr Khinshtein, a member of the Duma and a journalist, has uncovered a complicated web of deals that allegedly link Alfa and Mikhail Fridman to the privatization and purchase by a former high-ranking government official of two luxury dachas at a small fraction of their market value, allegedly in return for assistance in winning a government contract.

Specifically, these allegations link former Prime Minister Mikhail Kasyanov's acquisition of expensive plots of land to Roman Abramovich and Mikhail Fridman. Allegedly, Alfa Bank gave a loan of 20 million rubles (\$720,000) to a front company called Amelia. Amelia then allegedly used part of that loan to bid for a villa called Sosnovka-1 at an auction for

\$370,000 in January 2004. In August 2004, Amelia allegedly sold the villa to Kasyanov for almost exactly the same price it paid at the auction, even though the property had been independently appraised to be worth more than \$27 million.

Fridman allegedly received advantageous terms on the purchase of his own dacha. Six days after Sosnovka-1 was auctioned off, an Alfa subsidiary won a public tender to manage Sheremetyevo International Airport. In July 2005, the Russian public prosecutor opened a criminal investigation to determine how Kasyanov, and indirectly Mikhail Fridman, became the owners of these dachas. The prosecutor insinuated that Fridman arranged bribes and kickbacks to seal the Sheremetyevo deal.

By August 2005 when the investigation was gaining steam, Kasyanov had emerged as a potential challenger to the Kremlin power struggle. Rosprirodnadzor, the Russian Federal Natural Resource Oversight Agency, found violations during the reconstruction buildings on the territory of the state dacha belonging to Kasyanov. According to Deputy Chief of Rosprirodnadzor, Oleg Mitvol, the agency would seek permission to demolish the structures.

It was not until September 2005 that Rosprirodnadzor finally began investigating whether Fridman's summer house in the village of Sosnovka was being built in accordance with existing norms and legislation. In the course of their inspection, they found that three buildings on the compound are being rebuilt and this work is being carried out in the water conservation zone. The Natural Resources Ministry said the builders did not have all the documents required.

In January 2006, the Moscow Arbitration Court annulled the auction in which Mikhail Fridman bought the state dacha in the Sosnovka 3 compound. Rosprirodnadzor successfully argued that the auction was illegal because it was not properly announced and that the representatives that took part in the auction were all employees of Alfa Bank. The Court returned the plot to state property and ordered that Veltex, the company that bought the land, be repaid 10.1 million rubles.

In February 2006, the Moscow Arbitration Court cancelled the purchase-sale contract of the real estate property owned by Kasyanov, invalidating the sale.

11) The Bitel Dispute

Alfa and Sistema's battles over cellular telecommunications firms also extend into Kyrgyzstan. On Aug. 12, 2005, Russian cellular firm MTS announced it had bought a controlling 51 percent stake in Kazakh company Bitel from Alliance Capital for \$150 million. Two days later, Rezervspetsmet, which is alleged to be affiliated with the Alfa Group (an allegation denied by Alfa), obtained a Supreme Court ruling that gave ownership rights in Bitel, an Alliance subsidiary, to Rezervspetsmet.

The next day dozens of armed police stormed Bitel's offices at Rezervspetsmet's behest, detaining company executives and leaving 90 percent of Kyrgyzstan's mobile phone users without network coverage for 5 hours. MTS president Vasily Sidorov told reporters that he had met with Kyrgyz President Kurmanbek Bakiyev and other government officials after the police raid. Sidorov said the president was shocked, and that he had received assurances that the government would try to figure out why the raid had happened.

If Rezervspetsmet truly is owned by Alfa, which Stratfor believes is likely, it marks a sharp escalation of the Alfa/Sistema conflict. Until this event, Alfa had not resorted to bribing law enforcement (as opposed to judiciaries) to carry out its will.

12) Berezovsky Court Case

In April 2005, Berezovsky filed a lawsuit against Mikhail Fridman claiming that Fridman had libeled him during a popular Russian television show called "To Barrier" aired on NTV in 2004. The suit alleged that Fridman cast doubt over Berezovsky's reputation and claimed that Berezovsky threatened him.

On May 26, 2006, the court awarded Berezovsky £50,000 in damages over the libel case. The decision was a 10-1 split in favor of Berezovsky, stating the Fridman had failed to present convincing evidence that Berezovsky had threatened to kill him. RIA Novosti reported that the decision was also hailed a victory by a group of Russia's "new political refugees," which includes Akhmed Zakayev (Chechen militant envoy wanted in Russia on terrorism charges), Yuly Dubov (accused of fraud in Russia) and former state security colonel Alexander Litvinenko (defected in 2000).

Companies Accused of Money Laundering & Corruption

- Alfa Capital Markets is headquartered and registered in New York City. It is fully owned by Alfa Group. It manages most Alfa investments into the United States using money it launders from Alfa's Russian operations to avoid taxes. Such funds were used to acquire Golden Telecom Inc., a publicly held American company.
- Crown Commodities is a United Kingdom-based firm that traded Russian oil on global markets via a mix of shell firms in order to avoid Russian taxes. Known shells include Crown Trade and Finance (Gibraltar), Crown AG (Switzerland), Crown Resources (United States), and Alfa-Eco (Russian Federation).
- Novey Petroleum Finance Ltd. (Cyprus) was involved in the 1997 and 1999 privatization of TNK as the vehicle which acquired the controlling interest in TNK.
- TNK-Nyagan (Russian Federation) is wholly owned by TNK and was used as TNK's vehicle in the bankruptcy of Kondpetroleum.
- TNK-Nizhnevartovsk (Russian Federation) is managed and controlled by TNK and was used as TNK's vehicle to strip assets from Chernogorneft in the bankruptcy of Chernogorneft.

Known Shell/Slush Fund Firms

- Futura Associates Limited (United Kingdom/Panama) is owned by Spitz and was the recipient of millions of dollars of salary and bonus payments diverted through Eastmount (United States) in order to avoid U.S. tax authorities. AS Naftaco Industrial Partners Limited (Cyprus) is believed to be a vehicle by which laundered monies are paid to Russian businessmen Leonid Blavatnik and Victor Vekselberg.
- Other companies thought to be shell firms used either to bribe Russian officials or to benefit Aven and Fridman directly include: Lamport (Cyprus), Ozerla Business Corp., Redhill Properties Limited (Isle of Man, United Kingdom), Riverside Cay Limited (British Virgin Islands), Scorpio Res (Panama), Wasdale Limited (Isle of Man), Watford Limited (Isle of Man), Banstead Enterprises Limited (Isle of Man, United Kingdom), Beechville Trading Limited (Isle of Man, United Kingdom), Fullbrook Trading Limited (Isle of Man, United Kingdom), Inverforth Properties Limited Fairfax (Isle of Man, United Kingdom), Investment Limited (Cyprus), Freebow Investments (Cyprus), Aletar Co. (British Virgin Islands), and Arufa Invest & Trade (British Virgin Islands).