

Tuesday, 1 November 2011

(10.15 am)

Discussion re housekeeping

MRS JUSTICE GLOSTER: I'm told that the smell of burning rubber is not a cause for concern but something to do with the resurfacing of the road outside. If the position changes, we'll all be informed.

Yes, Mr Sumption.

MR SUMPTION: My Lady, could I raise with your Ladyship a problem relating to the translation.

MRS JUSTICE GLOSTER: Yes, certainly.

MR SUMPTION: We have reviewed overnight, with Russian speakers on our team, the transcript and the Russian transcript against the English one. There obviously is a problem here which is not the fault of the translators at all; it's a problem really relating to the translation of the questions. And for that reason it's not possible to produce, so to speak, a revised transcript; the questions as recorded are the questions that were asked.

The difficulty is that Russian is a language which, like German for example, the principal verb comes at the end of the sentence. It is relatively difficult to cope with sentences in questions that contain complex sub-clauses, often more than one of them. When we

looked particularly at the passages where the witness said that he would like a question to be put again or that he didn't understand it, almost invariably this was because the translators had had great difficulty keeping up with a question which is not broken up into small units but has many sub-clauses and it did in fact come over as being, on a literal translation, very difficult to follow.

It would therefore assist very much if questions were to be broken down into single propositions, if complex sub-clauses were to be avoided. It would both be fairer to the witness and it would mean we would probably get on quicker.

MRS JUSTICE GLOSTER: Mr Rabinowitz.

MR RABINOWITZ: Well, my Lady, I hear what my learned friend says and I shall do my best. I'm sorry if my best was not good enough yesterday but I'll do better today.

MRS JUSTICE GLOSTER: No, well, it is a problem with translation.

MR RABINOWITZ: No, I follow.

MRS JUSTICE GLOSTER: The other remedy is to -- but I'm not sure it would cope with the problem -- stop having simultaneous translation.

MR RABINOWITZ: I, with respect, would entirely support that.

MRS JUSTICE GLOSTER: But what I'm going to do is I'm going to run today with simultaneous translation because I prefer it, it's much quicker, and I'm going to ask you, Mr Rabinowitz, to make the questions less structured and a bit more simple if you can.

MR RABINOWITZ: I will do my best.

MRS JUSTICE GLOSTER: Let's see how we go.

MR RABINOWITZ: Very good.

MR ROMAN ABRAMOVICH (continued)

MRS JUSTICE GLOSTER: Good morning, Mr Abramovich. You're still on your oath, you understand that.

Cross-examination by MR RABINOWITZ (continued)

MR RABINOWITZ: Mr Abramovich, yesterday you told the court that it was your idea to create a vertically integrated oil company incorporating the crude oil producer Noyabrskneftegas and the Omsk Refinery. Do you remember that?

A. Yes, I do remember that.

Q. And I showed you paragraph 48 of your third witness statement and put it to you that your own evidence showed that the idea to combine two companies came to you from the management of Noyabrskneftegas and the Omsk Refinery. Do you remember that?

A. I do remember that you try to interpret my words like that, but this is not the case.

Q. When I asked you about that evidence, you suggested for the first time, I suggest, that -- and these were your words -- "the initial idea of the director general of Noyabrskneftegas, Viktor Gorodilov, was to create a vertically integrated company together with Surgut" rather than with Omsk Refinery. Do you remember that?

A. Yes, I do remember that.

Q. Now, in 1994 the oil produced at Noyabrskneftegas was refined by the Omsk Refinery, not by Surgut; that's right, isn't it?

A. I believe that I will have to explain to you exactly what I meant.

A vertical integrated company might have been created on the basis of one or two or three companies. Surgutneftegas, just as Noyabrskneftegas, is a producing company; but Surgut, the company called Surgut, included a refinery, Kirishi, not far from St Petersburg, therefore that in itself was also a vertically integrated company.

Does that clarify?

Q. With respect to that, Mr Abramovich, it simply confuses. Can I ask you, if you would, to listen to my question and answer it. You can comment afterwards, but if you just do that we will get on quicker, with or without sub-clauses. Do you follow?

Let me ask the question again. In 1994 the oil produced at Noyabrskneftegas was refined by the Omsk Refinery, not by Surgut; is that right?

A. Your understanding is correct because Surgut does produce crude oil.

Q. I'm not sure that that was an answer to my question. My question was that the oil producer Noyabrskneftegas was refined by the Omsk Refinery, not by Surgut. You're agreeing with me?

A. I agree with this. The crude oil that was produced by Noyabrskneftegas was refined by several Russian refineries, including the Omsk Refinery. I agree with that.

Q. And oil produced by Noyabrskneftegas could not be refined by Surgutneftegas because Surgutneftegas was itself a crude oil producer like Noyabrskneftegas?

A. That is exactly what I have been trying to explain.

Q. And the oil produced at Surgutneftegas was, was it not, refined -- sorry, I'll start that question again.

I realised it had a sub-clause.

The oil produced at Surgutneftegas was refined by an oil refinery called the Kirishi Oil Refinery?

A. That is correct, and that is exactly what I have clarified a minute ago.

Q. So if Noyabrskneftegas and Surgutneftegas had been

combined into a single company, that would not have created a vertically integrated oil company, would it?

- A. No, this is not correct. This is absolutely incorrect. Of course it would have resulted in the establishment of a vertically integrated company. I think someone has misled you.
- Q. With respect to that, Mr Abramovich, the trouble with what you're saying is that if Noyabrskneftegas and Surgutneftegas had been combined into a single oil company, that is not a vertically integrated company; that is a very large oil production company.
- A. I agree with you. This would have been a large producing company that would have, amongst other things, included Kirishi, the refinery. In Russia, sometimes companies were established on the basis of two, three, five, six companies. I think you're just not up to speed on this. Sometimes -- take North Sea, for instance: North Sea was a company that was established on the basis of just one entity, one company.
- Q. Mr Abramovich, another reason why the initial idea of Mr Gorodilov in 1994 cannot have been to create a vertically integrated oil company by combining Noyabrskneftegas with Surgutneftegas -- and can I just explain what that is and then get you to comment.

In 1993 Surgutneftegas had already been

corporatised, that is to say turned into an open joint stock company, as a vertically integrated oil company by combining Surgutneftegas production facility with the Kirishi refinery. I think you agree with that?

A. I absolutely agree with that. That is absolutely correct. This is exactly what I've been trying to convey to you.

Q. Is it your suggestion that what you were intending was that Noyabrskneftegas production should be added to Surgutneftegas production for refining at Kirishi?

A. I did not say -- I think you are getting more and more confused. Never have I suggested --

MRS JUSTICE GLOSTER: Just a second, please. Mr Abramovich, it would speed things up if you don't make comments about the state of Mr Rabinowitz's knowledge or confusion. Do you understand me? Just answer the question.

THE WITNESS: Yes, I do. Forgive me.

MRS JUSTICE GLOSTER: Don't criticise his understanding or whatever. What's relevant to me is your answers, not whether he's got it right or wrong or whether he's confused.

Okay. Thank you.

MR RABINOWITZ: Shall I ask the question again, Mr Abramovich?

MRS JUSTICE GLOSTER: Yes, please.

MR RABINOWITZ: Do you suggest that what was intended was that Noyabrskneftegas's production should be added to Surgutneftegas's production for refining by Kirishi?

A. That was one of the ideas that had been floated but that was not one of my ideas.

Q. Because that wouldn't have worked, would it?

A. It would have worked.

Q. Is it not right, Mr Abramovich, that the combined production of Surgutneftegas and Omskneftegas would have massively exceeded the refining capacity of the Kirishi refinery?

A. You are right: the combined production would have been far in excess.

Q. So what you couldn't have been talking about then was the combining of the two production companies with Kirishi refining?

A. I could have not said that and I have been trying to explain that my idea was to bring together Omsk, the refinery, and Noyabrsk, the producing facility. That's it.

Q. That's what you say. What started all of this off, Mr Abramovich, was your suggestion that that is not what Mr Viktor Gorodilov was talking about. You said Mr Viktor Gorodilov was talking about combining

Noyabrskneftegas with Surgutneftegas, and what I've suggested to you is that that simply could not have been what he was suggesting at all.

A. Well, unfortunately, I beg to differ. This is not the case.

Q. I'll go on to a different subject then, if I may.

Can I ask you, please, to look at paragraph 34 of your third witness statement. It's at bundle E1, tab 3, page 43 in the English E1/03/43 and page 143 in the Russian E1/03/143. Can I ask you, please, to read paragraph 43 (sic) to yourself.

MRS JUSTICE GLOSTER: Paragraph 43 is not on page 43.

MR RABINOWITZ: Sorry, I meant to say paragraph 34. I'm very sorry.

MRS JUSTICE GLOSTER: Paragraph 34, please. (Pause)

A. I have read that paragraph.

MR RABINOWITZ: Now, you say here that when you met Mr Berezovsky you were "quite surprised [at] his extravagant lifestyle" and that you personally were "never interested in imitating this lifestyle". Do you see that?

A. Yes, I can see that.

Q. Can we just consider the truthfulness of this assertion, Mr Abramovich, that you, unlike Mr Berezovsky, have never had an interest in what you label an extravagant

lifestyle. Do you follow?

Perhaps we could start with the English properties which you've owned over the years. There was, of course, Fyning Hill, which is a 420-acre estate and house in West Sussex. You bought that in 1999, did you not? You have to say "da" if you're agreeing.

A. I think so, yes. I think it was in the year 2000.

Q. Also in England there was Lowndes Square, a large and expensive central London property near Knightsbridge, I think, which you owned in 2000 as well?

A. Yes, that is correct.

MRS JUSTICE GLOSTER: Was that a flat or a house, an apartment or a house?

A. This is a flat. In the future I bought some further flats there and so that can be remodelled and turned into one house, but for the time being it's a flat.

MR RABINOWITZ: But I don't think you would disagree that this is a large and very expensive central London property?

A. I think so. I would agree with you. This is not a hugely large piece of property but it is in central London, yes.

Q. As for French property, you also acquired the Chateau or Villa de la Croe in 2000, didn't you?

A. That is correct, yes.

- Q. And this is a multi-million-pound chateau which once belonged to the Duke and Duchess of Windsor. But you say that's not extravagant?
- A. For the time being it is extremely expensive but at that time it was a property that had burnt down. It definitely did not cost as much at that time and I spent about seven years remodelling and rebuilding it.
- Q. Presumably at very substantial expense?
- A. Yes. Yes, I agree. It did involve significant amounts of money.
- Q. Did you have any other properties in France? Do you have any other properties in France?
- A. What period of time are you referring to?
- Q. Well, I'm trying to look with you at your suggestion that you avoid an extravagant lifestyle, Mr Abramovich. So my question to you is: do you have any properties in France?
- A. If I understand it correctly, in 33/34 we refer to 1994 and this is just the summary of what we are discussing, and for the time being what we are talking about is something that happened in the year 2000 and in the years subsequent, after the year 2000.
- Q. What you say in paragraph 34 is not on its face limited to 1994/1995. You say you were "never interested in imitating this lifestyle". But you now want to qualify

that, do you, to say whilst you weren't interested in a lifestyle then, you may have an extravagant lifestyle now? Or do you dispute that?

A. Well, yes, possibly. I agree, yes, that one could put it that way. But at that time this was not part of my position.

Q. So when did this change, Mr Abramovich?

A. I think that when I bought Chelsea Football Club, that did impact my way of life significantly. It was a turning point really.

Q. Is Chelsea the only football club in which you have an interest or do you also have an interest in CSKA Moscow?

A. No.

Q. Now, what I want to do next is ask you about what you say was the content of the agreement made in 1995 with Mr Berezovsky. My first question, if I can, is this: what is it that you say it was agreed you would give to Mr Berezovsky in return for his assistance?

A. I will be giving money.

Q. Can you be a little more specific, Mr Abramovich?

A. We agreed that I will fund ORT and I will provide funding for some of his expenses. For the first year we agreed on the total amount of \$30 million.

Q. Can I ask you, please, to go to bundle A1, tab 03 at page 44, please A1/03/44. Now, if you can go to the

beginning of the tab, do you see that this is your defence in this action?

A. Yes. I think we discussed this document yesterday.

Q. We did refer to it yesterday. We're going to refer to it again today. Can you go to page 84, please A1/03/84. It's just before the red divider.

A. I'm on page 84 but because it's all in English, unfortunately I cannot say anything about this.

MR SUMPTION: My Lady, we have a Russian text of this document if that would assist my learned friend.

MRS JUSTICE GLOSTER: I'm sorry, Mr Sumption?

MR SUMPTION: We have a Russian text of this document. If my learned friend is going to ask about the details, it might be sensible to use it.

MRS JUSTICE GLOSTER: Well, that would be helpful.

MR SUMPTION: Can I hand it round. (Handed)

MR RABINOWITZ: I'm very happy for that to be used.

Can I just mention this while my learned friend is handing this up. When we have previously asked for this document, we have been told that it was privileged and that they refused to provide it to us.

MR SUMPTION: It was prepared overnight in the light of my learned friend's questions yesterday.

MRS JUSTICE GLOSTER: Well, Mr Rabinowitz, I hear what you say. It's a matter for submission at an appropriate

time.

MR RABINOWITZ: Can I ask my learned friend if he has more than one copy so that the Russian speakers behind us can follow as well, in case there's a dispute as to whether the interpretation is right.

MR SUMPTION: We have other copies; we will produce them.

THE INTERPRETER: My Lady, would it be possible to have a copy for the interpreter in the booth?

MRS JUSTICE GLOSTER: Yes, certainly. Could the interpreter be provided with a copy and could Mr Rabinowitz's team and any of the other teams who want a copy also be provided with them. Mr Rabinowitz's team may need two copies or more, I don't know. I don't need a copy because I don't have Russian.

MR RABINOWITZ: Don't get rid of the English-version copy yet, please.

Mr Abramovich, before you put away the English draft in file A1, can you go to page 84 of that bundle, please. It's A1, tab 3, page 84 A1/03/84.

MRS JUSTICE GLOSTER: Paragraph?

MR RABINOWITZ: At the moment I just want the witness to be able to look at the final page of the English version which he has signed. We seem to be struggling to get there.

A. Yes, I can see that.

- Q. Do you see you signed this English version, Mr Abramovich? Mr Abramovich, look at the English version.
- A. Yes, yes, I'm looking at the English version.
- Q. Now, you signed it saying that you believe the facts stated in the re-amended defence are true. Can you explain how you were able to sign that? Did you have a Russian translation? Did someone take you through every paragraph of this? How did it work?
- A. I think that's how it was. Someone must have translated this for me or -- I cannot tell you exactly. There must have been a translation.
- Q. But you don't remember how it was that you came to sign this, whether you were reading a translation or someone translated each individual paragraph and you said, "Yes, that's right"?
- A. I really do not remember. Most probably there has been a translation but I cannot be more certain than that.
- Q. Mr Abramovich, this is signed by you on 28 October 2011, the most recent version; I think that's about three days ago. How can you not remember?
- A. I'm not sure I understand which document you're speaking about. I was not aware that this happened three days ago.
- Q. If you see on the page that you have opened, it should

be page 84.007. Do you have that open in front of you in the English version?

A. Yes, it is open here.

Q. Can you confirm that that signature, that's your signature?

A. Yes, it is my signature.

Q. When do you say you signed that?

A. I signed it according to the date but I'm not sure I was clear as to the document that we were actually referring to and I thought that we were talking about the document that we were discussing yesterday.

Q. Mr Abramovich, this is the document that we were discussing yesterday.

A. That's what I meant. Because it's all in English, it was difficult for me to understand exactly what document it was.

Q. Can I ask you, please, to look at paragraph D32 in this document. It's at page 43 A1/03/43. Now, the part of this letter I would like you to focus on in particular is the part that begins:

"Prior to the August 1995 Decree, the Defendant informed Mr Berezovsky that he wished to acquire a controlling interest in Sibneft on its creation. In return for the Defendant agreeing to provide Mr Berezovsky with funds he required in connection with

the cashflow of ORT, Mr Berezovsky agreed he would use his personal and political influence to support the project and assist in the passage of the necessary legislative steps leading to the creation of Sibneft which, in the event, were the obtaining of the August 1995 Decree and the September 1995 Resolution."

First, in relation to when this agreement was made, and looking at the first sentence of this passage, you say that the agreement was reached prior to the August 1995 decree. Do you see that?

A. Yes, I can see that.

Q. That is, of course, consistent with Mr Berezovsky's case, which, as I said earlier, is that the agreement was reached shortly before the August 1995 decree. Do you follow?

A. Yes, I do follow, and with your permission I would like to clarify, if I may?

MRS JUSTICE GLOSTER: Yes, please do.

A. The decree said that 49 per cent needs to be privatised and 51 per cent will be owned by the government for the following three-year period of time.

MR RABINOWITZ: Mr Abramovich, that's not -- sorry, just let me be clear. Is that the clarification you wanted to provide?

A. Yes, it is.

Q. That's not what I was asking you about. What I was asking you about was the date at which you and Mr Berezovsky made the agreement that is the subject matter of this dispute.

What I suggested to you is that what you say in your defence here, that this was prior to the August 1995 decree, is consistent with the time when Mr Berezovsky says the agreement was made, which is shortly before the August 1995 decree.

MRS JUSTICE GLOSTER: So what's the question?

MR RABINOWITZ: Is it your case now that you say that in fact the agreement was in February 1995?

A. If I understand correctly, our agreement was reached in February and the decree was issued much later. And so what it says here is that it happened, the agreement was reached, before the decree was signed. And this is what I'm saying: it was reached before the decree was signed, prior to the signing of the decree.

Q. Mr Abramovich, if it really was your case that there had been an agreement made in February, you could have said so here, couldn't you?

A. When we started preparing, I did not remember exactly when that was, but I did remember exactly that it had happened prior to the first letter being signed; and after I saw the date of the first letter then

I refreshed my recollection. Therefore I could not tell you exactly when it happened. I remembered that it did happen prior to the signing of the presidential decree but I did not remember exactly when.

Q. So you're saying that even when you made this defence, for the first time I think in 2008, you had no clear recollection of when this agreement was made?

A. That is true. At that time I did not remember exactly when the agreement was reached but I did remember at that time that the agreement had been reached prior to the very first batch of documents being sent to the president for his signing. And this is what you call in English reconstruction; this is not my recollection. This is not something that lingers in my memory.

Q. Can I then ask you this. You describe here what you say it was that Mr Berezovsky would be getting out of the deal, namely funds he required in connection with the cashflow of ORT; do you see that?

A. Yes, I can see that.

Q. So it's clear from this then, is it not, that the deal you made with Mr Berezovsky was that all Mr Berezovsky would get in return for his services is what he required in connection with the cashflow of ORT?

A. Mainly, yes.

Q. You say "mainly" --

A. By and large, yes.

Q. -- but that is all you say here, Mr Abramovich. You don't say "by and large" or "primarily". This is what you say you agreed he would get.

A. I think that this document uses very dry legalese and there are many details that never made their way to this document. My evidence is much larger and it provides much greater amount of detail with respect to the situation that appertained at that time.

Q. We will come back to that, if we may.

Again just looking at paragraph 32, we see that what you say Mr Berezovsky was going to provide to you was to "use his personal and political influence to support the project and assist in the passage of the necessary legislative steps". Mr Abramovich, one observes that you do not here use the phrase "krysha". Can you explain why not, please?

A. The word "krysha" is a very aggressive term and usually it was used with respect to criminal protection racket, but we also have the term "krysha" in political terms. And at the very beginning I was not very clear as to how I should define this and I did not want to offend the claimant, but this is exactly what happened at the very beginning.

Q. Just going back to what you said in this paragraph, do

you see the sentence -- in fact it's the first sentence -- where you say:

"Prior to the August 1995 Decree, the Defendant informed Mr Berezovsky that he wished to acquire a controlling interest in Sibneft on its creation."

Do you see that?

A. Could you kindly repeat that? I'm afraid I missed out on that. At the time what?

Q. Well, I'm reading your pleading. It says:

"Prior to the August 1995 Decree, the Defendant informed Mr Berezovsky that he wished to acquire a controlling interest in Sibneft on its creation."

A. Yes, I did have a plan to acquire a controlling stake at the time of the establishment of the company. However, it was different from what we managed to actually implement.

Q. Just to be clear, what you're saying here -- and I think it is clear from your answer -- you are talking here about acquiring a controlling shareholding interest in Sibneft, are you not?

A. Originally we only discussed management control, control over the management of the company. After that, we proceeded to discuss a controlling stake in the company and we generally discussed the company, yes.

Q. I'm asking you -- and I'm going to ask you to be

precise, Mr Abramovich, in the way that I've been asked to do. You say here you told Mr Berezovsky you "wished to acquire a controlling interest in Sibneft on its creation". Does that mean that you told Mr Berezovsky that you wished to acquire a controlling shareholding interest?

A. Originally, during the initial meeting, I did not say that or I have no recollection of that. But in the process of our discussions I'm sure I did say that and I'm virtually certain of this. Originally we only discussed the control over the management, not a controlling stake. However, my idea has always been to acquire a controlling stake in a company, amongst other things, in order to exercise control over the management structures.

Q. Mr Abramovich, we're dealing here with a paragraph in your statement where you're talking about the agreement that you made with Mr Berezovsky. I'm trying to understand what it was that was the subject matter of the agreement.

Where you say, "Prior to... August 1995... [you] informed Mr Berezovsky that [you] wished to acquire a controlling interest in Sibneft", you then go on to say what Mr Berezovsky would do in order to enable you to do this and what you would give him.

So one is dealing here with the agreement, what it was that you agreed would be done, and it's in that context that you talk to Mr Berezovsky about acquiring a controlling interest; correct?

A. With your permission, I would like to clarify, if I may.

Q. Well, can you answer the question first.

MRS JUSTICE GLOSTER: I think the problem, Mr Rabinowitz, is that you haven't actually asked a question. Could you ask a specific question so that the witness can give an answer because, speaking for myself, it's rather difficult when you summarise the pleading for him to know precisely what the question is to answer.

MR RABINOWITZ: Well, I will ask a question but I am first going to summarise the pleading because the question arises from that.

This is a paragraph in which you plead what you agreed with Mr Berezovsky; is that correct?

A. Yes, it summarises the gist of our agreement but the agreement was not achieved overnight. First we agreed on something in February and then we agreed on the shares, and it took some time, it happened step by step. But at the initial stage we only agreed on the things that I describe here.

Q. Can we take it that when you say you agreed these things step by step, you had agreed on them prior to

August 1995?

A. With respect to the acquisition of a controlling stake, we agreed prior to August but not in February. What happened in February was just the initial agreement on the 30 million in consideration for assistance and help.

Q. Let's just get this clear then. Prior to August 1995, what you had agreed with Mr Berezovsky related to your acquiring a controlling shareholding stake in Sibneft; is that right?

A. We did not agree with Berezovsky that we will acquire a controlling stake. We agreed that he would give me help and assistance in making that acquisition.

Q. But what you were talking about acquiring was a controlling stake; correct?

A. Once again, let's be very clear. Are we talking about the agreement that was achieved in the course of the year or the very first agreement, the initial agreement?

Q. I'm talking about the final agreement which you had reached prior to August 1995.

MRS JUSTICE GLOSTER: I think that's ambiguous because I think the witness is saying that the agreement was concluded in stages.

MR RABINOWITZ: Well, I don't mind if that is what the witness is saying.

MRS JUSTICE GLOSTER: And that to begin with in February he

discussed certain things and that by the time August came, various other things had been agreed.

Is that right, Mr Abramovich?

- A. Yes, that is correct. After the shares for -- shares auctions, we agreed that Mr Berezovsky will help me take part and win the auctions. I mean shares for loans -- loans for shares auctions.

MR RABINOWITZ: The translation of that suggested that you said that:

"After the [loans for shares] auctions, we agreed... Mr Berezovsky [would] help [you] take part and win the auctions."

I think what you told my Lady is that by August 1995 you had agreed with Mr Berezovsky that he would assist you in obtaining a controlling stake of Sibneft?

- A. My feeling is that we lost a few words during the translation, something was lost in translation. Let me clarify.

MRS JUSTICE GLOSTER: Yes, Mr Abramovich, it would help me if you could clarify, in your own words, how the process went from February to just before August 1995 and how you saw what you say is the agreement progressed?

- A. Before we sent the first batch of documents to the president for his signature, we agreed that I will be paying \$30 million per year to fund ORT and to fund some

of Berezovsky's expenses and for that he will help me obtain the signature, obtain the presidential signature for this decree, and that will -- and he will also help issue the regulations. And the regulations said that 51 per cent will be owned by the government and the 49 per cent will be auctioned off.

MRS JUSTICE GLOSTER: Right. Just help me: at what stage did you send the first batch of documents to the president? What time roughly?

A. If my recollection is correct, it was on 10 February 1995.

MRS JUSTICE GLOSTER: Right. So by February, by mid-February, you'd come to this arrangement, you say, with Mr Berezovsky?

A. Yes, that is the case.

MRS JUSTICE GLOSTER: Taking it forward to the period before August, just before August 1995, what happened thereafter?

A. After that, what happened was that it was clear that 51 per cent will be held by the government while 49 per cent could be privatised. In order to privatise 49 per cent a certain number of auctions had to be held, and we agreed that Mr Berezovsky would help me in this.

MRS JUSTICE GLOSTER: Right. Go on, Mr Rabinowitz, please.

MR RABINOWITZ: I just want for myself to get this clear.

And all of that which involved you getting a controlling interest in Sibneft you had agreed with Mr Berezovsky prior to August 1995; is that correct?

A. That I would acquire the share interest, yes, we agreed on that prior to August 1995.

Q. Thank you. You can put this to one side for a moment.

Can I ask you next, please, to go to bundle J2.2 at tab 12 J2/2.12/224. Mr Abramovich, at tab 12 you should have an English version of your first witness statement in this action. I'm pretty sure there was a Russian version but I can't at the moment locate it. I'm not sure it's in the files. It may not matter because this is incredibly short and I can read it to you. Okay? Do you have...

Now, just to remind you, when you made this statement, do you recall that, following the strike-out application that you made to strike out Mr Berezovsky's claim, Mr Berezovsky served a good deal of evidence in support of his case?

A. Yes, I recall that.

Q. And that evidence included a statement of Mr Berezovsky's solicitors and a statement from Mr Berezovsky himself; do you remember that?

A. I remember Berezovsky's evidence much better but there must have been some solicitors' evidence. But obviously

I paid more attention to Berezovsky's evidence.

- Q. And after Mr Berezovsky served this evidence -- I think I might start again because it may not have...

After Mr Berezovsky served this evidence, you then served this, which was your first witness statement in this action, in response. Do you follow?

- A. When you say "first", you mean this one, the very brief one, or the third witness statement?

Q. I mean this one that we're looking at here. This one.

A. Yes.

- Q. And you say it is a very brief witness statement, but what you do here is to confirm -- and just looking at paragraph 2, I'll tell you what you do confirm. It can be translated for you. You confirm that:

"... in so far as..."

Let me start that again.

Paragraph 1 of the statement, you refer to a statement which had been made by your solicitor, Mr Mitchard. Okay?

A. Yes.

- Q. In paragraph 2 of the statement, what you do is that you confirm that insofar as Mr Mitchard's statement refers to matters that are within your knowledge, that to the best of your knowledge and belief, Mr Mitchard's statement contains an accurate account of events.

Do you understand?

A. Yes, I do understand that.

Q. And you would have known, obviously, when you made this statement that the court would be considering your evidence and Mr Mitchard's evidence and might rely upon it to prevent Mr Berezovsky pursuing his claim to trial; is that correct?

A. When you say "prevent", what exactly do you mean?

Q. The object of your application was to put an end to this action so that it would never get to a trial.

A. Yes.

Q. And the evidence that you and Mr Mitchard put before the court was intended to produce that objective, was it not?

A. Yes, that is correct.

Q. Did you consider Mr Mitchard's evidence carefully before approving it?

A. To the extent I could, yes, I studied it carefully.

Q. Can we then just look at Mr Mitchard's statement. It's in the same bundle, one tab before this at tab 11 J2/2.11/171. Again, I don't think there is a Russian version of this, but if there is, I'm sure someone will tell me.

Can I ask you, please, to go to page 173 of the bundle J2/2.11/173. It's page 3 of the statement.

Now, at page 173, do you see a footnote, footnote 1?

A. Yes, I can see it but I cannot read it.

Q. Well, if I read out the part that I'm interested in, it can be translated for you and then I can ask you about it. Okay?

What Mr Mitchard says is to explain that you, Mr Abramovich, dispute "Mr Berezovsky's account of the ORT share purchase". And in the last sentence of this footnote Mr Mitchard says this:

"... the meeting at which ORT was discussed was not the last meeting between Mr Berezovsky and Mr Abramovich as Mr Berezovsky claims. There have been at least two meetings in Israel since then."

Do you follow?

A. Maybe -- maybe -- I'm not sure you actually asked a question. Could you ask a question?

Q. All I want to ascertain at this stage is that this has been translated for you so I can ask my question. So when I say, "Do you follow?", if you could just acknowledge it and then I know you've had the translation and I can ask you a question.

Do you follow?

A. Yes, this text has been translated to me.

Q. The meeting at which ORT was discussed that Mr Berezovsky had claimed occurred was one which had

occurred after the arrest of Mr Glushkov on 7 December and before 25 December. Do you follow?

A. No, this is absolutely not the case.

Q. I haven't asked you a question yet, Mr Abramovich, other than to say, "Do you follow?"

A. Yes, but it did sound like you were asking a question; that's why I answered your question.

Q. Mr Abramovich, we have a difficulty in that I don't speak Russian and you don't speak English. As a result, we have to go through a process where I say something in English, wait for it to be translated and then seek to determine that you have had the translation before asking a question. And that's why I explained to you that when I say, "Do you follow?", it was simply to ascertain that you'd had the translation. Okay?

A. I understand.

Q. So, now, what Mr Mitchard is saying in this footnote is that when Mr Berezovsky said that the meeting at which ORT was discussed was the last meeting you had with him, Mr Mitchard was saying this was untrue because, says Mr Mitchard here:

"There have been at least two meetings in Israel since then."

Do you see that? Do you understand that?

A. Can I answer your question: yes, yes, I understand what

you're saying, but I can clarify.

Q. I haven't yet asked you a question. I'll ask you the question and then you can explain.

Now, this must have been something in Mr Mitchard's statement which would have been within your knowledge and belief and which you would have confirmed. Can you confirm that?

A. I'm not sure I understand. Confirm what?

Q. The truth. The truth of what was being said by Mr Mitchard at footnote 1.

A. Could you ask your question again? This was really very long because I first had to remember what the footnote says and then to confirm. Now, as to whether or not I did have the feeling that we did have meetings in Israel or not: yes, I did have that feeling and we did have meetings.

MR SUMPTION: My Lady, may I suggest that in fairness to the witness the whole of footnote 1 should be translated.

MRS JUSTICE GLOSTER: Just a second. Let the witness answer the question.

Mr Abramovich, did you confirm what is said in the last two sentences of this footnote 1 when you made your short statement?

A. If my understanding is correct, what it says here is that the meeting which Mr Berezovsky says was the last

meeting in Antibes was not the last meeting and this is what I confirmed, because we did have meetings in Israel. This is what I confirmed. Now, if this means --

MRS JUSTICE GLOSTER: Okay, just stop. Stop, stop.

Are you now saying that there were at least two meetings in Israel after the meeting at which ORT was discussed?

A. Yes, at that time I believed that there had been two meetings; in fact, there had been one.

MRS JUSTICE GLOSTER: Right. So your evidence today to me is that there was only one meeting in Israel after the meeting at which ORT was discussed?

A. Yes, I think there was only one meeting but we did not discuss anything; we just said "Hi" to each other and it was not a meeting per se. We literally exchanged a couple of words and that's it.

MRS JUSTICE GLOSTER: So Mr Mitchard is wrong to describe these "meetings" as meetings as such? They were just meetings between the two of you, not formal meetings at which you discussed business?

A. That is absolutely correct. Our paths just happened to cross. This was not a formal, full-blown meeting.

MR RABINOWITZ: In fact, Mr Abramovich, as I think is clear from your witness statement, you didn't have any

meetings with Mr Berezovsky at all in Israel following this, did you?

MR SUMPTION: My Lady, my learned friend must not put statements about the witness statement which are frankly not correct.

MR RABINOWITZ: With respect, I don't accept that.

Can you answer my question?

MRS JUSTICE GLOSTER: Mr Rabinowitz, just ask the question, please.

MR RABINOWITZ: In fact, Mr Abramovich, as I think is clear from your witness statements, you didn't have any meetings with Mr Berezovsky -- and I'll qualify that in the way that you've described meetings, that's to say a proper meeting -- with Mr Berezovsky at all in Israel following this, did you?

A. Yes, you are right. We did not have meetings with Berezovsky by way of formal meetings but our paths did cross and we exchanged a couple of words.

Q. In fact what you say in your witness statement at paragraph 312 E1/03/129 is that you did little more than briefly acknowledge each other and that you did not wish to speak to him. Is that correct?

A. Yes, that's true. We did not have a lengthy discussion. We did not just acknowledge each other; we exchanged a couple of words.

Q. And so when you said -- or when Mr Mitchard said, in a statement that you'd approved, in an attempt to respond to Mr Berezovsky's suggestion that the last time you met was to discuss ORT, that there had been at least two meetings in Israel, that was untrue, was it not?

A. It is true that there was only one meeting and it was exactly the way I've just described it.

MRS JUSTICE GLOSTER: It was the saying "Hi" meeting? That's all you said, just "Hi" and a couple of pleasantries?

A. Absolutely, yes. We said, "Hi, how are things?", and that was it.

MR RABINOWITZ: My Lady, that may be a convenient moment.

MRS JUSTICE GLOSTER: Right. Just a second, please.

Right, I'll take the ten-minute break.

(11.23 am)

(A short break)

(11.35 am)

MRS JUSTICE GLOSTER: Yes, Mr Rabinowitz.

MR RABINOWITZ: Mr Abramovich, you still have Mr Mitchard's statement in front of you and can I ask you, please, to go to page 177 in that bundle, please J2/2.11/177.

I want to read to you what Mr Mitchard says at paragraph 12(b). He says:

"In fact, what Mr Abramovich agreed with

Mr Berezovsky was that, in recognition of the political assistance Mr Berezovsky had provided in respect of the creation of Sibneft, Mr Abramovich would fund certain of the cash requirements of the television company, ORT, in which Mr Berezovsky came to hold a 49% stake."

Again, would this have been something within your knowledge?

A. Which year do you mean? The date is very important here.

Q. Mr Abramovich, I'm reading Mr Mitchard's statement and what I want to confirm is that Mr Mitchard would have received this information from you. Do you understand?

A. Mr Mitchard did talk with me; yes, this is true.

Q. And this would have been information within your knowledge that you would have confirmed to him was true; is that correct?

A. Could you please clarify? What information do you mean: that Mr Berezovsky held 49 per cent of ORT shares or did you mean something else? Sorry, I didn't understand the question.

Q. What I'm particularly interested in here, Mr Abramovich, is what it is said you were going to give Mr Berezovsky in this deal, and what Mr Mitchard says about this is that:

"... Mr Abramovich would fund certain of the cash

requirements of the television company, ORT..."

A. Yes, this is so. I confirm this.

Q. And when he says "certain of the cash requirements", what requirements did you mean? All the cash requirements? Half the cash requirements?

A. The requirements that Mr Berezovsky described to me: he said about \$30 million would be required for ORT. So these are the certain cash requirements. I didn't determine them; Mr Berezovsky determined them.

Q. And what is said at paragraph 12(b) is broadly the same description of what you had said you had agreed to provide Mr Berezovsky, as we saw in your pleadings. Do you agree?

A. Could you please read out (b)? I think you were discussing (a) before. I didn't understand the question.

Q. What Mr Mitchard describes as being what you had agreed you would give to Mr Berezovsky here matches what you in your defence had said you were going to be giving to Mr Berezovsky here, and that is that you would give him funds for ORT. Is that correct?

A. Yes, I confirm this, and I say about this and write this in all my statements.

Q. The trouble about that, Mr Abramovich, is that your case about what you say you had agreed to Mr Berezovsky has

changed, and it has changed because you no longer limit what you say you had to give him to the funding of ORT; you now say that that was one of the things that the funding would be directed towards, but that you were paying for other things as well.

Do you accept that your case has changed here?

A. No, I do not accept this and may I clarify, please?

Q. Please do, yes.

A. When we were writing the statements, remember I was telling about the history. The main sum that Berezovsky asked for was \$30 million and the majority of these funds went for the ORT. Also I've offset some of his loans but it was nothing compared to \$30 million. It was maybe 50,000 or 60,000, it was Alfa-Bank loan and some other loans, but it was a small sum compared to 30 million.

That's why, if you are reading in Russian, I didn't mean that. It's quite a broad interpretation. So it doesn't look like this.

Q. What I suggest has happened here, Mr Abramovich, is this: in response to Mr Berezovsky saying that you were partners and that this is why he offered -- he gave you assistance, you came up with an alternative false story, and that was that you were not partners and that in return for his assistance all you had agreed to do was

to give him funding for ORT.

The problem for you --

MRS JUSTICE GLOSTER: I think the question is getting too long, Mr Rabinowitz.

MR RABINOWITZ: Well, it's not yet a question. I'm going to say what my case is and then ask him to comment.

The problem for you, Mr Abramovich, was that as it emerged, as the proceedings went on, that there was a great deal of evidence to show that you had been making distributions to him that had nothing to do with ORT, you have had to change your case in order to fit the new facts which were arising.

Do you agree with that?

A. I absolutely disagree with that.

Q. Now, I want to move on to a different but related subject and it is this: when do you say that you first acquired management control of Sibneft? Was it before the December 1995 auction or was it after the December 1995 auction?

A. Real management control over Sibneft was acquired by us after getting 51 per cent of shares to hold, but before that we also had good relations with the management. But from legal viewpoint, we have acquired control over Sibneft after we've taken 51 per cent to hold.

Q. Can I ask you, please, to go to paragraph 85 of your

third witness statement, E1, tab 3, page 61 in English E1/03/61 and page 162 in Russian E1/03/162. You say in the first sentence of paragraph 85 that:

"[You] realised that [you] had to participate in the auction..."

This is the loans for shares auction.

"... no matter what or I would risk losing the everyday management control that I had already spent so much money on and fought so hard to acquire."

So here you seem to be suggesting that you already had management control prior to the December 1995 auction.

A. I think I've already explained that we've acquired management control after taking 51 per cent of the pledge, 51 per cent of the shares. And prior to that, the company was just created; there was nothing to control there. Well, we had a supply contract for some products but there was nothing to control there.

Q. But, with respect, Mr Abramovich, what your witness statement seems to be saying is that you had already acquired management control prior to the auction and that what you were worrying about was losing that management control.

A. No, I don't mean this at all. The company was created, was registered in October and the auction was held in

December. There were three people working in the company. There was nothing to speak about. It was simply the decree was issued and that was all. We had supply contracts for supply of petroleum products, but the control was only acquired by us after the loans for shares auction.

Q. Can you then just explain what you mean at paragraph 85, where you say:

"I realised that I had to participate in the auction no matter what or I would risk losing the everyday management control that I had already spent so much money on and fought so hard to acquire."

A. Initially my idea was, in according to privatisation plan, to quietly -- immediately privatise 49 per cent from the package that was in the federal ownership. 15 per cent was given to the regions, to Yamal and to Omsk oblast. My idea was to buy 49 per cent and then to buy the rest of the 15 per cent. That was my initial idea.

Q. Mr Abramovich, I don't think that's an answer to my question. My question relates to what you've said at paragraph 85 of your statement. Paragraph 85 of your statement seems to say that you had management control over these companies and that the reason you wanted to participate in the loans for shares auction was because

you were concerned that you were going to lose the management control that you had.

- A. That is exactly what I'm saying about. And if I didn't take part in the loans for shares auction, I would have lost management control; in other words, I would have not acquired it.
- Q. Mr Abramovich, I have no doubt that you know that there is a difference between not acquiring it at all and losing something that you already have, and what you say at paragraph 85 is consistent only with it being something you already had.
- A. Yes, indeed, I had good relations with the management of the company, with the president, and because of this we had access to supplies of oil and petroleum products. This is what I meant. The company was only created in October, so the real control and being on the board of directors, that wasn't possible.
- Q. Let me ask you this then, Mr Abramovich. Following the creation of the vertically integrated Sibneft in August 1995, do you say that you wanted Sibneft to be part of the loans for shares scheme and privatised or is it your case that you would have worked to prevent that if you could?
- A. Sorry, it's a strange way the question was put. I'll try to answer it. I didn't want to prevent it. First

I didn't want it to happen, but then we discussed it and thought that made sense.

Q. So is the answer to my question that you wanted it to happen?

A. Again, what point in time are you discussing? Before the decree about the loans for shares I didn't want it; and after the decree was issued, we made an effort for it to be included, for Sibneft to be included in the decree.

Q. And so let's talk about after the decree.

If Mr Shvidler were to say that when Sibneft was placed in the privatisation plan, this posed a problem for your team because the management control you had thought that you could obtain using your contacts with Omsk could now be lost unless it was paid for, you say that would be wrong?

A. Sorry, could you please repeat? I think the sense was lost in translation.

Q. Mr Shvidler's evidence is going to be that having Sibneft in the privatisation plan posed a problem for your team because the management control you had thought you could obtain could now be lost unless it was paid for. Do you say that is true or is what Mr Shvidler is saying there untrue?

A. What Shvidler is saying is true. If we didn't pay for

the control stake 100.3 million, we would have lost control; someone else would have had those shares and pledge and that will be the end of it.

Q. But again, Mr Abramovich, in the answer you have just given to that question, you say you "would have lost" management control. Do you say you had management control prior to the loans for shares auction taking place?

A. Again, I'll try to clarify. At the moment of creation of the decree -- sorry, at the moment of creation of the company, Viktor Andreyevich Gorodilov was appointed the president. Due to my relationship with him, we had some control. But, if I understand your question correctly, we've gained control only after taking the shares on pledge.

Q. Now, just putting to one side this issue that we have been discussing about management control, the reality of the position in 1995, when you and Mr Berezovsky made your agreement, is that you wanted to get shareholder control of Sibneft; can you confirm that?

A. We've been discussing this in great detail before the break and you have summarised it again. What point of time are we talking about: initial discussions or nearer the creation or when the decree was issued or the loans for shares auctions? What do you mean?

- Q. Prior to August 1995, Mr Abramovich.
- A. Could you please repeat the question that you put to me?
- Q. By August 1995, when you and Mr Berezovsky made your final agreement, if I can put it that way, you accept, do you not, that what you wanted was to get shareholder control of Sibneft?
- A. Yes.
- Q. And you knew that the only way to get and retain control of Sibneft would be to acquire majority ownership of the shares?
- A. Yes, this is right, but I just clarified my plans in this regard.
- Q. And you knew also that if at any stage you had only a minority stake in the new company to be created, then there would always be a risk of the majority shareholders removing the management you had in place; is that correct?
- A. At any point in time, the State was the majority shareholder. So if the State appointed the president of the company, it was very unlikely that the State would change him in a very short point -- period of time. Moreover, Mr Berezovsky could control this; this is why I needed him at that point in time.
- Q. Mr Abramovich, we're talking about a process in which the company was going to be privatised and my question

to you in that context was that you knew that the only way to get and retain control of Sibneft would be to acquire a majority shareholder interest, and you agreed with that.

I then asked you this: would you accept that if at any stage you had only a minority stake in the new company to be created and privatised, then there would always be a risk of the majority shareholders removing the management you had in place?

A. I will try to reply. I did not appoint the management; the president of the Russian Federation appointed the management.

Q. Okay. But the management with whom you had good relations?

A. That risk always existed. That's why Mr Berezovsky was taking that risk off, due to his relations with the coterie of Boris Yeltsin.

Q. Now, it wasn't only you who wanted to acquire an ownership interest in Sibneft, was it? Mr Berezovsky also recognised the enormous long-term benefits that could come from having ownership of Sibneft. Do you agree?

MRS JUSTICE GLOSTER: There are two questions there. The implication of the first question is that there was somebody else in particular who wanted to acquire an

ownership interest.

MR RABINOWITZ: Well, let me ask it this way.

Do you accept that, like you, Mr Berezovsky also recognised the enormous long-term benefits which could come from acquiring an ownership interest in Sibneft?

A. We have to -- both of us did not fully understand what the benefits could be. As I was trying to explain yesterday, when the company was created I had no idea it could cost that much, if you mean these benefits.

Q. Mr Abramovich, you come to Mr Berezovsky with a plan to acquire an ownership of Sibneft because you recognise the enormous potential, in terms of money, that such a plan would have; okay?

MRS JUSTICE GLOSTER: Do you agree with that?

A. Yes, I agree with that. And the infrastructure that belonged to me, the trading companies, allowed, together with Sibneft, ie on the basis of Sibneft, to extract large profit, yes.

MR RABINOWITZ: Do you accept that Mr Berezovsky also would have recognised that acquiring an ownership interest in Sibneft would have produced enormous potential in terms of money that it would generate?

A. I disagree with that. Just a controlling stake in Sibneft and Sibneft per se, that was long term a very non-profitable, loss-making enterprise. When I was with

Noyabrskneftegas, before Sibneft creation, the atmosphere there was dire. When the supply goes down -- sorry, the production goes down in the oil company and only 16...

THE INTERPRETER: Apologies, I just asked to repeat --

MRS JUSTICE GLOSTER: Just a second, Mr Abramovich. It might help if you spoke a bit more slowly.

A. Oil production is extremely capital-intensive.

Noyabrskneftegas was planned for 45 million tonnes production. At that point in time that we're describing, production was about 16 million tonnes; and the infrastructure, the whole infrastructure that was created in the oilfields, was only planned for 45 million tonnes. The infrastructure and maintaining the infrastructure was very expensive. The infrastructure was expensive.

MRS JUSTICE GLOSTER: So can I ask: is the point you're making that just acquiring Sibneft on its own, without the inclusion of your trading companies, wouldn't necessarily generate vast profits?

A. At initial stage it definitely would not generate them. Noyabrsk was a loss-making enterprise, unfortunately.

MRS JUSTICE GLOSTER: All right. Continue, Mr Rabinowitz.

MR RABINOWITZ: You were very careful in your answer, Mr Abramovich, to say that acquiring Sibneft per se on

its own would not be profitable, and you have been very careful in your case to explain that what would generate profits was to acquire, through ownership control of Sibneft, a control of what Sibneft did with its oil.

And is this right: where the money was to be made was by controlling Sibneft and therefore controlling the people with whom they dealt for the purposes of selling their product?

- A. Could you please rephrase the question? Again, the question was quite long and I forgot the first part when you were asking the second part.
- Q. Where you hoped to make profits from obtaining control of Sibneft was by ensuring, through that control, that Sibneft sold as much oil as possible to your trading companies, who would then make very substantial profits from that oil. Isn't that correct?
- A. Yes, this is correct.
- Q. And that is what you would have explained to Mr Berezovsky, is it not?
- A. I didn't explain it to Mr Berezovsky in such a form and there was no need at that point in time. He was only interested whether I'll be able to perform my obligations that I've undertaken, and this is it, and I've performed these obligations. I have performed them.

Q. Mr Abramovich, we have already seen in your evidence that you explained to Mr Berezovsky that the scheme that you had would result in you more than doubling what you said was your own net income from \$40 million to \$100 million. I suggest to you you must have explained to him what it was that you were going to do with Sibneft in order to ensure that you were able to generate that sort of profit?

A. I didn't explain to him, not because I didn't want to explain it to him; because he was not interested in that. He was just interested whether I'll be able to issue 30 million or not and that was the end of discussion.

I was prepared, actually, I was ready to be explaining. At that point in time you have to understand I wasn't such a known man; I was glad that he was talking to me. But I didn't set the tone for these discussions.

Q. I suggest to you that what you are saying is not true, Mr Abramovich. Do you want to comment on that?

A. I disagree with this.

Q. You have said in your evidence --

MRS JUSTICE GLOSTER: What paragraph, please?

MR RABINOWITZ: Let me ask it slightly differently.

Do you say that Mr Berezovsky had no interest at all

in acquiring ownership of companies but was only ever interested in cashflow?

A. This is practically what I was saying. He was interested in the cashflows that I was able to provide. These are not the cashflows of Sibneft.

Q. Did you not know that at the end of 1994, when Mr Berezovsky became involved with ORT, he acquired a shareholding interest in it?

MRS JUSTICE GLOSTER: A shareholding in what, Mr Rabinowitz?

MR RABINOWITZ: ORT.

A. Are we speaking about the 94th or the 95th year? Which year are we talking about?

Q. Let's ask all these questions by reference to the state of your knowledge by August 1995.

By August 1995 were you aware that Mr Berezovsky had become involved in ORT and acquired a shareholding interest in it?

A. Yes, I did know that.

Q. And in 1995, Mr Berezovsky had also acquired -- also had a shareholding interest in Logovaz, and you knew that as well, did you not?

A. I suspected that; I didn't know it for sure. Yes, but it's a high degree of certainty.

Q. Mr Shvidler says he knew it for sure and you were certainly closer to Mr Berezovsky than Mr Shvidler. Are

you suggesting that Mr Shvidler might have known this and you might not have?

A. I think, again, it might have been error in translation.

You said I was closer to Mr Berezovsky than to Mr Shvidler. I think that is --

Q. Than Mr Shvidler -- you were closer to Mr Berezovsky than Mr Shvidler was to Mr Berezovsky?

A. Yes, this is true.

Q. And if Mr Shvidler would have known about it, would you accept that it is likely that you would have known about it as well?

A. Yes, I would accept, but I'm not the only source of knowledge for Mr Shvidler. But I think I would agree with you in this part.

Q. Also in 1995 Mr Berezovsky had a stake in Consolidated Bank and you were aware of that as well, were you not?

A. At some point in '95 I did find out about that, but I don't remember exactly.

Q. And in 1995 Mr Berezovsky had a large stake in a company called Anros SA, a Swiss company. Did you know about that?

A. One more time, what's the company name? Anros? No, I didn't know about that.

Q. Mr Berezovsky also had a majority stake in a company called Forus Holdings SA. Did you know about that?

- A. I don't think I knew that in '95.
- Q. Mr Berezovsky also had a shareholding in a company called Andava. Did you know about that?
- A. I think in 1995 I didn't know that -- about that either.
- Q. Did you know about Mr Berezovsky's stake in Aeroflot via Consolidated Bank?
- A. I doubt that Berezovsky's stake in Aeroflot via Consolidated Bank was held in '95.
- Q. You did know, I think, that Mr Berezovsky later acquired shares in Kommersant and TV6. Is that right?
- A. Yes, this is right, and I paid for this.
- Q. And you were also aware, I think, that Mr Berezovsky acquired interests in the Nezavisimaya Gazeta and Novye Izvestia?
- A. In Novye Izvestia this is not correct. This is not correct. He created it, the editor and the team left, and the new Novye Gazeta was created. But it wasn't in '95, that's for sure.
- Q. I'm not suggesting with that one it was 1995. But you are aware, are you, that he did in fact acquire interests in those companies?
- A. When you started asking this question, the whole series of these questions, you were talking about 1995, and then you slowly but surely started asking about my knowledge.

MRS JUSTICE GLOSTER: Well, again, Mr Abramovich, don't criticise Mr Rabinowitz. That's for me to do. Okay? If appropriate.

THE WITNESS: My apologies. I just simply don't understand the question.

MRS JUSTICE GLOSTER: But, Mr Rabinowitz, I think you should make it clear whether you are asking the question by reference to 1995 or some later date, to be fair to the witness.

MR RABINOWITZ: I will. I think I did, but I'll do it again.

Mr Berezovsky also acquired interests in Nezavisimaya Gazeta and Novye Izvestia, even if that wasn't by 1995; is that correct?

A. This is correct. But again I'd like to clarify once more that he didn't buy a stake in Novye Izvestia; he created that paper.

Q. So he created and managed that business, did he?

A. I wouldn't call that a business. It's business with a negative income, yes.

Q. You see, Mr Abramovich, what I suggest to you is that Mr Berezovsky acquired some shareholding in every business venture in which he was engaged and your claim that he agreed to receive not a single share in Sibneft is simply unbelievable.

Would you like to comment on that, please?

A. Yes. Yes, I would.

If all companies that you listed, you didn't have to pay for it anywhere. These were the companies that were registered, I had hundreds of companies like that, but you didn't have to pay for them. They were just companies which are registered, via which you start a new business. That was it.

Sibneft is a completely different situation: one had to pay for it. That slightly changes the practice.

Q. Mr Abramovich, do you accept that in 1995, when you won the loans for shares auction, you had it in mind that in the event of a State default you would be able to take ownership of the 51 per cent stake in Sibneft, whether directly or indirectly?

A. Yes.

Q. You did not think that you would be required to auction the 51 per cent to some unconnected third party, did you?

A. Sorry, I didn't understand the question to the end. How did you mean by "third party"?

Q. To some unconnected third party. Well, let me repeat the question and then you tell me exactly what it is about the question you don't understand.

The question to you is: you didn't think that you

would be required to auction the 51 per cent, in the event of a State default, to some third party with no connection at all to you?

A. If the State defaults, doesn't return the loan, yes, we had to put it up for auction. Whether the third party could take part in it? Yes, it could.

Q. I'm not suggesting a third party could not take part in it, Mr Abramovich; what I'm suggesting is that you would have had the right to auction the 51 per cent. Do you agree with that?

A. Yes, sure.

Q. And you could participate, directly or indirectly, in that auction and acquire that 51 per cent; that is correct as well, isn't it?

A. Yes.

Q. And your expectation was that if the State defaulted and there had to be such an auction, that you would win that auction?

A. I surely hoped that, but I couldn't say that I was absolutely sure of that. I can't say that.

Q. Neither did I ask you that. My question was: your expectation was that if the State defaulted and there had to be such an auction, that you would win that auction. That is correct, is it not?

A. Yes, I hoped for that. That was...

- Q. The whole purpose of engaging in the loans for shares auction was precisely so as to enable the person who won the loan auction -- that is to say who won the first stage -- to be able to acquire that 51 per cent in the event of default. You agree with that as well?
- A. The question is put in quite a complicated way. Was there a guarantee that if the default happens, that the pledger -- the person who holds the pledge would win? No, there wasn't such a guarantee.
- Q. But there was an expectation that this is what would happen, wasn't there?
- A. There was an expectation and there was a big desire for that; that's right.
- Q. Do you accept, Mr Abramovich, that in every case where there was a loan for share auction, the person who won the first stage of that auction was subsequently the person who acquired the State's shares that were auctioned?
- A. In the majority of cases, yes, but I think it wasn't 100 per cent. I think there was a strange story with Sidanko that some people won and other people got it as a result.
- Q. Do you accept this, Mr Abramovich: that there was, in relation to the loans for shares scheme, both an expectation and a very high probability that the

government would default on the loan for which the shares had been given as security?

A. Yes. Yes, this is so, there was such an expectation and such a feeling. But I cannot say -- one cannot say that that was guaranteed.

Q. Do you accept that that was in fact part of the plan?

A. Yes, that was part of my plan, I agree.

Q. No, not your plan, Mr Abramovich; the general plan in relation to these loans for shares auctions.

A. No, no, it was namely my plan with regard to these auctions.

Q. Can I just hand up to you an extract from a book which Mr Kokh, who was the chairman of the State Committee for the Management of State Property, has written about this issue. (Handed)

THE INTERPRETER: Mr Rabinowitz, I was just wondering whether you had that in Russian.

MR RABINOWITZ: We don't. I will have to read it and you will have to get it translated.

Now, you can see -- well, you can't, but I'll tell you -- maybe you can. The title of the book is called "The Selling of the Soviet Empire" and it's by -- "Revelations of the Principal Insider" -- Alfred Kokh.

MRS JUSTICE GLOSTER: Well, there is a Russian text, as one sees from the second page.

MR RABINOWITZ: There is, but we do not have it here, my Lady.

Can I ask you, please, to go to page 105. What Mr Koch says at page 105 is this. He's describing the pledge plan or the loans for shares plan and he says:

"The government's obligations were limited."

This is the second paragraph:

"The government's obligations were limited. Bear in mind that at the expiration of the term of the loan in a future year, not only the term of a loan but also the ban on the sale of oil shares that our friends in the Duma had..."

I'm going to start again and go more slowly for the translator. I'm sorry.

"The government's obligations were limited. Bear in mind that at the expiration of the term of the loan in a future year, not only the term of the loan but also the ban on the sale of oil shares that our friends in the Duma had hung around our necks would have expired. Taken for granted was the idea that if, by that time, the government had failed in its obligations -- let's just say this was something we more than half expected; after all, the point was to inject huge sums into the budget, not pay them out -- the holders of the shares would assume actual ownership of the shares and could

sell them."

Now, would you agree with Mr Koch when he notes that the point of the loans for shares scheme was to inject huge sums into the budget, not pay them out? Are you able to comment on that?

- A. I will try to comment, although it's a bit difficult just to hear such a long paragraph and understand it.

I think here Kokh is quoting that the probability was 50 per cent; this is what I was explaining. The probability of default was very high, probably even higher than 50 per cent, but we didn't know that it would be a guaranteed default.

In '96 there were elections and everything could have been changed and that would have been it; it would have been no default.

- Q. Mr Abramovich, there was an expectation of a default; would you agree with that?

- A. There certainly was an expectation, yes.

- Q. And a further strong indication that the state did not intend to repay the loans is the fact that no provision was even made in the budget to repay the loans; do you accept that?

- A. I would like to agree with you, but I can't, because Kokh himself was saying that the likelihood of that was 50 per cent. We're talking about the '95 budget and

everything that happened after that happened in '96, '98. So one cannot treat this seriously. And plus the book we are looking at is fiction.

Q. Can I ask you, please, to go to the document that you will find in Russian at bundle H(A)09, page 62 H(A)09/62, in English at H(A)09, page 28 H(A)09/28.

Mr Abramovich, you probably recognise -- I don't think you're looking at the right page. Maybe you are. This is a report which was produced by the audit chamber into the sale of Sibneft shares by way of the loans for shares scheme and if you go to paragraph 4.1, which you have at page 62 of the Russian. It's at page 37 of the English version H(A)09/37. Can I just ask you to look at paragraph 4.1. The audit chamber find this:

"The Federal Law on Privatisation of State and Municipal Enterprises in the [Russian Federation] doesn't provide for such a way of privatisation as alienation of pledged state property. At the time of execution of the Credit Agreement, in violation of clause 6... the right of the Borrower (the Ministry of Finance of Russia) to repay with the funds of the federal budget for year 1996 was impossible to exercise -- the budget for 1996 did not provide funds for repayment of loans."

Do you see that? So when you say, as you do, that

you can't accept what Mr Kokh says because his work is fiction and that therefore you can't accept that no provision was made in the budget to repay these loans, I suggest to you you're wrong.

A. Can I answer?

MRS JUSTICE GLOSTER: Yes, please do.

A. This document was put together in 1997, it's looking backwards, and it describes the auctions that happened in '95; and subsequently, '96, no funds for offsetting the loans were provided. So it very clearly can be seen in '96 but cannot be seen in 1995.

MR RABINOWITZ: Well, are you suggesting there was something in the budget in 1995 and that the audit committee in 1997 neglected to discover that?

A. No, I didn't say that. I'm just saying that in '95 it was not possible to understand whether -- in 1996 it was absolutely impossible to understand whether there would be any payments for loans to shares auctions in '96, any provisions in the budget. But the likelihood that there won't be any was very high and therefore Mr Kokh is saying that he estimates it as over 50 per cent.

Q. I want to turn next to ask you about the krysha allegation that you make in this case. This is, of course, at the core of the difference between what you and Mr Berezovsky say was agreed in '95 because while he

says that the agreement you made was that you, he and Mr Patarkatsishvili should be partners, you say that the relationship was not one of partnership at all but was rather one of krysha. That's correct, is it not?

A. Yes, this is correct.

Q. And can we begin by just trying to get some clarity by what you mean when you claim that your relationship with Mr Berezovsky was one based on krysha, because I have to suggest to you, Mr Abramovich, that what you say here is not clear.

Can I ask you, please, to look at paragraphs 32 to 35 of your third witness statement. In English it begins at page 42 E1/03/42 and in Russian at page 142 E1/03/142. Can I ask you to read that to yourself, please.

A. (Untranslated)

Q. If you read paragraphs 32 to 35. (Pause)

A. Yes, I've read that.

Q. Now, you note in these paragraphs that although krysha could be either political protection or physical protection, in your case you needed both; is that right?

A. In my case I needed political krysha more, but I would not refuse to have a physical one too.

Q. Mr Abramovich, that's not what you say here. What you say -- what is clear from what you say here is that

although krysha could be both either political or physical protection, in your case you needed both.

A. This is almost what you mean. I'm saying that in start of '90s, in 2000, I needed both kinds of protection to create the conditions which are stable enough; and in some sense, yes, both, one and the other. The business after creation of Sibneft didn't require krysha. After Sibneft was created, political krysha was required, yes.

Q. So what you appear to suggest in these paragraphs is that what you went looking for, because this is what you needed, was both physical and political protection. I think you've agreed that that is what you went looking for. Correct?

A. No. I don't say it here. I'm saying that would not mind physical protection but what I was looking for was political protection.

Q. You see, Mr Abramovich, what you actually say, paragraph 32, towards the end:

"Krysha could take the form of political protection or physical protection. During the 1990's and through the early 2000's, I needed both kinds of protection..."

I suggest to you that what you are saying here is that that is what you went looking for: a krysha that provided you with both kinds of protection. That's your evidence, isn't it?

A. This is not quite what I'm saying here. I needed political krysha but I would not refuse to have a physical one either.

Q. Well, that's not at all what you're saying here, Mr Abramovich.

MRS JUSTICE GLOSTER: Well, that's a matter for me, Mr Rabinowitz, to decide what the witness is saying and to analyse it against what he's said in cross-examination.

MR RABINOWITZ: Now, you don't say, I think, that you entered into a krysha understanding or relationship with anyone other than Mr Berezovsky. Is that right?

A. I've entered into an understanding only with Mr Berezovsky; that's right.

Q. You don't suggest that someone other than Mr Berezovsky provided you, directly or indirectly, with any aspect of krysha, do you?

A. I think I didn't understand the question. Could you please repeat it?

Q. You don't suggest that someone other than Mr Berezovsky provided you, either directly or indirectly, with the two aspects of krysha that we've mentioned, either political or physical protection?

A. Well, Mr Berezovsky was able to provide both types of krysha.

Q. What I'm still unclear about is whether you say you went to Mr Berezovsky because he was able to provide both types and that is what you wanted?

A. No, I want to reiterate: I went to him for political krysha because I needed political krysha.

Q. Can you look, Mr Abramovich, at paragraph 33 of your witness statement. You say:

"As I explain further below, my relationship with Mr Berezovsky began in late 1994 at the time when I wished to take my business interests to the next level by creating what later became Sibneft. It was not possible to achieve this in Russia at that time without the help of a person who had the appropriate political connections."

Then you say this:

"Additionally, it was also necessary at that time to have 'physical' protection as anyone having access to businesses capable of generating strong cash-flows was vulnerable to criminal interference, including political violence."

So you're actually saying here it was necessary to have physical protection.

A. Physical protection was necessary but I did not contact Mr Berezovsky because of that.

Q. Well, who did you contact because of that?

A. I didn't contact anyone for that. Just the mere presence of Mr Berezovsky and his team allowed to solve this problem.

Q. Does it follow that you then did go to Mr Berezovsky because you felt that he could give you the physical aspect of krysha?

A. It doesn't follow from that.

Q. You've told us, Mr Abramovich, first that you needed physical protection. You've also told us that you went -- you needed physical protection and political protection. You've also told us that, because of that, you went looking for krysha and that the only person you went to for krysha was Mr Berezovsky.

What I don't understand is how you say you were getting the physical protection in respect of krysha if you do not say that you went to Mr Berezovsky for it?

A. I didn't go to him for that, but the automobile business is built in such a way that one has to resist criminal attempts, as it says here. Because his business was an automobile business, selling cars, with a large amount of cash, that business was smoothly operated in this way: the physical protection was necessary. And after meeting Mr Berezovsky I thought I can count on that as well. But did I contact him for that? No, I definitely didn't contact him for that, that's for sure.

Q. Is it not your evidence that in fact what you needed was access to people with connections to criminal gangs who could, by use of this access to criminal gangs, where necessary, inflict violence and threats on people who were challenging you?

A. I was saying just to the contrary: that I did not have enemies, I didn't have people in my way. I needed protection; I didn't need a way of attacking people.

Q. Can I ask you, please, to go to paragraph 43 of your witness statement, page 46 of the English E1/03/46. You see you say here -- and you're talking about the period of time where you had your relationship with Mr Berezovsky, at the end of 1994 moving through that to 1996 -- you say:

"In this era, a number of powerful individuals appeared who could get the ear of those close to the government. At that time, Mr Berezovsky was one of such people. Additionally, from 1995 on, he had the additional advantage of exerting substantial influence over the media -- both television and the press. There were also people like Mr Patarkatsishvili (normally everyone called him Badri), whose influence derived from their connections to criminal groups. That was the nature of the political support and physical protection I have referred to above as krysha."

So let me ask you this again: is it your case that you went looking for someone who could provide services including access to criminal gangs, and it was in respect of such services that you were willing to pay substantial amounts of money?

- A. What I am explaining here, this is exactly to the contrary: I had to ensure that criminal gangs did not have access to me and not about me having access to criminal gangs. So for them not to have any access to me, I was prepared to pay for that. But I contacted Mr Berezovsky not for this, not for this reason.
- Q. What is the purpose then of referring to what you say are Mr Patarkatsishvili's links to criminal gangs? Why did you say that there?
- A. I'm saying about this exactly because of his authority. Badri could make sure that criminal gangs will have nothing against me, to keep the situation in such a way that they would have nothing against me, no one would attack me or my companies.
- Q. Mr Abramovich, what I suggest to you is that, despite the evidence that you have given, you are now trying to limit this krysha relationship to simply the role of lobbying on the part of Mr Berezovsky. Is that what you're trying to do?
- A. No, it wasn't just lobbying. Everything I've described

in Russian is called "krysha". If you translate this as "lobbying", okay, but in Russian this is called "krysha". When a person is ensuring protection, it doesn't matter what protection, and you are paying for that: this is the essence of the relationship.

Q. But again, are you saying you were paying for the physical protection which included connections to criminal gangs?

A. I didn't pay for that but I was paying for political krysha.

MRS JUSTICE GLOSTER: Mr Abramovich, a moment ago you said that after meeting Mr Berezovsky you thought that you could "count on that as well", that is to say physical protection. Could you explain what you meant by saying after you met Mr Berezovsky you thought you could count on physical protection as well? It's [draft] page 66 of the transcript.

Also at [draft] page 65, you said:

"I didn't contact anyone for [physical protection]. Just the mere presence of Mr Berezovsky and his team allowed to solve this problem."

Can you explain to me what, after you met him, you were counting on him for in the context of physical protection?

A. I counted that the presence of Mr Berezovsky and people

surrounding him, including Badri, would ensure physical protection for me as well, but I didn't pay for that.

That was, if you wish, a free attachment. I contacted him for one purpose, and that was going without saying.

MRS JUSTICE GLOSTER: Was the element of physical protection something you discussed with Mr Berezovsky?

A. No, I don't think we've discussed it. I don't remember that.

MRS JUSTICE GLOSTER: Right, thank you.

A. I only describe my feelings.

MRS JUSTICE GLOSTER: Right. And did you discuss it with Mr Patarkatsishvili, the question of physical protection?

A. No, I didn't discuss it with him.

MRS JUSTICE GLOSTER: Thank you.

MR RABINOWITZ: You see, Mr Abramovich, I suggest your evidence in here makes it perfectly clear that -- let me put this another way.

Let me make it clear that we accept that the only thing that Mr Berezovsky ever provided you with in terms of influence was political influence. But the reason that this evidence is interesting, Mr Abramovich, is because it makes clear that you will seek to smear Mr Berezovsky, if that is what you think is necessary, in order to try and meet his claim in this action. Do

you dispute that?

A. In translation it was said that I will do everything for him not to win this action?

Q. In order to try and avoid Mr Berezovsky winning this action, you will resort to smearing him by trying to associate him with criminal gangs and anything else you think will assist you by making him look bad in front of this court. Do you dispute that that is what you're trying to do here?

A. No, I do not agree. I'm just trying to describe the situation.

Q. Can we go, please, to paragraph 52 of your statement, page 48 in the English E1/03/48 and page 147 in the Russian E1/03/147. You say in paragraph 52, beginning five lines from the end of this:

"... I was aware that Mr Berezovsky was believed to have strong connections to the Chechen elements which exerted a powerful influence in Moscow at that time. Mr Berezovsky seemed to me capable of providing me with both political and physical support and protection."

Now, what you appear to be saying there, Mr Abramovich, is that you were aware that Mr Berezovsky was believed -- you don't say by whom -- to have connections to Chechen elements. Is that correct?

A. I'm just saying -- I'm saying that it was believed, and

that was a well-known fact, that Berezovsky had strong connections with Chechens because these people protected his car business.

- Q. Can we look at paragraph 65 of your statement, page 154 in the Russian E1/03/154, page 54 in the English E1/03/54. You see the last sentence of paragraph 65 -- it's actually over the page in the English -- you talk about "Mr Patarkatsishvili's known connections with certain Chechen elements in Moscow".

MRS JUSTICE GLOSTER: You might like to read paragraph 65 to yourself to put it in context. (Pause)

THE WITNESS: Yes, I've read it.

MR RABINOWITZ: And it's clear, isn't it, that these "Chechen elements" that you are referring to here was intended by you to carry a connotation of gangsterism?

A. No. I am describing the situation as it was at that time, as I understood it at that time.

Q. When you referred at paragraph 43 to Mr Patarkatsishvili having connections to criminal groups, that was a reference to the same connections, was it not?

A. Yes.

Q. And what you were seeking to suggest was that Mr Patarkatsishvili and Mr Berezovsky were in some way connected to Chechen gangsters; that's right, isn't it?

A. No, this is not so. I don't think they were connected.

I am not trying to present any of them as a gangster.
I'm just saying the car business was protected by these
brigades.

Q. In fact, Mr Abramovich, it doesn't stop there because
later on in your statement you say that Mr Berezovsky
was believed to be supporting Chechen terrorists, don't
you?

A. And here it's very important to note that we're talking
again about another point in time. Here we are
discussing 1995; there we're talking about year 2000,
2000/1999.

Q. That's what you say at paragraph 222 of your statement,
page 101 E1/03/101, where you refer to:

"Mr Berezovsky... spending money on PR campaigns
against President Putin and the Russian government and
was believed to be supporting Chechen terrorists."

Page 202 in the Russian E1/03/202.

Mr Abramovich, I am going to be submitting that the
insinuations and allegations that you make in your
statement about Mr Berezovsky having links or
involvements with Chechen criminal gangs and being
involved with Chechen terrorists is an utterly
unjustified smear and I would like to give you the
opportunity to comment on that.

A. If I may, everything to do with the start of creation of

Sibneft is described in previous paragraphs and I've clarified on that. Everything with regard to Chechen separatism or any connection with Chechen fighters, that was a known fact, everyone knew that. The minister of internal affairs was talking about that in his statement. And then the situation with Mr Putin, that happened a lot later. Mr Putin came to power a lot later and in '95 he was working in the mayory of St Petersburg.

Q. You see, Mr Abramovich, the truth is that in 1995, the time when you say you entered into a krysha relationship with Mr Berezovsky, Mr Berezovsky knew no more than five people of Chechen origin. That is what he says, in evidence that was unchallenged. One was a man called Maghamet Ismailov, who worked for Avtovaz.

Can I ask you, please, to go to H(B)1.056. Now, you have in front of you a picture of children playing and on the right in the picture is Ms Gorbunova and with her is Mr Berezovsky's young daughter, Arina. The woman on the left -- you can recognise her -- is Zara Shvidler; that's Mr Shvidler's wife, isn't it?

A. Yes, this is so.

Q. And she is with her son in this picture?

A. I think so, but it's hard to understand, looking at this picture.

Q. All right. Well, you can take it from me that she is.

If you go on to the next picture at page 57

H(B)1.057, can you see the host of this party -- you can see there's a caption there which explains this -- is Mr Maghamet Ismailov because this was his son's birthday party?

My question to you is this: this is not consistent with Mr Ismailov being a gangster, is it? Or do you say that Mr Shvidler routinely lets his children go to birthday parties at gangsters' homes?

A. Sorry, I think I misunderstood you. At some point -- did I say at any time that Mr Ismailov was a gangster?

Q. No, I want you to confirm that he isn't. Can you confirm that you do not say that Mr Ismailov was a gangster?

A. No, Mr Ismailov is not a gangster.

Q. You see, the other people that Mr Berezovsky knew at this time of Chechen origin are all identified in his evidence and we can just check them off as well.

Salman Hashimikov, he's a famous wrestler who later became a minister in Chechnya. You don't seriously suggest that he was a gangster, do you?

A. I think not, but I simply don't know him so I can't say anything about this. I'm not trying to say that all Chechens are gangsters, not at all.

Q. I'm sure you're not.

Vladislav Surkov, who is one of the other people that Mr Berezovsky knew, do you say he was a gangster?

A. No. No, I wouldn't call Surkov a gangster.

Q. No, because he became first deputy chief of staff to both President Putin and then President Medvedev; that's right, isn't it? Is that correct?

A. Yes, this is true.

Q. What about Aslambek Aslakhonov? He's a former senior policeman, adviser to President Putin and a member of the Duma. I don't suppose you suggest he's a gangster, do you?

A. I certainly would not call him a gangster.

Q. Ruslan Khasbulatov: he's an economics teacher and a former speaker of the Russian Parliament. Again, not a gangster, presumably?

A. I don't think he's a gangster. I don't know him, but I've heard a lot about him.

Q. You can close that.

Can I ask you next, please, to go to bundle B(B)2.04, page 149 B(B)2.04/149. Again, just to tell you what this document is -- we do not have it in Russian, I think -- this is a witness statement made by Sir Andrew Wood, who was British ambassador in Moscow in the latter half of the 1990s; he explains that in the

first paragraph. And at paragraph 1 of the statement he also explains that in that capacity he had:

"... significant contacts with Mr Berezovsky during the time [he] was in Moscow as British Ambassador in the latter half of the 1990s..."

Then at paragraph 2 of the statement, Sir Andrew explains that he worked for the Foreign and Commonwealth Office for 39 years, from 1961 to 2000, and that he had "three stints of service in Moscow". For those trying to follow the text, that's in the second sentence of paragraph 2. He also explains in the statement in paragraph 2 that he speaks fluent Russian.

At paragraph 4 of the statement Sir Andrew says this:

"As Ambassador to Russia during a period of great change in that country, and at a time when the British government was seeking to promote the development of democracy and a market economy in Russia, it was important that I, as well as my European Union colleagues, cultivated contacts with those in the Russian political and business world who were prominent in pursuing the same end."

Then at paragraph 5 he explains that he met Mr Berezovsky in September or October 1995.

And then in paragraph 6, if I can read to you what

he says in paragraph 6, he says this:

"Mr Berezovsky was quite plainly a very significant political figure. In October 1996, he was appointed Deputy Secretary of the Security Council of the Russian Federation with a portfolio to negotiate with the Chechens following the peace agreement reached with them by the late General Lebed in the summer of 1996. Mr Berezovsky remained in that position for a little over a year. In April 1998, he was appointed Executive Secretary to the CIS. Throughout the time I had contacts with him, he provided an extremely useful channel into the Kremlin and beyond it. The information which he provided was always extremely useful. He was always informative and insightful about what he believed to be happening, not least in the Kremlin, and his evidence always deserved careful attention. Anyone in the diplomatic establishment who could maintain contacts with him, did so."

Just pausing there, Mr Abramovich, I don't suppose you would disagree with any part of that, would you?

- A. Well, it's hard to understand just hearing it. I was trying to follow. As far as I understand, Mr Berezovsky was telling to Sir Andrew what was happening in the Kremlin and he was well informed. Yes, that's true.
- Q. Now I want to read to you what he says in paragraphs 8

to 13:

"I now wish to mention and confirm one specific incident in which Mr Berezovsky's assistance was extremely beneficial to British interests. I believe that this is a matter which he has already mentioned in the course of his own statements in the appeal.

"In July 1997, two masked gunmen abducted two British aid workers from the Chechen capital, Grozny, where they were working for a Russian charity which helped child victims of war. Their names were Camilla Carr and Jon James. We, and the British press and public, were extremely concerned for the safety of the two hostages. It later emerged that they had been mainly held in basements and had been subject to some violence. Later British hostages taken in Chechnya, I am sorry to say, did not escape with their lives.

"Given Mr Berezovsky's role in the Chechen negotiations generally, I was in direct contact with him over this matter from a very early stage. He was not, of course, the only person with whom I/we had contact in order to attempt to resolve the situation. Ivan Rybkin, for example, was another high profile figure with whom I had contact and who was helpful over the matter. I was also in contact with the Chechen and Russian authorities. As is standard procedure in such cases, we

pursued every available channel. In addition, I made a number of public appeals.

"Mr Berezovsky assisted us in working towards the release of the hostages throughout the year and more they remained in their captors' hands.

"Finally, in September 1998, it was Mr Berezovsky who managed to secure the release of the hostages and fly them out of Chechnya and to safety. They flew in Mr Berezovsky's own private jet both to Moscow and onward to London. There were 1,536 hostages released altogether as a result of Mr Berezovsky's direct intervention. The majority were Russian and East European nationals, but this number also included French, German and US nationals as well as Jon and Camilla.

"Although there were pictures in the newspapers of the hostages departing on Mr Berezovsky's jet, I recall that Mr Berezovsky himself was discrete about the matter. He did not seek undue publicity over the matter and nor did he seek any kind of quid pro quo from us."

And again just pausing there, Mr Abramovich, I don't imagine you are in a position to dispute any of this either, are you?

- A. There were some irregularities in the way the ambassador is presenting it. As far as I remember, Badri was

travelling to Chechnya to buy out the hostages; it wasn't Mr Berezovsky. After the hostages were bought out, Mr Berezovsky arrived with the journalists; everything was filmed and shown on TV. If this is thought to be without publicity, I disagree with that part.

Moreover, that story, I actually paid for that, paid for the story. That's how the story looked.

Q. Now, let's just have a look at paragraph 14, Mr Abramovich.

MRS JUSTICE GLOSTER: Just a second. When you say "paid for the story", what do you mean by that?

A. I gave the money to Badri: he flew there and bought out the hostages.

MR RABINOWITZ: Sir Andrew says this:

"My own view is that the United Kingdom does retain a degree of moral obligation to Boris Berezovsky in respect of the difficulties he now faces."

This was in the context of his applying for asylum.

"It seems to me that that obligation derives from, first, his co-operation with ourselves in the difficult and complex evolution of a market economy and civil society in Russia after the fall of the Soviet Union. It is of course primarily a Russian responsibility to promote those ends, but their success is also very much

in British interests. Second, I believe that Mr Berezovsky's specific (and successful) intervention in the matter of the Chechen hostages, gives rise to a certain moral reciprocal obligation where a person who was a demonstrative friend to British interests now finds himself in need."

Now, I take it, Mr Abramovich, that you would accept that Sir Andrew did not consider that Mr Berezovsky's connection to Chechens should be any cause for alarm?

MRS JUSTICE GLOSTER: Just a second. I'm not sure it's relevant for him to comment on what Sir Andrew may or may not have thought. I mean, put something on the underlying factual material if you like. But we can all read what Sir Andrew has said; I'm not sure I'm going to be assisted by Mr Abramovich's comments on Sir Andrew's views.

MR RABINOWITZ: Well, let me put this question then.

If Mr Berezovsky really was -- as you, I suggest, try to insinuate -- widely believed to be connected to Chechen gangsters, do you accept that this is something that Sir Andrew would have known about?

A. It's very hard for me to comment. It all depends on the degree of -- to what Sir Andrew was informed. If Sir Andrew at some point in time was reading Russian newspapers, he would have known about that. I don't

know at what point in time he left Russia.

MR RABINOWITZ: My Lady, is --

MRS JUSTICE GLOSTER: Mr Rabinowitz, shall we leave it there?

MR RABINOWITZ: We'll leave it there.

MRS JUSTICE GLOSTER: Right. 2.05.

(1.07 pm)

(The short adjournment)

(2.05 pm)

MRS JUSTICE GLOSTER: Yes, Mr Rabinowitz.

MR RABINOWITZ: Mr Abramovich, I want to next ask you about your friendship with Mr Berezovsky. Let me begin by asking you this, do you accept that between 1995 and 2000, you and Mr Berezovsky were friends?

MRS JUSTICE GLOSTER: Hang on. There's a lot of interruption going on. Could everybody sit down, please. (Pause)

Right. Go on.

A. I would say that between '96 and the end of '99, perhaps early 2000, yes. Because I spent 1995 in his anteroom, in Mr Berezovsky's anteroom, waiting for meetings to be arranged between me and him, so I would not really describe that as friendship.

Q. And of course the fact that you were friends in that period was, of course, your pleaded position as well;

but in your witness statement you make the comment that with the benefit of hindsight, you say, you would hesitate to call him a former close friend.

So what I would like to ask you is this: is it then the case that with the passage of time since May of this year, when you made that comment, you have realised again that he was in fact your close friend?

A. I am explaining in my witness statement that, with hindsight, I would not describe that as being my close friend, even though we did meet and it was very pleasant for me to have meetings with him.

Q. Then I'm a little bit unclear as to whether you say he was your friend or whether you say he was not in fact your friend.

A. In my witness statement what I'm saying is that looking from today, looking back from today, I would not describe what happened at that time as him being my close friend.

Q. But at the time you did regard him as your close friend; is that right?

A. I would just desist from using the term "close", the qualifier "close". He was just a friend. In Russian, when you describe someone as your "close friend", this has a very specific, focused meaning.

Q. Very well.

You also talk in your statement of the "strong emotional bond" you say you had with Mr Berezovsky.

Would you care to explain what you mean by that, please?

MRS JUSTICE GLOSTER: Could you just tell me what page you're on, please?

MR RABINOWITZ: In the witness statement?

MRS JUSTICE GLOSTER: Yes.

MR RABINOWITZ: That is a comment that Mr Abramovich makes at paragraph 32, at page 42 in the English E1/03/42 and 142 E1/03/142 in the Russian.

MRS JUSTICE GLOSTER: Thank you.

MR RABINOWITZ: That is also where Mr Abramovich says that, with the benefit of hindsight, he would hesitate to call him a close friend.

MRS JUSTICE GLOSTER: Yes.

The question for you, Mr Abramovich, was what you meant by having a strong emotional bond with Mr Berezovsky.

A. What I meant was that we had a very good relationship, that we spent a lot of time together. We relaxed together, we spent time together, but I would not describe that as being a close friendship.

Q. Can I just be clear as to why this is relevant, Mr Abramovich. You see, I ask you about your friendship because Mr Berezovsky says that the two of you were

partners whereas you say that he was merely your protector and you were the protectee, and it's going to be my suggestion that the nature of your friendly -- very friendly -- relationship shows that you were not in a relationship of protector and protectee but that you were in fact partners. Do you understand?

A. I understand where you're coming from but I tend to differ. I disagree with that.

Q. Can I then just ask you this. Ms Gorbunova told the court that she often met with your wife Irina and they became close friends. You don't dispute that, do you?

A. I do not dispute that my former wife did meet with Elena very often. I wouldn't call them close friends but they were friends. My wife had closer friends. And our children used to meet quite often, they went to see each other at the respective houses, yes.

Q. And do you dispute that in August 1995 you and Irina went on holiday in Spain with Mr Aven and his wife and Andrey Bloch and his wife and Mr Berezovsky and his wife?

A. No, I'm not disputing that. I do remember that cruise.

Q. And that was to Spain in August 1995?

A. Yes, it was in Mallorca, Menorca and some other islands there.

Q. And it's true also that you went to Gstaad together at

the end of 1995 and into early 1996; do you agree with that?

- A. We did go to Gstaad, I cannot say that we went there together, but we did there and there were quite a few people there, maybe 25 people. Yes, yes, we did go there.
- Q. And in Gstaad Mr Berezovsky celebrated his birthday in that year and you were invited, were you not?
- A. If he was celebrating his birthday there then, yes, I was definitely there.
- Q. And you were invited to Mr Berezovsky's birthday party every year between then and 2000; is that correct?
- A. If your question was whether I attended all Mr Berezovsky's birthday parties between '96 and 2000, then that is wrong. Now, whether I was invited to all of them, I don't know. I think I visited two of them, maybe more, but I would not be certain.
- Q. But if Mr Berezovsky says that he invited you every year, you would not dispute that?
- A. Well, if he says that he invited me every year, I would not dispute that. What I'm trying to explain is that I was not there. But there is a possibility that he did invite me, yes.
- Q. And then in June 1996 you went on holiday to Spain once again with the Berezovsky family; that's right, isn't

it?

A. Possibly, but I do not have a specific recollection of that. Was that also a sea cruise -- oh, yes, yes, that is true. We lived not far from Mr Gusinsky, that's true, but we did not go there together. Once again, there were quite a few people, many people were renting houses there. So it was the Russian diaspora that was living in Spain at that time.

Q. But you certainly saw each other at that time, whilst there?

A. Yes, we very often saw each other. We visited each other. Our wives met. I met with Melnichenko, Berezovsky, Gusinsky, and I think Mr Shvidler even came there.

Q. That's June 1996. In August 1996 you again went with Mr Berezovsky and Ms Gorbunova and others for a yachting holiday around Sardinia and Corsica? Perhaps I can show you a picture to remind you. Do you remember it?

A. To be honest with you, I do not recall that cruise. But yes, yes, I think that may well have been the case, yes.

Q. And so far, in the two years since you had met Mr Berezovsky -- we're talking about 1995 and 1996 -- you appear to have been on vacation with him at least four times: Gstaad, Spain twice, and Sardinia and Corsica.

Now, you don't dispute -- for the New Year of 1996/1997, you and your wife were in the Caribbean with Mr Berezovsky and Ms Gorbunova, were you not?

A. I think in your previous sentence you said that I went to Gstaad twice; no, I think I went there only once.

Q. Gstaad once, Spain twice.

A. Oh, yes. Then yes.

Q. "Yes" to what? Let me just put the next question to you again, just so there's no confusion.

For New Year's of 1996/1997, you and your wife were in the Caribbean with Mr Berezovsky and Ms Gorbunova; was that correct?

A. I don't think that just the four of us were there.

Q. Well, I'm not saying that you were the only ones there but they were in a group of people with you on this cruise?

A. If I recall correctly, I think we rented two boats, two yachts, and I think there were about 12 families there; or maybe I'm wrong, maybe it was a different cruise. You know, we went on holidays quite often, maybe even twice a year sometimes.

Q. On this particular occasion there were six people in the Caribbean. Do you accept that that's likely to be correct?

A. If it was just one yacht, then there were probably six

people or maybe eight. Now, if there were two yachts there, then there were 12. But I think -- I'm not sure which cruise we are now speaking about, but I think there were two yachts in the Caribbean.

- Q. In the summers of 1997 and 1998 your family and Mr Berezovsky's family stayed in neighbouring chateaux in Cap d'Antibes; is that right?
- A. That is correct. As I now recall, I was renting Mr Berezovsky's house.
- Q. And then in August 1998 your families went holidaying together on a yacht, the Southern Cross; is that right?
- A. Which year was that once again, sorry?
- Q. August 1998.
- A. Yes, possibly.
- Q. So, again, just pausing here, between 1995 and 1998 it appears that you and your family had been on something like eight holidays together: eight holidays in four years with Mr Berezovsky and his family. That is right, is it not?
- A. From what I heard, yes, that must be correct, but I have no specific recollection of that myself.
- Q. And it's also right, I think, that in the late 1990s you would meet with Mr Berezovsky very frequently, at least a few times a week. Is that right?
- A. In the late 1990s? Are you speaking about '96, '97? At

that time I believe that we -- it may well have been that we have been meeting each other on a daily basis. That is quite possible.

Q. Can you say: did you go on holiday with anyone else more frequently than we see you had been going on holiday with Mr Berezovsky and his family?

A. Yes.

Q. Who?

A. Andrey Bloch, Mr Shvidler, Mr Gorodilov, we spent time together.

Q. On holidays?

A. Not only holidays; weekends, holidays. We basically all lived together in the same compound.

Q. Ms Gorbunova told the court that you called Mr Berezovsky a friend and appeared to behave like Mr Berezovsky's friend. Were you just pretending to be Mr Berezovsky's friend?

A. It's a very difficult concept, you know, pretending to be a friend. We have discussed "close friend", "friend", and Shvidler, Gorodilov and other people whom I have listed, including Eugene Tenenbaum, are my close friends. These are people with whom we work together and we relax together, we spend time together. Mr Berezovsky was my friend but I would not describe that as being a close friendship.

Q. All right. Let's move on to a slightly different theme.

Do you understand what I mean, Mr Abramovich, when I refer to the Russian law concept of a joint activity agreement?

A. Approximately, yes.

Q. Can you just explain to me what you understand it to mean?

A. People share interests, people share income and people share in their expenses. People participate both in the income, in the risks and in the losses: that's the way I understand it.

Q. And when you were preparing your witness evidence did you have in mind the question whether the agreement you reached in 1995 with Mr Berezovsky could properly be described as a joint activity agreement as that term was used in Russian law?

A. No, I did not mean that. If I understand your question correctly, whether I meant it at the time when I was writing my third witness statement?

Q. Yes.

A. No, I did not mean that it was a joint activity contract, an agreement to carry on joint activity.

Q. No, you may have misunderstood the question and it's my fault.

When you were preparing your witness evidence, did

you have in mind the question whether or not the agreement you reached in 1995 with Mr Berezovsky could properly be described as a joint activity agreement as that term is used in Russian law? Was that something you were thinking about?

A. Before I started writing my witness statement I did not -- I was not thinking about this. But I think the question was whether or not our relationship can be described as a joint activity contract and I think that was the amended claim form, amended particulars of claim, and so I responded to that.

Q. Mr Abramovich, would you accept that nothing in your limited legal training provided you with any knowledge or insight in relation to commercial business legal matters?

A. I agree with that.

Q. Can you then please explain why --

A.

THE INTERPRETER: I'm sorry, sir, the microphone went dead for a second.

A. I would agree with that, yes.

MR RABINOWITZ: Can you please then explain why you regarded it as appropriate for you to give an opinion on such matters given that, as you say, you had no training that would have provided you with the knowledge or insight in

relation to business legal matters?

MRS JUSTICE GLOSTER: Please will you take him to the relevant paragraph in his witness statement.

MR RABINOWITZ: Can you go to paragraph 33, please. It's at page 143 of the Russian version E1/03/143 and page 43 of the English version E1/03/43. Do you see the last sentence?

"Equally, our relationship could not be described as a joint business enterprise and nor did we ever enter into any arrangement that could properly be described as a joint activity agreement (as I understand that term in Russian law)."

- A. To be honest, I'm not sure I understand the question: where did I take this from, where did I get this from, or why do I believe this to be the case?
- Q. Why did you think it was appropriate for you, a person who says you have no knowledge or insight about legal matters, to be commenting about a Russian legal concept called a joint activity agreement?
- A. I think we discussed yesterday that I cannot say that I do not have any knowledge of law. Far be it from me to say that I'm a serious lawyer but I do have some knowledge. So, from what it says here, that I can draw the conclusion that this is not what a joint activity agreement is supposed to mean. And also you can read

this up in some legal textbooks; you can figure out for yourself what a joint activity agreement is supposed to mean.

Q. Is that what you say you did here, Mr Abramovich, read it up in some textbook?

A. No. No, I did not read this in any legal textbooks; I simply remembered what a joint activity agreement was or maybe some lawyers explained this to me. I just don't remember the way it all happened.

Q. Was this actually your evidence at all or did someone put this in your statement and get you to sign that?

A. This is my witness statement and no one asked me to sign off on this -- on this.

MRS JUSTICE GLOSTER: Can we not have laughter, please.

MR RABINOWITZ: Now, I'm going to turn to a different topic, still dealing with the 1995 agreement.

In your witness statement -- this is at paragraph 89, page 63 of the English E1/03/63 and 163 of the Russian E1/03/163 -- you're talking about funding for the 1995 auction and you say here about Mr Berezovsky that:

"... he did not see it as his responsibility at all to assist with any of the funding..."

That's the bit I want to focus on:

"... he did not see it as his responsibility at all

to assist with any of the funding... [in respect of] NFK."

Do you see that?

A. Yes.

Q. Can I ask you, please, to go to bundle H(A)02 at page 130 in the Russian H(A)02/130 and 130T in the English H(A)2/130. Now, again, just so you know what you're looking at, these are the rules that governed the Sibneft auction and I think there is no dispute about them.

If you look at paragraph 1, you can see from paragraph 1 that this was dealing with:

"... [the] auction for the right to enter into credit agreements, agreements on the pledge of shares in federal ownership and commission agreements..."

Do you see that, the auction?

A. Yes.

Q. I want to focus for the moment on paragraph 3.

According to the rules governing the auction, the starting price was to be \$100 million; do you recall that?

A. Yes, I do remember that.

Q. And there needed to be a good faith deposit of \$3 million; do you remember that?

A. Yes, I recall that.

- Q. And bidders had to be either a bank or needed to be able to provide a certified balance sheet showing free cash in excess of \$100 million; that's right, isn't it?
- A. Yes, I remember that.
- Q. And that, in reality, meant that bidders had to have the support of a bank because it was very unlikely that anyone would have \$100 million in free cash on the books; do you agree with that?
- A. I don't agree with you -- with the first part of what you said. I agree with 50 per cent of what you said. There were companies that did have \$100 million free cash available to them, but obviously a bank would have been a preferable bidder, a preferred bidder.
- Q. And even in relation to banks, there were restrictions on the banks that might participate because of Central Bank rules that limited a bank's commitments to a proportion of its capital; do you agree with that?
- A. Yes, that is true.
- Q. And this meant that not just any bank could act in the auction; it had to be a bank of sufficient size. Do you agree with that?
- A. Yes, I agree with that.
- Q. And so in relation to the bid that you made in the auction, ultimately SBS provided the guarantee but there was a back-to-back guarantee from Menatep precisely

because neither bank, of itself, had sufficient capital;
do you agree with that?

A. I agree with that, yes.

Q. And that was the position even though these two banks
were the second and third largest banks in the country
at the relevant time; do you agree with that?

A. I agree with that, with just one small comment, if
I may.

Q. Yes.

A. There was the Sbergatelniiy Bank, Sberbank, which was
a huge bank in the Russian Federation, and then there
were some privately held banks. And so amongst the
privately held banks, Onexim, Menatep, Stolichny Savings
Bank, were -- there was a ranking, but vis-a-vis huge
government-owned banks, compared with huge
government-owned banks, they were not large banks.
I mean, there was a huge, enormous gap between the
biggest one and the second largest bank.

Q. It's common ground between yourself and Mr Berezovsky
that NFK won the December 1995 auction with a bid of
\$100.3 million; do you agree?

A. Yes.

Q. And the \$100.3 million loan in question was directly
provided by SBS Bank; do you agree with that?

A. No.

Q. Well, let me just be clear about what you are agreeing and disagreeing with. We'll come later to the question of the source of the SBS Bank's funds but can we agree that it was SBS which actually paid the \$100.3 million to the state?

A. I agree with that, yes.

Q. And do you say that SBS's willingness to act for you in the 1995 auction in this way had nothing to do with Mr Berezovsky at all?

A. This is not what I'm saying. Mr Berezovsky, I think, introduced me to Mr Smolensky, if my recollection is correct, so I -- he did help him develop that wish and that desire. But apart from that, it was all pure business.

Q. Can I ask you, please, to look at paragraph 93 of your third witness statement, page 64 in the English E1/03/64 and 164 in the Russian E1/03/164. You are referring at paragraph 93 to the SBS loan and what you say is this:

"Mr Andrey Gorodilov and I spent a lot of time negotiating with Mr Alexander Smolensky, Mr Aleksey Rasskazov and other employees of SBS. The reason that SBS was willing to lend its name to our bid was first that we had sufficient funds to cover the entire loan amount, and secondly we agreed to let SBS

have all Sibneft's banking business. By late 1995, there were only a few companies in Russia with such a large cash flow as Sibneft (in the region of US\$1 billion per year), so to become the principal banker to Sibneft was a significant coup for SBS. It had nothing to do with Mr Berezovsky."

Would you like to explain, Mr Abramovich, why you chose to put this in your witness statement when you now say it is not true?

- A. No, sorry, I did not say that, or maybe it was lost in translation. I'm confirming that. I'm confirming that Mr Berezovsky introduced me to Mr Smolensky, to the best of my recollection; all the rest is something that we did ourselves. We put the money into the bank. The bank gave the money to the government. We paid the earnest money, the deposit.

So if we are describing Mr Berezovsky's participation, then what he did was introduce me to Mr Smolensky. But for SBS it was important to get a hold of SBS as a client because it was a huge chunk of business. We also issued credit cards for the Noyabrskneftegas employees; it was a large programme that we put in place, so that was of interest to them.

- Q. Mr Sumption, when he opened the case, explained that Mr Berezovsky, he said, did give a personal assurance to

SBS that they would be repaid. Do you say that what he said there was wrong?

A. Mr Sumption put it correctly: a personal promise is not the guarantee that Mr Berezovsky was speaking about. It was a personal assurance. Even today, if I go to a bank where I have an account and if I give them a personal assurance, just on the strength of my personal assurance they will not let me have any money.

Q. When you said that all Mr Berezovsky had done was to give you the introduction, even that was wrong, wasn't it? Because you now accept that he also gave a personal assurance that they would be repaid.

A. At that point in time I did not know this. I came to know this only when I started reading the documents. I'm not disputing this, but perhaps it would be a better idea to ask this of Mr Smolensky or whoever will be speaking for the bank.

Q. Can I ask you, Mr Abramovich, in your own words, to describe your own personal dealings -- that's you, not any assistant or one of your colleagues -- can you describe your own personal dealings in relation to obtaining funding in respect of the 1995 auction?

A. You mean what I did with my own hands?

Q. What you did with your own hands, your own mouth; whatever it was that you did.

- A. I put up my own money. I used my personal money.
- Q. Is that it? Is that what you say you did in relation to discussions with SBS, negotiations with SBS? All you did personally, you say, was to put up your own money?
- A. No, apart from that, I had meetings -- I mean, if you want me to go into the details, I had meetings with Smolensky, with Rasskazov, with Mr Grigoriev, Balagansky and others. I mean, there were protracted discussions, many discussions in fact. But the main thing that was required of me was to agree with Mr Gorodilov so that he goes there, meets Mr Smolensky, and then money had to be made available.
- Q. Very well. Do you accept that Mr Alexei Grigoriev was the chairman of the SBS management board at the relevant time for funding the 1995 auction, say from August 1995 onwards?
- A. Grigoriev, I think -- yes, I think he was chairman of the executive committee of SBS in August '95 and afterwards.
- Q. And do you accept that Mr Grigoriev was at that time working under the supervision of Mr Smolensky?
- A. I agree with that, yes.
- Q. And would you accept that although Mr Smolensky was not a member of the management board, in practice he was able to influence all major decisions because all

principal directors and members of the board of directors were members of his team?

A. I agree with that.

Q. And would you accept that the decision to invest \$100 million in a loans for shares bid would be a major decision for SBS?

A. For SBS it was not any kind of decision because they were not investing anything into the loans for shares auction.

Q. Mr Grigoriev will say that \$100 million was an enormous sum in the context of Russian business at this time. Would you accept that?

A. I would accept that. I agree with that.

Q. Do you accept that the relationship between Mr Smolensky and Mr Berezovsky in 1995 was such that they met each other from time to time, both socially and for business reasons, in the context of meetings of the oligarchs, as they have become called: Mr Khodorkovsky, Mr Fridman, Mr Gusinsky and Mr Potanin, among others?

A. Are we once again speaking about 1995? At that time there were no such meetings because there were no oligarchs. But they did have meetings, Berezovsky and Smolensky did meet each other; I can confirm that.

Q. Would you accept also that Mr Berezovsky and Mr Smolensky had developed a relationship which was both

mutually beneficial and developed on a friendly basis,
as a relationship of equals?

- A. When you say "mutually beneficial", I'm not sure I understand what that means. Mr Berezovsky did raise debt from Smolensky that -- they had a good relationship. Now, calling this a mutually beneficial relationship does not really do justice to the situation. But if Smolensky continued meeting with him, well, that -- presumably that means that it was beneficial to him as well.

- Q. Would you accept that, by contrast with the position of Mr Berezovsky, you personally had no relationship at all with Mr Smolensky or SBS prior to SBS being asked to give consideration to funding the \$100 million bid?

- A. I have already mentioned that I was introduced to Mr Smolensky by Mr Berezovsky; I do not deny that. But I would beg to differ with respect to your characterisation of the funding for the bid.

- Q. We will get there eventually.

Can I ask you, please, to go to bundle H --

- MRS JUSTICE GLOSTER: Well, just before you leave that, Mr Abramovich, why didn't you mention in paragraph 93 or paragraph 89 the fact that Smolensky was introduced to you by Mr Berezovsky?

- A. Well, at that time I did not have a very clear

recollection as to when I met him. I thought that I had already known him prior to that. And so I was not -- and also I was not sure that this was relevant here.

MRS JUSTICE GLOSTER: Right.

MR RABINOWITZ: With respect to you, Mr Abramovich, that is a curious answer.

At paragraph 93 you were plainly focused on the question of any involvement that Mr Berezovsky might have had with the bid. You must have been thinking about that very carefully. Is that not right?

A. I was very seriously considering this text and I take a very serious position in general to these proceedings.

Q. How could it have slipped your mind at that point that the only way in which you came to SBS was by virtue of an introduction by Mr Berezovsky?

A. Well, maybe I did not think that it was really that important who introduced whom to whom. Well, please forgive me.

Q. Can I ask you, please, to go next to bundle H(C)8, page 119 in Russian H(C)8/119 and 119T in English H(C)8/119. Now, again, just to explain to you what this document is, it's the record of evidence which Mr Smolensky gave to an investigator of the Russian Prosecutor General's Office on 28 May 2009. One sees the date on the top right-hand corner.

If you look at page 120 H(C)8/120, 120T in the translation H(C)8/120T, do you see that Mr Smolensky signed a statement acknowledging that he had been warned of criminal liability if he were to knowingly give false testimony? You see the bold writing and then the signature in the Russian version below that?

A. Yes, I can see that.

Q. Can I ask you then, please, to turn to page 122

H(C)8/122, 122T in the translation H(C)8/122T.

Could you please read to yourself the questions and answers numbered 3 and 4. (Pause)

A. Yes, I have read this.

Q. So we see there that Mr Smolensky's evidence is that it was Mr Berezovsky and no one else who approached him in order to secure SBS's involvement in the loans for shares auction; that is the first sentence of his answer to question 3. Do you accept that?

A. I accept that. But if you read this whole sentence, this whole paragraph, there are too many disconnects here; it is totally dysfunctional, this whole paragraph. Maybe he was reluctant to give evidence or he got confused or he was too nervous when he was giving that evidence. But if you read all his evidence, you will see that he provides an assurance here that has nothing to do with that bank, which is bizarre, to put it

mildly.

- Q. Mr Smolensky had sworn an oath or made this evidence under caution that if he gave false evidence, it could be met with criminal prosecution. But you say he gave false evidence, do you?
- A. Questioning in the Prosecutor's Office is not done under oath. This is wrong to say that this was sworn. But anyone who goes to a Prosecutor's Office -- and far be it from me to criticise Mr Smolensky because I was not there -- this is a very unusual, a very unpleasant procedure, and obviously he was very nervous and he was confused and he may have confused things. Because if you read through this whole text, you see that there are too many things that just don't hold water.
- Q. Do you see at the end of question 3, Mr Abramovich, Mr Smolensky says:
- " SBS-Agro Bank financed the purchase of the Sibneft shares against Berezovsky's personal guarantees."
- Do you see that?
- A. I can see that, yes. But, once again, what I would like to say is that this evidence, this interview, is very strange and therefore I, for one, would not rely too much on the -- there are too many mutually exclusive statements here.
- Q. Given what Mr Smolensky says about Mr Berezovsky's

personal guarantee -- and I should make it clear we don't suggest there was a formal legal guarantee given -- but in light of what Mr Smolensky says about it, I imagine you would accept that Mr Smolensky would say that the assurance that he received from Mr Berezovsky was an important factor in SBS's decision to become involved?

A. I would agree with that, yes.

Q. And then again just going back to question 4, do you see that Mr Smolensky told the Russian prosecutor that he regarded you as playing a supporting role compared to Mr Berezovsky? Well, that is his view. Are you in a position to dispute that this is his view?

A. No, I cannot dispute that. This is what he believes and in Smolensky's eyes I may well have played a smaller role.

Q. Can I now ask you in the same bundle, please, to go to page 110 H(C)8/110. It's 110T in translation H(C)8/110T.

Now, we have looked at this before, I think yesterday. This is the evidence that Mr Viktor Gorodilov gave to the Russian Prosecutor General on 27 May 2009. Again, if you look at page 111, you will see that he too has signed to say that he had been warned of criminal liability for giving knowingly false

testimony. Do you see that?

A. Yes, I can see that.

Q. Now, if you look at the question and answer to question 1, I can then ask you a question about that. Can you read that to yourself, please. (Pause)

In fact I'm afraid question 1 -- answer 1 is the whole of the document -- sorry, the whole of the first two pages anyway.

MRS JUSTICE GLOSTER: That's page 111, is it?

MR RABINOWITZ: 111 on to 112.

THE INTERPRETER: I'm so sorry, Mr Rabinowitz, could the interpreter please be provided at least with the Russian text because I understand you will be making reference to it.

MR RABINOWITZ: Page 111.

THE INTERPRETER: I don't have it. I only have Magnum, sorry. Thank you very much.

MRS JUSTICE GLOSTER: I think we need it in English. Can the interpreter be provided with it in the hard copy and can we have it on the screen in the electronic version in the English, please.

MR RABINOWITZ: Will you let me know when you've read that, please, Mr Abramovich.

A. I have read question and answer number 1.

Q. Do you see that in this answer Mr Gorodilov has

explained that his view was that:

"... [Mr] Berezovsky played the key role in getting the decree passed, as he was able successfully to lobby for this decision at the highest level of power."

MRS JUSTICE GLOSTER: Can we have the next page, please.

A. Yes, I can confirm that this was actually the case.

MR RABINOWITZ: My Lady, it's towards the top of the second page.

MRS JUSTICE GLOSTER: Yes.

MR RABINOWITZ: You would agree with what he says about this?

A. Yes, I agree with that.

Q. And you see also that Mr Viktor Gorodilov says that his son Andrey had nothing to do with the creation of Sibneft, and again I think you would agree with that?

A. Yes, that's true. Andrey Gorodilov had nothing to do with the incorporation or establishment of Sibneft. He appeared on the scene only later, I believe.

Q. Mr Andrey Gorodilov is now one of the -- I think you told us yesterday -- small team of trusted advisers; correct?

A. Yes, that is true.

Q. And he is the deputy general director of Millhouse LLC; correct?

A. Yes, that is true.

- Q. And he has been working for you since October 1995; is that correct?
- A. I do not recall exactly but that must be the case, yes.
- Q. Can you tell us this: was his employment at that time -- that's to say October 1995 -- in any way connected to his relationship with Viktor Gorodilov, the general director of Noyabrskneftegas, or was this a pure coincidence that he is Viktor's son?
- A. No, it is not a coincidence. Viktor Andreyevich Gorodilov, Mr Viktor Gorodilov introduced him to me.
- Q. The fact that he was employed by you, was that because the father asked you to employ the son?
- A. Well, if I recall correctly, he was interviewed, I liked him and so I hired him. But initially it may well have been a request that came from his father, yes.
- Q. I think if you go to page 116 H(C)8/116 or 116T H(C)8/116T, see answer 14. Mr Viktor Gorodilov, at the bottom, really towards the bottom of that page:
- "... I asked Roman Abramovich to get my son a job with Runicom SA..."
- And he says you honoured his request.
- A. Yes, I can see that.
- Q. Is it correct that Mr Andrey Gorodilov was deputy governor of Chukotka at much the same time as you became governor?

A. Yes, that is true.

Q. And now he's a deputy of the Duma in Chukotka?

A. Yes, that is correct.

Q. And so, while you are speaker of the Duma in Chukotka, he is one of your deputy speakers?

A. I'm still speaker of the Duma.

Q. And he is one of your deputy speakers?

A. I know he is an MP, a member of the Duma, but whether he is deputy speaker or not, I'm not sure. But he is a member of Parliament, yes, a member of the Duma.

Q. And Mr Andrey Gorodilov is to be one of your witnesses, is he not? That's the same Andrey Gorodilov?

A. Yes, it is the same Andrey Gorodilov.

Q. Thank you.

Just getting back to the interview with the father, Viktor Gorodilov, it's clear from this interview that he gave to the Russian authorities that he was unaware of the role that you played in the formation of Sibneft. Can you explain that, given how central you claim your involvement was?

A. This interview happened 15 years after the facts. So a person who was 70 years old at that time may well be forgiven for having forgotten certain things. And, once again, someone who comes to the Prosecutor's Office for the first time in his life is -- tends to become very

nervous.

Q. Can I just ask you to go to page 113 in this document H(C)8/113. Three paragraphs from the top, do you see the sentence:

"I considered Abramovich and Berezovsky to be the actual owners of Sibneft."

Do you see that sentence?

A. Yes, I can see that.

Q. Now, Mr Gorodilov, as we know, was the president of Noyabrskneftegas and the first president of Sibneft, not to mention the father of one of your closest and most trusted employees. Can you explain why he considered you to be, with Mr Berezovsky, the actual owner of Sibneft if, as you say, that is simply not the case?

A. The thing is that by the time Gorodilov -- or rather Gorodilov left the company after it was privatised, so he goes by press clippings, press reports. The company came under my control virtually in '97. So whatever he is giving evidence about is something that happened prior to that point in time.

Q. Can I ask you, please, to go to, in the same bundle, page 1 (H(C)8/1; 1T in translation [H(C)8/1T.

MRS JUSTICE GLOSTER: Mr Rabinowitz, what's the context of this interview? The investigation is into what offence allegedly committed by whom?