

Wednesday, 2 November 2011

(10.15 am)

Discussion re housekeeping

MR RABINOWITZ: My Lady, before we start cross-examination, just to mention that we have had a communication from each of the translators identifying certain corrections which need to be made to the transcript. As I understand it, what happened on the last occasion that this was identified, the transcript itself was then amended to take these into account and we will ensure that the same thing happens on this occasion.

MRS JUSTICE GLOSTER: As long as it's all agreed, that's fine. I think it's easier if the transcript is amended because otherwise one's got to go back to correspondence or something.

MR RABINOWITZ: I don't know whether your Ladyship would like a copy of the email that we've had which identifies the corrections.

MRS JUSTICE GLOSTER: No, I'd rather have -- because I do actually use hard-copy transcripts as well as what's on the system. So if somebody could hand up the new transcripts --

MR RABINOWITZ: Once that is done, we will arrange for that.

MRS JUSTICE GLOSTER: -- once that is done. There's no point in my having the intervening position. But thank

you all the same.

MR ROMAN ABRAMOVICH (continued)

Cross-examination by MR RABINOWITZ (continued)

MR RABINOWITZ: Good morning, Mr Abramovich.

Mr Abramovich, you may recall that on Monday afternoon I asked you whether anyone other than lawyers from Skadden had assisted you in preparing to give evidence today. Do you recall that?

A. Yes. Yes, I do remember the question.

Q. And you explained that you had been assisted but only by Bond Solon. Do you remember that?

A. Yes, I remember that.

Q. It was reported yesterday in a magazine called Legal Week that Lord David Gold, a former partner at Herbert Smith solicitors, had been instructed to help you with running the case and preparing you and the witnesses for trial. Can you say whether that is an accurate report or not?

A. No, this is not accurate.

Q. Can you identify what Lord Gold is doing for you?

MR SUMPTION: My Lady, my learned friend needs to be careful. Lord Gold does have a role as a legal adviser and it's not right that he should investigate matters that may be privileged. I'm anxious that that should be made clear before the witness answers.

MRS JUSTICE GLOSTER: Mr Rabinowitz, I think it's legitimate for you to ask in headline general terms what the function of Lord Gold is.

MR RABINOWITZ: And that's what I was preparing to do. I wasn't going to pursue it beyond that.

MRS JUSTICE GLOSTER: Fine. Proceed.

MR RABINOWITZ: Can you, if you know, Mr Abramovich, tell us what it is that Lord Gold has been engaged to do, in very general terms? I don't want you to get into legal advice that he is giving you.

A. At some point in time we did meet with him but I think it all went through Skadden Arps but I cannot be more specific. It all happened at the very early stage and last time we met somewhere around here.

MRS JUSTICE GLOSTER: Well, Lord Gold has been sitting in court so presumably he has some role, has on occasions been in court. So could you give just a description as to what his function is in these proceedings?

A. At some point in time he did advise me, but he is not performing any -- playing any role or performing any function within the framework of this trial.

MR RABINOWITZ: Thank you, Mr Abramovich.

Can we go back to a topic we were dealing with yesterday. We were looking at agreements that had been made by Mr Berezovsky together with Mr Gorodilov --

that's Mr Viktor Gorodilov -- and Mr Potapov in September and October 1995. Do you remember?

And just so that you have very clearly in mind what we're talking about, perhaps we can just go back to one of those agreements. You will find that at H(A)02, page 174 in the Russian H(A)02/174 and 174T for those in the translation H(A)2/174T.

A. Yes, I can see this.

Q. All right. And you explained in your evidence that this was, you said, not in fact related to NFK at all and it had to do with some other company and a plan that was never followed. Do you remember that evidence?

A. Yes, I do remember that evidence.

Q. And you also said that you were confident that this had nothing to do with a loans for shares bid because, you suggested, it was only in November that you decided that you would participate in the loans for shares auction. Do you remember that?

A. Yes, I do remember that and I can confirm that.

Q. Now, do you agree that you were actually also very involved in negotiating the agreements that we looked at yesterday?

A. Yes, you can put it that way, yes.

Q. Well, which way would you put it, if not that way, Mr Abramovich?

A. Yes, I can confirm I did take part in this. I simply am not sure I understand what you mean when you say "very involved in negotiating", when we're looking at a document which comprises three lines only. But yes, I did take part in that.

Q. Well, the fact that an agreement in the end can be summarised in three lines doesn't mean that it might not have taken a long time to negotiate, does it?

A. I apologise, I'm not sure I understood the question. The negotiation of the agreement did not take long?

Q. I'm trying to understand the extent of your involvement in the negotiation of these agreements.

A. I did take part in those negotiations and I maybe took part in preparing this.

Q. Can I ask you, Mr Abramovich, to go to your witness statement, E1, tab 3. It's paragraph 81. You'll find that in the English at page 59 E1/03/59 and in the Russian at page, I think, 160 E1/03/160. Can I ask you, please, just to read paragraph 81 to yourself.

(Pause)

A. Yes, I have read this.

Q. You seem to suggest in this paragraph that it was important to get Mr Potapov to sign up because his support was important in the same way that Mr Gorodilov's support was important.

- A. Yes, I can confirm that Gorodilov's and Potapov's support were always important.
- Q. And again, can I ask you to explain what it was that you say their support was important to?
- A. At the time, when this agreement -- you mean at the time when this agreement was reached or in general why their support was needed?
- Q. Well, if you can explain by reference to paragraph 81, where you say their support was important, what it is you are saying their support was important to, please?
- A. Those two people that we're talking about were the key people in the new company that had been incorporated and without them we would not have achieved anything and therefore their support was very important indeed.
- Q. But important to what, Mr Abramovich?
- A. That support was important for trading operations, for follow-on work, for everything. There is -- there was nothing in Sibneft that could have been done without the consent of the president and the vice president.
- Q. Now, at the end of this paragraph, paragraph 81, after explaining your case, which is that because the name of this bidding company was different these contracts in fact became irrelevant, you say:
- "However, it was in any event ensured that Mr Viktor Gorodilov and Mr Potapov would support me."

Do you see that?

A. Yes, I can see that.

Q. Other than in the context of referring to these agreements, I can find no earlier reference to Mr Potapov and him supporting you anywhere in your statement. And my question to you is this: if Mr Potapov's support was not ensured by way of these agreements or similar agreements, can you tell us on what basis you said at paragraph 81 that Mr Potapov's support was ensured?

A. I'm not sure I understood your question. Why -- are you asking me whether there was another agreement?

Q. I'm asking you about your evidence in paragraph 81, where, after referring to these agreements but explaining that the company involved in the loan for shares auction was not Neftyanaya Finansovaya Korporatsiya, you nonetheless say it was ensured that Mr Potapov would support you. Where in your statement do we find anything else by reference to which you would say his support was ensured?

A. Is your question whether I know whether Potapov and his support is referenced elsewhere in my witness statement? I do not remember my witness statement by heart but there is -- I think there is something in my witness statement to that effect. I'm confirming that the

support of Potapov and Gorodilov had been ensured whether or not this had been signed and this had nothing to do with the loans for shares auctions because we only decided to take part in the loans for shares auctions much later. This is what I'm trying to say.

MRS JUSTICE GLOSTER: Can I ask a question. How did you ensure these two gentlemen's support without an agreement? How did you ensure it?

A. As soon as the company was incorporated, we became one team for all practical purposes. We shared the same objectives, we were working together. We had a different understanding as to what will be happening later on. Early on Viktor Gorodilov was against privatisation and then he left because of that. Potapov was younger and he understood this much better. He had never worked as a CEO before we imported him as the CEO and he was with us, he was a comrade. So I would not describe him as a close friend, like others, but he had worked together and he was the person who was my vis-a-vis and someone who, when I was working with Omsk before that, therefore I did play a role in his appointment.

MRS JUSTICE GLOSTER: So there was no other agreement or other financial inducement that ensured Mr Potapov's support?



A. So far as I can recall, there were no other inducements, financial inducements. He received a salary in Sibneft and at Omsk; but whether we paid him anything on top of that, so far as I can recall, we did not.

MRS JUSTICE GLOSTER: Thank you.

MR RABINOWITZ: Mr Abramovich, what I suggest to you is that these agreements whereby you got Mr Gorodilov and Mr Potapov to sign up their support were much more significant than you are now suggesting. Do you agree?

A. I agree that they were important. What I'm saying is that they were not as important as we were trying to discuss now. They were not that important. And that company had never been incorporated, to the best of my recollection.

Q. What I also suggest to you is that the reason you are trying to downplay the significance of these agreements is because it is clear that Mr Berezovsky was involved in obtaining these agreements and you are seeking to downplay his involvement in ensuring the success of your loans for shares auction bid.

A. No, this is not the case, and with your permission I would like to clarify, if I may.

MRS JUSTICE GLOSTER: Yes, you may.

A. I'm not trying to downplay the role that Mr Berezovsky played in terms of the participation in the loans for

shares auction. Had it not been for Berezovsky, we would have never taken part in this auction and we would have never been able to ensure a signature, presidential signature under the decree. Therefore the role that Berezovsky played in the auctions was an exceptionally important role. We would not have achieved anything without him and I fully confirm that.

Having said that, this agreement has nothing to do with the auctions. We decided to take part in the shares -- loans for shares auctions --

MRS JUSTICE GLOSTER: Can you slow down a bit.

Okay, go on.

A. We only decided to take part in the auctions one or two days before the government resolution was signed and that's why Berezovsky went to see Kokh during the night, as his writing: we had been vacillating for a long time, we did not have money, we did not know what to do, Viktor Gorodilov was against us. There were many problems, very many issues why we were vacillating, why we had doubts and why we did not want to do this.

MR RABINOWITZ: Can I just pick that up with you,

Mr Abramovich, and the suggestion that these agreements really could have been of no relevance at all because it was only in November that you decided to commit to making a bid.

Can I ask you to look at paragraphs 82 and 83 of your statement, which should be in front of you E1/03/60.

A. Yes, I have read this.

Q. And what you appear to be saying at paragraph 2 is that at the end of August 1995 one had the presidential decree and that there was only a ten-day period following this in which the committee was to determine which shares would be in the auction and that Sibneft was not at that time on the list. That's right, isn't it?

A. Yes, your understanding is correct.

Q. And you then explain that you and Mr Berezovsky met with members of the committee to persuade them to include Sibneft in the list and that, at this stage, you even had to go back and get Mr Gorodilov's support for this because Mr Kokh made clear to you that this would be important. Is that correct?

A. Yes, that is correct as well, except that it was staggered in time. Everything is compacted into one paragraph and it may appear that we discussed that in September; however, Sibneft was only registered, was only incorporated as a legal entity in... in October.

THE INTERPRETER: Sorry.

MR RABINOWITZ: Mr Abramovich, it's not one paragraph, it's

two paragraphs, and you are very clear in these paragraphs about the time. You explain that in September 1995 or thereabouts you met with the committee in your attempt to lobby them to include Sibneft in the loans for shares auction. That's right, isn't it?

A. No, this is not right.

Q. Well, that's what you seem to be saying at paragraph 83.

MRS JUSTICE GLOSTER: Well, what's the point here? Is the point that he's got the date wrong?

MR RABINOWITZ: With respect, no. He's got the date right.

What --

MR SUMPTION: My Lady, my learned friend has not referred to the words "Later on", which start the second sentence. He's actually putting this statement on a rather unfair basis to the witness.

MRS JUSTICE GLOSTER: Well, what's the point you're putting to the witness, Mr Rabinowitz? Because I'm not following.

MR RABINOWITZ: Can I respond to Mr Sumption because what I'm putting to the witness is the first sentence:

"In September 1995 or thereabouts, Mr Berezovsky and I also met with members of the Committee... including... Kokh who... was then the acting Chairman of that Committee."

The point is this, Mr Abramovich: you were lobbying

hard in September, at around this time, knowing that there was a limited period of time for Sibneft to be included in the list of companies which would be subject to the loans for shares auction, and it is therefore simply wrong to suggest that contracts that you made with Potapov and Gorodilov at this time could have had nothing to do with the loans for shares auction.

- A. I would like to confirm again that those contracts have nothing to do with the auctions. We had many meetings, multiple meetings with Kokh -- we actually started meeting with him in September, maybe earlier -- but the question of whether or not we would take part only appeared in November.

The company was incorporated in October; therefore it made absolutely no sense to start talking about this in September, before the company had been incorporated.

- Q. Well, again, Mr Abramovich, it's perfectly obvious that it would have made sense to start talking about it before October in circumstances where this is what you were seeking to do. You wanted to ensure that you had the support you needed --

MRS JUSTICE GLOSTER: Well, there are two questions there. Start with the first one, please. You're putting to him that it's obvious that something would have happened. Get his answer on that.

MR RABINOWITZ: Let me ask the question again,

Mr Abramovich. It's perfectly obvious that it would have made sense to start talking about it with people like Potapov and Gorodilov before October in circumstances where you wanted to ensure that Sibneft was included in the loans for shares auction?

A. This is not the case. My initial plan with respect to the privatisation was to privatise 49 per cent and then, stage by stage, buy up a further 5 per cent. I was not thinking about taking part in auctions until the end of October. It took us maybe two days finally to decide on taking part. It was a difficult process.

Q. Mr Abramovich, can you look at the first sentence of paragraph 84 of your witness statement, please E1/03/61.

A. Yes, I can see that.

Q. Paragraph 84 of your witness statement, you refer to the fact that on 11 October the first step in the process had been achieved, in that the State Property Committee had issued directive number 1462.

A. Yes, that was the case.

Q. And that was at least in part as a result of your lobbying activity, wasn't it?

A. No. It was a standard procedure that applied to all government-owned companies that were about to be

privatised. I could have taken part only in speeding up the sell-off; I could have only influenced the speed with which the various equity stakes were being sold off.

MRS JUSTICE GLOSTER: Just a second. But you accept that Mr Berezovsky was involved in the negotiations or the discussions with Kokh; is that right?

A. Berezovsky did take part in the negotiations with Alfred Kokh at an earlier stage and I'm not sure, I think he even introduced me to him. I cannot affirm that, but I think that was the case. Compared with Berezovsky, for Kokh I was a nobody. I was someone who could agree on small things. The main figure was Gorodilov. Without Gorodilov's signature, we would have gotten nowhere in terms of privatisation.

MRS JUSTICE GLOSTER: Do you accept that Mr Berezovsky was involved in convincing Mr Gorodilov to give his support?

A. I agree that without Mr Berezovsky's influence or clout -- I don't think he actually spoke with him directly, but just the fact that he was around --

MRS JUSTICE GLOSTER: And behind the proposal?

A. Am I clear? So he was such a figure, with such cachet and clout. I mean, he liked me, but for him Berezovsky was much more important; he was a person who was part of Yeltsin's entourage, at least that's what he thought, he

was close to the president. So that's why it all sort of balanced out.

MRS JUSTICE GLOSTER: So you would agree that Mr Berezovsky was, as it were, being the big figure instrumental in obtaining Gorodilov's support?

A. Yes.

MR RABINOWITZ: Thank you very much.

Now, can we then just move on to other aspects of the loans for shares auction in relation to which Mr Berezovsky and his team made a contribution.

You may recall, Mr Abramovich, that Mr Sumption told the court in his opening submissions that a rival bidder called Inkombank was disqualified from bidding in the 1995 auction on technical grounds. Do you remember that?

A. Yes.

Q. And Mr Sumption noted that Dr Nosova said that this was the work of her team and I imagine that you will accept that this was the work of Dr Nosova's team?

A. No, I would not accept that. I cannot deny this, but I wouldn't say that Dr Nosova had a team that could work with documents or could have an opinion as to whether or not Inkombank's bid could or could not be disqualified. I would doubt that very much, with all due respect to Dr Nosova.



- Q. I'm not clear what you are saying. Are you disputing that Dr Nosova might have been the person who spotted the problem with Inkombank's bid?
- A. No, I'm not disputing that. What I'm saying is that it might well have been the case, but whether or not Nosova had a team who could review the documents and influence the commission's decision -- it was the commission's decision at the end of the day whether or not their bid was a legitimate bid or not, and that happened at the end of the auction, very close.
- Q. Well, it's obviously the commission's decision at the end of the day whether the point which is taken is a good point, just as it's a referee's decision as to whether a penalty is a penalty, but someone has to spot the point first in order for it to be brought to the attention of the commission. Do you dispute that the person who spotted this point was Dr Nosova and her team?
- A. I'm sorry, which question would you like me to answer: whether I dispute that it was Nosova who found the mistake? I have no opinion on that, but that might have been the case. What I'm disputing is that Nosova had a team that was able to do all those important and fundamental things that you seem to be setting out.
- Q. I'm not sure I'm setting out anything more than that she

spotted this point, but we can move on.

We can agree, I think, that there was a genuine rival bid from Inkombank but that it was rejected on legitimate, albeit technical, grounds; is that right?

A. Yes, the bid was rejected on technical grounds by the commission; that is correct.

Q. And it was legitimate to have identified this as a ground and brought it to the attention of the commission; correct?

A. I'm not sure I understood your question.

Q. There was nothing wrong or illegitimate in seeking to identify problems with an opposing bid and bringing that to the attention of the commission, was there?

A. This was not done. A bid is published, it's in the public domain, and then you can find an error in it and then you can wait until the commission makes a decision. If the commission had not found a mistake then you may well have brought this to the attention to the commission.

But, you know, bringing an error to the attention to the commission from your office is not something that can be done. There are many members on the commission and they spend a lot of time going through all the documents, all these seals and stamps and the guarantees, whether or not all the documents were

processed properly and written properly.

Now, whether or not Dr Nosova could convey to the commission the fact that she had found an error, a mistake in Inkombank's bid; I don't think so, no.

Q. You see, Mr Abramovich, even with this minor matter you are doing whatever you can to deny that Mr Berezovsky and his team had any other involvement in ensuring the success of the bid than the involvement which you are prepared to acknowledge, which was previously just the lobbying of Kokh and this morning also involvement in getting the support of Gorodilov.

Do you want to comment on that?

A. This is being done only in order to convey to the attention of the court the picture that appertained, the position that appertained at that time. This is the only objective.

Q. Now, there was a second bidder in the auction, Sameko, who also withdrew its bid; that's right, isn't it?

A. Yes, that is true.

Q. And at paragraph 97 of your witness statement, you give evidence about this. It's at page 64 of the English E1/03/64 and I think 97 of the Russian, although that doesn't sound right.

THE INTERPRETER: It's page 65 (sic), says Mr Abramovich.

MR RABINOWITZ: Page 165 of the Russian E1/03/165. Do

please read paragraph 97 to yourself. (Pause)

A. Yes, I have read this.

Q. So you explain that:

"Mr Patarkatsishvili said that he would seek to persuade the General Director of... Sameko to withdrew the bid, which he succeeded in doing and obtained a signed letter confirming the withdrawal. Without Mr Patarkatsishvili's involvement, we would not have received the letter confirming the withdrawal of... Sameko's bid."

I understand your evidence to be that, although you do not mention it here, you too went to Sameko, along with a team of people, just before the auction. Is that right?

A. Yes. Yes, that was literally one day before the auction. We came back from Sameko on the day of the auction.

Q. And you arrived in Sameko after the agreement in principle had been achieved by Mr Patarkatsishvili?

A. If my memory serves me right, I think he spent half a day there and we arrived during the night. He arrived together with Viktor Gorodilov earlier and we arrived later, either in the dead of the night or in the early hours of the morning, if I'm not mistaken.

Q. Mr Abramovich, my question to you was that you arrived

in Sameko after the agreement in principle had been achieved by Mr Patarkatsishvili?

- A. The agreement was, I think, reached either in our presence or in -- during the day when we arrived. But all the discussions and the subject matter of the discussion, yes, yes, I think you can look at this the way you're looking at it. The bulk of the negotiations had already been conducted but we needed to finalise the documents; and once again I want to confirm that without Mr Patarkatsishvili's involvement we would not have achieved that.

- Q. Thank you very much.

Now, can we just be clear as to what the consequences would have been if Sameko had not withdrawn. It's, I think, not in dispute that if Sameko had not withdrawn and there had therefore been a bid from Sameko, Mr Berezovsky would have had to bid \$217 million in the auction. Do you agree?

- A. Yes, I agree with that.

- Q. But you didn't have \$217 million, did you, Mr Abramovich?

- A. Yes, that is true.

- Q. And if you had bid \$217 million, NFK and SBS Bank would have been liable for the \$3 million deposit and \$21.7 million more, being 10 per cent of the bid total;

isn't that right?

A. Yes, that is correct: they would have lost the 3, whereas the \$21.7 million could have been potentially in dispute, yes.

Q. So I think you accept that Mr Patarkatsishvili's role in his negotiations with Sameko had real value in preparing for the 1995 auction and your success, do you not?

A. Sorry, could you repeat your question again? I'm not sure I understood everything about the role of Mr Patarkatsishvili.

Q. Mr Patarkatsishvili's role in negotiating with Sameko had real value in assisting you in the 1995 auction, did it not?

A. The role that Badri played was invaluable only so far as the agreement with Sameko is concerned. Now, if, based on that, you want to draw all the other conclusions, well then with that I would agree.

Q. Still dealing with the 1995 auction, Mr Sumption in his opening submissions told the court that Mr Berezovsky made an agreement with Bank Menatep that they would bid fractionally less than NFK. Do you remember that?

A. Yes.

Q. And is that your evidence as well?

A. I can confirm that the agreement with Bank Menatep may well have been agreed between Berezovsky and

Khodorkovsky; I cannot deny that. But all the documents and all the documents with respect to the bid were prepared by Mr Kagalovsky -- I think he was the vice president in charge of privatisation -- and myself. So it was Kagalovsky and myself: we together prepared the second part of the bid.

Q. So again, just dealing with the agreement that Mr Berezovsky managed to make with Menatep, this was again a contribution that Mr Berezovsky's side made to the success of the auction bid, wasn't it?

A. Yes. You can look at it that way, yes.

Q. Now, I want to move on to a slightly different topic, which is the subsequent auctions.

Mr Abramovich, is it your evidence that you participated in the remaining auctions of Sibneft shares, the three cash auctions under which a 49 per cent stake was auctioned, without direct participation from Mr Berezovsky?

A. If my memory serves me right, that was the case.

Q. But you did discuss these auctions with Mr Berezovsky, did you not?

A. I don't think so.

Q. And you did use the control of Sibneft, which you had acquired with his assistance, in order to obtain funding; that's right, isn't it?

A. There were three auctions: they all had different terms and conditions. Would you like us to go through each of them successively in order to understand what happened in each auction? Because otherwise we would be speaking only in general terms.

Q. All right. Let's take the first auction, in which you acquired or Runicom SA acquired 12.22 per cent of the shares. Let me put my question to you in relation to that.

You obtained funding from -- sorry. Did you use your control of Sibneft, which you had acquired with Mr Berezovsky's assistance, in order to obtain funding for that?

A. We organised finance in SBS, then a part of our own money went into the play as well, but I don't think that I would describe it the way you described it. I wouldn't interpret it that way.

Q. All right. But you -- let's just take this in stages. You say you organised funding from SBS, and SBS, of course, were the bank to whom Mr Berezovsky had introduced you; that's correct, isn't it?

A. Yes, that is correct.

Q. And the funding that you got from SBS was guaranteed, among others, by Noyabrskneftegas and Omsk Oil Refinery?

A. Yes, that is true, if my recollection is right. But



Andrey Gorodilov could tell you the details of this and he would -- he is much better informed about this than myself.

Q. Okay. Can we then --

A. Could I just add something?

Q. Please.

A. I think we raised debt at SBS, we got the shares -- we won the shares and then I think we pledged shares as collateral; something like that. I cannot be very sure, I'm sorry.

Q. Are we still talking about the first bid? I think if you look at paragraph 102 of your statement, maybe that will remind you. Page 66 of the English E1/03/66; I'm afraid I don't have the Russian. About 166 E1/03/166. You say there:

"Funding sources for participating in these auctions included our own funds and loans from SBS guaranteed by Noyabrskneftegas, Omsk... and Runicom..."

Okay?

Now, I want then to move on to the topic of the profits that you made as a result of having obtained ownership and control of Sibneft. Okay?

A. Are we now speaking about the year 1997?

Q. I will tell you which year we're speaking about when we come to the particular question. I just wanted to make

clear to you that we're moving on to a slightly different topic.

Would you accept, Mr Abramovich, that you fully expected to make very large profits from acquiring control of Sibneft from early 1995?

MRS JUSTICE GLOSTER: Mr Rabinowitz, I think you need, for clarity, to date the time of his expectation.

MR RABINOWITZ: Yes.

MRS JUSTICE GLOSTER: And also date the time from which you are asking him to deal with the profits of Sibneft because the question you've put is ambivalent or ambiguous.

MR RABINOWITZ: Let me rephrase it like this: would you accept, Mr Abramovich, that in early 1995 you had an expectation that you would make large profits from acquiring control of Sibneft over whatever period you had that control?

A. When you say "control", do you mean control over the management structures or control over the shares?

Q. Well, we discussed yesterday that when you talked about control over these companies, you were talking about shareholder control, which you were hoping to get first by getting management control and then later by getting ownership. For present purposes, I'm not sure it matters.

The question really is this: do you accept that it was your expectation in 1995 that if you could get control of Sibneft, this would produce large profits for you?

A. I did expect that sooner or later I would make some money; yes, that's true.

Q. Your own evidence is that in March 1995 you were generating about \$40 million per year through your trading companies and that at this time you told Mr Berezovsky that you expected to be able to increase that to \$100 million per year if you got control of Noyabrskneftegas and Omsk Refinery; that's correct, isn't it?

A. That is true, but we were talking about management control at that time and that's why I asked you what exactly you had in mind.

Q. And so your case is that it was your expectation that if you got control of Noyabrskneftegas and Omsk, you would increase your profit each and every year by around 150 per cent a year?

A. I'm not sure I understood your question. You said "every year": you mean every year on a compounded basis, 150 per cent on a compounded basis?

Q. Well, your evidence has been that you would increase what you were making from \$40 million per year to

\$100 million per year and it's on the basis of those figures, which is an increase of 150 per cent, that I've suggested to you that that was your expectation.

A. I was expecting that if Sibneft was incorporated and I did have management control then my profit would increase and achieve approximately the ballpark figures that I was speaking about.

Q. Okay.

Now, the Runicom companies played a substantial role in the way you made profits from your control of Sibneft and I would like to ask you some questions about Runicom. Okay?

A. Yes.

Q. Runicom SA was one of your companies and that was incorporated in Geneva, Switzerland, in 1994. You probably don't remember the exact date but otherwise do you agree with that?

A. Yes, I agree with that.

Q. And at least in the early years, Runicom SA was administered by Valmet; that's right, isn't it?

A. Sorry, when you say "administered", do you mean whether they took management decisions or whether you mean they were in charge of the books, the accounting? What do you mean?

Q. I'm not saying they took management decisions; I'm

saying that they were involved in the administration of Runicom SA.

A. Yes, that is true.

Q. And in fact you personally negotiated the arrangement with Valmet over a period of several months, your negotiations being with a man called Christian Michel of Valmet; is that right?

A. I think I met with him on two occasions but it may well have been the way you have just described it: there may have been a gap of several months. But I think I met with him two or three times.

Q. Would you describe Valmet as being a specialist in the creation of complex and opaque offshore structures for holding assets?

A. At that time I was not aware of that. You have just painted a scary picture; at that time I did not know anything about that. At that time our main companies were in Germany and Romania, with a very high tax regime. So we met Valmet and they said that there are certain tax areas where the tax rates are way lower and so we moved to the location which they had recommended and I did not know anything about those complex holding structures.

Q. Now, when Runicom SA was set up in 1994, 98 per cent of the shares were put in Mr Shvidler's name rather than

your own; that's right, isn't it?

A. 98 per cent I think were put in my name and one share was registered in Shvidler's name. I'm not sure, I would not give you 100 per cent certainty, but that's my recollection, yes.

Q. Sorry, your recollection is that the shares were put in your name and not Mr Shvidler's name?

A. I do not recall very well the way the shareholding was structured in Runicom but I think this was the way I described now.

Q. Well, perhaps we can have a look at a document which might help with that. Can you go to bundle H(C)1, page 141T H(C)1/141T. This is a translation from the French and I don't understand that there is a Russian version of this, so I'll just have to read it to you, Mr Abramovich, and it will have to get translated for you.

It appears to be a notarised document and on the first page it identifies certain people who appeared before the notary, one of whom was Mr Eugene Shvidler from the United States. And then on the second page of this document, so that's page 142T H(C)1/142T, under the heading "Subscription", the document notes that:

"The appearing founders declare that they themselves are subscribing for ONE HUNDRED... ordinary BEARER

shares of ONE THOUSAND FRANCS... each, forming the entire share capital, without there being a public subscription, in the following manner..."

And then Mr Shvidler is identified as the person to whom 98 of the 100 shares are subscribed. Do you see that?

A. I cannot see this, I can hear this. But if I understood you correctly, these are bearer shares.

Q. They are bearer shares: they were issued to Mr Shvidler. I don't dispute that at some point they were transferred to you. But my question to you was: can you explain why, in the first instance, they were issued to Mr Shvidler?

A. I think that that was the procedure and he just went there to open this company.

Q. Okay.

A. Mr Shvidler went there to open this company.

Q. Now --

A. But, once again, the 98 per cent of Runicom belonged to me.

Q. And it's right, isn't it, that you were head of the Moscow office of Runicom SA between 1994 until 1996?

I can help you with this: I can show you a document which says that, if that will help. If you go to H(A) volume 7, page 41 H(A)07/41. Just so you know what

we're looking at, Mr Abramovich, this is the offering circular for Sibneft's Eurobond issue in 1997. You can see that if you go back -- in fact you are on page 41, so you can see it from the page that you're on.

If you go to page 83 of this document H(A)07/83, there is again the short biography about you that we saw when you first started giving evidence. You see there that it says:

"From 1994 until 1996, [you were] head of the Moscow office of RUNICOM SA."

Do you see that or do you hear it?

A. Yes, I can only hear that. The text is in English, so I can only hear what you're saying. Yes, but I heard that.

Q. And late in 1996 you caused Runicom Limited to be incorporated in Gibraltar; is that right? You can take it from me that that's about right.

A. I'm sorry, when you said "you caused", what do you mean "caused", caused Ltd to be incorporated?

Q. Don't get hung up on the "caused". Let's say Runicom Limited was incorporated in Gibraltar?

A. Yes, that is correct.

Q. And from around that time Runicom essentially took over Runicom SA's business?

A. I think there was a transitional period of one to two



years, but I would not be sure. I think we -- for some point in time we worked with the two companies together, but I cannot tell you exactly.

Q. Now, from 1996 the sole business of Runicom -- by that I mean Runicom SA or Runicom Limited, depending on the period -- their sole business was trading in oil and petroleum products; is that right?

A. I cannot confirm that. I have no recollection.

Q. Is this right: that from 1996 Runicom SA and then Runicom Limited was the sole purchaser of Sibneft oil destined for abroad?

A. Could you confirm which year you mean when you said it was the sole exporter?

Q. From 1996 Runicom SA, and then Runicom Limited when it took over Runicom SA's business, was the sole purchaser of Sibneft oil destined for abroad?

A. If my memory serves me right, one of the Runicoms was the sole exporter of oil, starting in, I think, mid-1996.

Q. So I think you're agreeing with me?

A. It's just that I cannot confirm whether it was SA or Limited. But one of the Runicoms did sign in '96 an exclusive contract; but which one of the two it was, I just don't remember.

Q. All right. That doesn't matter for present purposes.

And from that time -- that's to say from 1996 -- the sole business of Runicom -- and it could be one or the other, it doesn't matter -- but the sole business of those companies was trading in oil and petroleum products; is that right?

A. I cannot confirm that. I just don't have any recollection of that.

Q. Can you confirm this: that Runicom Limited, like Runicom SA, do you say that was solely owned by you?

THE INTERPRETER: I'm so sorry, Mr Rabinowitz, could you kindly repeat? I think I missed out on one word of what you said.

MR RABINOWITZ: I'm asking: was Runicom Limited solely owned by you, Mr Abramovich?

A. I think so, yes.

MRS JUSTICE GLOSTER: Choose your moment for the break.

MR RABINOWITZ: Now is as good a time as any.

MRS JUSTICE GLOSTER: Very well. Ten minutes, please.

(11.27 am)

(A short break)

(11.39 am)

MRS JUSTICE GLOSTER: Yes, Mr Rabinowitz.

MR RABINOWITZ: Mr Abramovich, it's right, is it not, that from 1996 Runicom acquired almost all of its oil from a single source, namely Sibneft?

A. In '96 I think Sibneft was constituting 60 per cent, if we're only discussing oil. I think it was 60 per cent.

Q. You say if we're only talking oil then Runicom got, what, 40 per cent of oil from someone else, do you say?

A. Yes, yes. We traded oil, we bought it in the market, we sold it; there were different operations, but 60 per cent of resources came from Sibneft. I don't remember exactly, just giving you approximate numbers.

Q. And what about in 1997?

A. In 1997 we got full contract from Rosneft and I think we got a part of Slavneft, but Rosneft had exclusive contract with us.

Q. Can I ask you, please, to go to bundle H(A)09 at page 155 H(A)09/155. Now, these are Runicom's accounts, as you see, for -- sorry, financial statements for the year as of 31 December 1997. Can I ask you in this document, please, to turn to page 168 H(A)09/168 and look at note 14. I'll read that to you and it can be translated for you. It says:

"The Company..."

And they're talking about Runicom Limited.

"... receives nearly all of its supplies of crude oil or oil products directly from a related party..."

And one is then referred to note 17. Under note 17 it says:

"The Company engaged in various transactions with related parties. During the year the Company purchased oil products from Runicom SA in the amount of \$24,222,957... all of which had not been paid as of the report date.

"The Company purchased crude oil and oil products directly from Sibneft in the amount of [\$402 million]..."

So the related party that is referred to at note 14 was Sibneft, was it not?

A. If I have heard you correctly, it is so, but I cannot assert that. Possibly, yes.

Q. Can we look next at the ways in which you did in fact extract very substantial profits from your control of Sibneft.

Do you accept that one of the ways in which you were able to profit from your control of Sibneft was by exploiting the difference between Russian oil prices and prices on the international market?

A. Could I ask you, please, to repeat the question once more?

Q. Sure. Do you accept that one of the ways in which you were able to profit from your control of Sibneft was by exploiting the difference between Russian oil prices and prices on the international market?

A. Runicom was engaging in standard trading operations and certainly the difference, but this is not the difference between Russian prices and international oil prices; this is a difference, for example, in transport, in insurance. There were many percentages, many various components. We were buying it in one place, selling in another. For example, there is FOB supply, CIP supply. But we -- I think we discussed that moment.

Q. Can I ask you to look at paragraph 47.

A. I think it was 2 per cent.

Q. Sorry, what do you say was 2 per cent?

A. Sorry, I think we lost the train of thought because I was replying to the interpreter and that was misunderstood; it was a separate discussion.

THE INTERPRETER: I do apologise.

MR RABINOWITZ: You were talking to the interpreter about 2 per cent?

A. I just repeated. I have repeated that, if I understand correctly, the margin was about 2 per cent.

Q. Can we begin by looking at what you say at paragraph 47 of your third witness statement, page 47 in the English E1/03/47 and page 147 of the Russian E1/03/147. You say at paragraph 47 that:

"At that time..."

And you're referring here even to 1994.

"... domestic Russian refined products... and crude oil prices were both fixed considerably below world market levels. Trading companies such as mine could benefit from this price differential, buying oil and products at local prices and then selling them on the world market."

And that is in effect what I put to you,  
Mr Abramovich: that that is one of the ways in which you could profit from your control of Sibneft.

A. You are completely incorrect. I am describing the situation of 1994 and now I think you are discussing 1996 with me. By 1996 everything was very strictly regimented and oil could not leave the territory of Russian Federation at free prices. Prices were very clearly linked to the world market.

Q. Well, we will have a look at exactly what those prices are in a few moments.

In your seventh witness statement, which you served just a few days ago -- you'll find that at E8, tab 18, if you go there; I'm going to go to paragraph 7, which is at page 226 in the Russian E8/18/226 and page 216 in the English E8/18/216 -- you say in paragraph 7:

"One of the ways I expected to, and did, generate cash from which to pay Mr Berezovsky was by seizing the opportunity to increase the volume and range of oil and

oil products from Sibneft which were traded through my existing Trading Companies. Contrary to what Mr Berezovsky suggests, this was not achieved by 'transfer pricing' -- it was achieved by skilful management of the flows of oil and oil products, improvements in logistics developed by my team of specialists and by my persuading management of Sibneft to direct new business opportunities exclusively to my Trading Companies. The practices adopted by my Trading Companies did not change after Sibneft was created."

And you then go on to make the point at paragraph 8 of your witness statement that you already had a turnover in 1993 of \$350 million and it's clear from paragraph 8 that you don't take that from any accounts; you refer here to a letter from Mr Alexei Golubnichy, who wrote to Mr Curtis in September 1994.

Can we just have a look at that letter, please. You'll find that at H(F) volume 1, page 60 H(F)1/60. If you look at H(F) volume 1, page 60, do you see point 5? It appears to be where you have this figure of \$350 million from. I can tell you point -- are you on page 60?

Now, you've referred to this letter in order to get the figure of \$350 million and that is indeed the figure that one sees at point 5 in respect of turnover. But do

you see the figure immediately below that?

"Net profits in 1993 -- [\$]10 [million]."

That identifies what your net profit was, does it not, on the turnover of \$350 million?

A. Yes, this is true.

Q. Can you explain why you didn't, in paragraph 8, mention also the fact that the profit that you were making was only \$10 million?

A. Sorry, I don't understand the question. I didn't mention that it was \$10 million?

Q. That's correct, and I'm asking you why you thought it wasn't necessary to mention that it was \$10 million profits in your witness statement?

A. I don't think so. I think we just referred to the document. I think a part -- perhaps I didn't understand the question, I think. Why we didn't mention this document in my statements, why we didn't copy it?

Q. You did mention this document and what you picked out of this document was the high turnover figure of \$350 million. What you didn't mention was the comparatively low profits that that was generating for you.

A. I definitely didn't want to conceal anything. This document is appended to the case, so I didn't have a thought to hide anything. I don't feel -- what are



you trying to ask me, sorry: why I didn't state all the figures that are described in this document?

Q. I'm going to move on to the next paragraph of this witness statement E8/18/217. Paragraph 9, you say this:

"My trading companies..."

Sorry, I'm going to refer to your witness statement again, paragraph 9.

"My Trading Companies were not engaging in transfer pricing when trading with Omsk or any other enterprise. As third parties, we had no ability to influence the price at which the products were supplied to us. Even after my team assumed management control... we were limited in our ability to fix the prices of products because oil and oil products were highly regulated. We were not making huge money on the trades themselves but made money principally on the logistics, as well as the increased range and volume of trades. Only a market commission was charged to Sibneft. Runicom, for example, charged only a 2% margin to Sibneft in 1996 (as explained in the 1997 Offering Circular). In the early years, the markets were inefficient and so we also made margins on bartering."

So is your evidence that you were not making huge money on each trade but you were making money,

substantial quantities of money, on logistics, on the volume of trades that you were diverting or could divert to own companies and on bartering?

A. Yes, this is my evidence.

Q. Now, you made the point I think at paragraph 7 of your witness statement, the one that we're looking at, that this was much as you expected. So you had succeeded then in converting your profits from the tens of millions of dollars to the hundreds of millions of dollars; is that right?

A. What year are we discussing again?

Q. Well, again, we'll look at particular years. I'm really picking up what you say in your witness statement, where you say at paragraph 9 that the way in which you made the money was effectively by taking the margin on an increased range of sales, so you increased your profits enormously. And my question to you is that: this effectively then meant that your expectation, which is what you referred to in paragraph 6, was met?

MRS JUSTICE GLOSTER: I'm not sure that question is terribly clear, Mr Rabinowitz.

MR RABINOWITZ: No, it isn't. I think I will deal with particular years, if we can.

But can you just give us a ballpark figure, Mr Abramovich, for what you say you managed to achieve

by way of profitability by increasing the volume of oil products that Runicom was able to deal with in the period from -- let's take it from 1996 to the year 2000?

A. I don't remember how much Runicom made from '96 to year 2000. To be honest, I don't remember.

MRS JUSTICE GLOSTER: Aren't there accounts?

MR RABINOWITZ: We're going to look at them.

I would like a ballpark guess from you. Would you accept that it would be in the hundreds of millions of dollars?

A. I cannot say anything on this account. Rumours -- well, I completely cannot recollect. Perhaps there were hundreds.

Q. Okay. Can we just go next to the document that we just looked at at H(A)07, the offering circular, page 41. Again, if you can go to page 79 of that document H(A)07/79, I'm going to read you the third paragraph and it will be translated for you:

"In 1996, Sibneft exported 23.1% of its crude oil production, or 4.3 million tonnes. In 1996, all exports were to countries outside the FSU."

Which is the Former Soviet Union.

"Starting in May 1996, the Company used RUNICOM Ltd and its affiliate RUNICOM SA, a Swiss trader of crude oil and refined oil products, as its exclusive export

agents, paying them a commission; since March 1997 these two entities have purchased outright all of Sibneft's exports. In 1996, sales commissions for the RUNICOM entities averages \$0.35 per barrel, or approximately 2% of the total sales price. Since March 1997, no commission has been paid and the RUNICOM entities have paid market prices for their purchases. For sales of crude oil, Sibneft receives prepayment for at least 50% of the export value of the crude oil with the rest being settled within 60 days of delivery."

And then there's a reference to Runicom's interest.

Now, just pausing there, Mr Abramovich, you see there a reference to 2 per cent commission being paid to Runicom. Was that all profit?

A. If I understand correctly, yes; what I understood from hearing the paragraph.

Q. And if 2 per cent of the sales price is Runicom's commission in the early days and that is 35 cents, which is what the circular says, then we can derive from this that the total sales price, the price the oil was sold by Runicom, was about \$17.50 per barrel, and I get that by taking 35 cents and multiplying by 50 and that gives you \$17.50. Correct?

A. (Untranslated)

Q. All right. We also know that the domestic price for

this oil was about 60 per cent of that price, the \$17.50 per barrel price. You see this if you look in the passage that we were looking at. About four lines from the end it says:

"In 1996, domestic crude oil prices increased as a percentage of world prices reaching 58.9% of world market prices in December 1996."

Are you following?

A. Yes.

Q. So if the domestic price was about 60 per cent of \$17.50, it follows that the domestic price was about \$10.50 per barrel? You can take that from me, that mathematical --

A. (Untranslated)

Q. You agree, thank you.

So from March 1997, with Runicom getting the oil at \$10.50 per barrel and selling it on at \$17.50 per barrel, this gives Runicom a price differential of \$7 per barrel; that's right, isn't it?

A. I think you are mistaken. I think you forgot about the tax, about the transport, about the freight; all these insignificant but very important details of oil export. Oil from the territory of Russian Federation was leaving the territory of Russian Federation only at market prices.

Q. When you say oil was leaving the territory of Russian Federation at market prices, which market prices are we talking about there?

A. I mean the global, the world market prices.

Q. And that is --

A. The quotes of the global oil market prices.

Q. That is precisely the calculation we've been doing. You were buying it, you were getting it at Russian domestic prices, which were about \$10.50 a barrel, and that oil was being sold by you on the world market at \$17.50 per barrel; and that is right, is it not?

A. We were selling it at 17.50 I think -- I don't quite recall that moment -- but Runicom was never buying oil at 10.50. Once again, you have forgot the transport from the oilfield to the sea port, you have to buy -- all these logistical things were not taken into account in your calculation, I think. Yes, shipping, freight, then the ice duty; there are many details before we get to the world market price.

Q. You're not suggesting, are you, that tax, freight, et cetera, made up the full \$7 differential, are you?

A. This is exactly -- I'm saying that all the expenses between \$17 and \$10 include all these components. I don't remember exactly how much each component costs but everything was expensive, transport, shipping,

logistics, and we were only taking 2 per cent margin.

I think it was an average rate for all the trading companies.

Q. Mr Abramovich, are you saying that the full amount of the \$7 was taken up by expenses such as tax and freight?

A. I'm saying that Runicom only took 2 per cent for itself; that's what I'm insisting on. Where the \$7 were going, where each of the \$7 were going, I do not recall, but transporting, shipping and freight is very expensive. I'm just trying to explain this to you.

Q. Okay. Well, let's just see how much oil you were getting 2 per cent on.

Can you look again at the Eurobond circular that we have open because it identifies the quantity of oil which is exported. This is for the year 1996 and it identifies that at 4.3 million tonnes. If you're looking at page 79 H(A)07/79, the first line. Do you see that?

A. Yes, I can see that. But this document was checked, was audited I think by Salomon Brothers and by a law firm that was issuing the document. Everything was explained there in great detail.

Q. I'm not questioning the numbers, Mr Abramovich; I'm just trying to get a sense of the figures we're talking about here. So one is dealing with 4.3 million tonnes and to

convert that into barrels we need to multiply this by 7.21. You can see that if you go to page 46 of this document H(A)07/46.

A. I do apologise, what figure will I see there?

Q. How you convert -- when you have a figure which is expressing crude oil by reference to tonnes or million tonnes, if you want to ascertain how many barrels that is, you multiply that by 7.21.

A. Yes, I recall that.

Q. And one has that actually set out in this document in the third paragraph of page 46.

MRS JUSTICE GLOSTER: On page?

MR RABINOWITZ: Page 46.

MRS JUSTICE GLOSTER: Thank you.

MR RABINOWITZ: And that means that 4.3 million tonnes of oil is equal to about 31 million barrels; that's right, isn't it? Well, you can take it from me that's right; we're not a mathematical class.

Mr Abramovich, you say that all you were getting was the 2 per cent. If you look at page 79 H(A)07/79, that explains that the 2 per cent commission arrangement ended in March 1997. Do you see that?

A. I only can hear it, I cannot see it. I think I already lost what we are discussing.

Q. You have said in your evidence that the only money you



were making on this oil was 2 per cent commission and you were getting nothing of the differential between the domestic oil price and the international market price.

Do you remember saying that?

A. If the question is about whether I -- whether Runicom was receiving the difference between the Russian domestic prices or the oilfield prices and the world prices, no, it was not receiving that differential.

Q. Your evidence has been that the only money that Runicom was making on this was the 2 per cent commission.

A. Yes. From what I can recall, this is correct.

Q. According to the circular on page 79, it explains that the 2 per cent commission ceased entirely from March 1997. And my question to you then --

MRS JUSTICE GLOSTER: Where is that on the page, please?

MR RABINOWITZ: If your Ladyship is on page 79, about four lines from the end:

"Since March 1997, no commission has been paid..."

MRS JUSTICE GLOSTER: End of the page?

MR RABINOWITZ: Sorry, third paragraph down the page, the paragraph beginning, "In 1996, Sibneft exported 23.1%..."

MRS JUSTICE GLOSTER: Yes, I've got it, thank you.

MR RABINOWITZ: And then four lines from the end.

MRS JUSTICE GLOSTER: Yes, I've got it.

MR SUMPTION: Could the whole of that sentence be read out for the witness because he hasn't, of course, got it in front of him in a legible form.

MR RABINOWITZ: Let me read it out to you. It says -- and I will read you the sentence before as well, in case that helps -- perhaps I won't, it's a very long sentence.

"Since March 1997" --

MRS JUSTICE GLOSTER: No, read the sentence before, please:

"In 1996..."

MR RABINOWITZ: "In 1996, Sibneft exported 23.1% of its crude oil production, or 4.3 million tonnes. In 1996, all exports were to countries outside the FSU. Starting in May 1996, the Company used RUNICOM... and its affiliate RUNICOM SA, a Swiss trader of crude oil and refined oil products, as its exclusive export agents, paying them a commission; since March 1997 these two entities have purchased outright all of Sibneft's exports. In 1996, sales commissions for the RUNICOM entities averages \$0.35 per barrel, or approximately 2% of the total sales price. Since March 1997, no commission has been paid and the RUNICOM entities have paid market prices for their purchases. For sales of crude oil..."

Let me stop there. So:

"Since March 1997, no commission has been paid and the RUNICOM entities have paid market prices for their purchases."

Now, are you saying that from 1997, when the commission disappeared, Runicom was making no profits on this oil?

A. I am not saying that. I'm saying Runicom started buying at market prices I think in 1997 and I think the export duty I think in '97 was passed on to the Customs and from that moment on we -- that is Sibneft -- had to pay to the Customs. So at the point of crossing the border everything had to be paid up.

Q. Are you saying that in -- when you talk about market prices in 1997, are you talking about domestic market prices or international market prices?

A. I always mean only the global market prices, if we're talking about export. If I would start selling oil or petroleum products not at market prices, then I would not be sitting here with you today.

Q. Do you say that from 1997 Sibneft paid taxes and freights and those costs, so that Runicom didn't have these expenses?

A. I'm not saying this. I simply do not recall that. But Runicom was purchasing oil only at market prices, at global prices. That was the practice we had.

- Q. Can I then ask you this, Mr Abramovich: do you dispute that from 1998 one method that was adopted by you to make money from Sibneft was by making use of tax-efficient companies in Russia?
- A. No, I do not dispute that, but it has nothing to do with export.
- Q. And is this right: from 1998 Noyabrskneftegas in fact stopped selling crude oil directly to Omsk Refinery and instead, under your control, it began to sell its crude oil to third-party legal entities as intermediaries?
- A. This is true.
- Q. And those intermediaries then sold the oil on to Omsk Refinery; is that right?
- A. This is true. That's right.
- Q. So whereas the arrangement previously had been that Noyabrskneftegas would sell the oil or would pass the oil to Omsk for refining and that oil would then be sold, what you did was to insert a third-party intermediary in the middle of that arrangement, that intermediary would then acquire the oil from Noyabrskneftegas and then sell it on to Omsk; correct?
- A. This is correct.
- Q. Now, so far as the nature of these third-party legal entities is concerned, you're very familiar with the concept of ZATOs, the closed administrative-territorial

formations, I take it?

THE INTERPRETER: I'm sorry, could you please repeat the concept, Mr Rabinowitz?

MR RABINOWITZ: ZATOs, Z-A-T-Os.

A. It is familiar -- I am familiar with this concept.

Q. And these are territories in which the local authority were able to grant tax breaks from federal and regional taxation to entities registered on its territory?

A. Yes. Yes, this is so. That was allowed by federal legislation via the closed administrative entities and that was -- they did have tax benefits.

Q. And you're also very familiar with the concept of internal offshore zones, regions such as the Republic of Kalmykia and so on, where again tax breaks were granted from federal and local taxation?

A. I do not recall exactly what the difference between Kalmykia and other areas, but Kalmykia was one of them, yes, that had a law in this regard.

Q. And the third-party intermediaries that, under your control of Sibneft, were inserted into the chain between Noyabrskneftegas and Omsk Refinery were established by you and your team in these ZATOs or internal offshore zones; that's right, isn't it?

A. They were not established by me and my team. I think these were companies that already were there. They were

registered by the local authorities, if I understand correctly. I don't remember this scheme very clearly because at that point I didn't deal with that, but I'm prepared to explain if that could be of help.

Q. Well, we'll go through this slowly so that we see exactly how this develops and if I haven't covered something then I will ask you to explain further.

MRS JUSTICE GLOSTER: Is this issue all related to transfer pricing?

MR RABINOWITZ: It's related to how the money was obtained by virtue of Mr Abramovich's control of Sibneft.

Now, the function of these tax-efficient companies was to buy the crude oil from Noyabrskneftegas, then pay the Omsk Refinery to process this oil under a tolling agreement, and once the oil had been refined in this way, these inserted parties would then sell the product on to Sibneft; is that right?

A. From what I understood, it sounds like this is right.

Q. And do you recall the names of any of these tax-efficient companies that were used?

A. No, I do not.

Q. The names -- do the names Olivesta, Vesta and Kalmykia mean anything to you?

A. No, they do not.

MRS JUSTICE GLOSTER: Mr Rabinowitz, can you just explain to

me why the issue as to how the money was obtained by virtue of Mr Abramovich's control of Sibneft is relevant to what I have to decide?

MR RABINOWITZ: Because, my Ladyship, my learned friend's submission was that if you just -- the way my learned friend puts his case is to say: look at Sibneft, it wasn't declaring a dividend until 2001, therefore the suggestion that the money that Mr Berezovsky was receiving was as a result of the profits which were generated from obtaining ownership and control of Sibneft just cannot be right because, he says, Sibneft was not making a profit that one could declare a dividend on until 2001.

Our case is that that is a fallacy because what was actually happening here is that Mr Abramovich, by virtue of having obtained control of Sibneft, was able to extract, by one means or another, very substantial sums of money which in many other -- as a result of that control. In other words, he gets control of Sibneft and he makes a great deal of money by virtue of that control.

MRS JUSTICE GLOSTER: Well, there's no dispute that vast sums of money were paid to Mr Berezovsky.

MR RABINOWITZ: No, the question is whether vast sums of money were being made by Mr Abramovich out of which he

was paying Mr Berezovsky. Mr Sumption has a point which says: if Sibneft wasn't making money, then --

MRS JUSTICE GLOSTER: Well, Runicom was clearly making money.

MR RABINOWITZ: Well, indeed. Well, Runicom was making money and indeed Mr Abramovich, by virtue of these arrangements, was making huge sums of money.

If one then asks oneself whether what Mr Berezovsky was receiving was simply a pay-out or a pay-out by reference to profits which were being generated as a result of --

MRS JUSTICE GLOSTER: No, I see all that. But is it disputed that Runicom, by virtue of its association or relationship with Sibneft, was making profits?

MR RABINOWITZ: I don't know what's being said. But in order for your Ladyship to understand how much money was being generated, so that what Mr Berezovsky was receiving was indeed a receipt of profits which were being made as a result of control being taken over Sibneft, then this is evidence that your Ladyship will need to hear.

MRS JUSTICE GLOSTER: Well, I'll ask Mr Sumption.

Mr Sumption, is it disputed that Runicom was making substantial profits as a result of its relationship with Sibneft?



MR SUMPTION: It is not disputed that the trading companies, of which the two Runicom companies were the most significant, were making substantial profits.

MRS JUSTICE GLOSTER: By virtue of their connection or relationship with Sibneft?

MR SUMPTION: To a substantial extent, although they did have other businesses also.

MRS JUSTICE GLOSTER: Well, Mr Rabinowitz, I mean, obviously I must leave it to you. If you consider that the detail --

MR RABINOWITZ: Well, I do need to go through this.

MRS JUSTICE GLOSTER: -- of how the profits were being made by the trading companies by virtue of their relationship, as set out in this circular or the accounts, with Sibneft is relevant, I'll get to grips with it.

MR RABINOWITZ: I will need to take your Ladyship through this.

MRS JUSTICE GLOSTER: Very well.

MR RABINOWITZ: Now, I asked you whether you recalled the name Olivesta, Vesta and Kalmykia and can I ask you, please, to go to bundle H(A)44, page 41 H(A)44/41. This is an offering circular issued by Sibneft in 2002. You can see the date -- well, I can tell you that's the date; it says so at the bottom of this page.

If you can go to page 76 in the bundle H(A)44/76, there is a heading there just below the middle of the page saying "Acquisition of Trading Companies". In the text which follows that heading -- well, let me read it and it can be translated:

"On 17 August 2001 Sibneft received approval from its shareholders for the merger of two Kalmykiya-registered domestic oil trading companies Olivesta and Vesta. On 1 December 2001 Sibneft also received approval from its shareholders for the acquisition of Terra, another domestic oil trading company. These acquisitions were carried out by means of a stock swap, whereby the entire share capital of each company was exchanged for a specified number of Sibneft shares. Neither of Olivesta or Vesta constitute more than 1 per cent, and Terra not more than 7 per cent, of the total consolidated assets of the Group."

So these companies were brought within the Sibneft corporation itself. Does this assist you in remembering the names of these companies?

A. It doesn't assist me because in 2002 I was governor of Chukotka autonomous region.

Q. Can I -- sorry.

A. I can continue if you like; perhaps I will bring some

clarity so that you understand what are transfer prices, what are market prices, then we set out the terminology and then it would be easier for everyone to understand what we're talking about.

Q. Let me take you to one or two more documents and if they don't make it clear and you feel you need to explain, then please do so.

Can I please ask you to go next to G(B)2, volume 3, at tab 106 G(B)2/3.106/297. Now, at tab 106, you should see there an article in Russian from Vedomosti dated 18 December 2002. There is an English translation which begins at page 299 G(B)2/3.106/299. It refers here to a report by the Audit Chamber. Can I ask you, please, to read this article to yourself.

A. Do I need to read through the whole article?

Q. If you could, please. (Pause)

A. Yes, I have read it.

Q. Now, it cites research by the Audit Chamber. Do you recall the publication of the Audit Chamber report in December 2002?

A. I don't recall it, but I don't think that's important. I don't recall it.

Q. When you say you don't recall it, do you remember it at the time? I'm not asking you if you remember it now, everything it says, but were you aware of it at the

time?

A. The Audit Chamber was checking Chukotka and Sibneft nearly every year, so that was an ongoing work.

Q. Perhaps I can show this to you. Before I do, just reading what the Vedomosti article says, do you dispute the accuracy of what the article says about what you were doing?

A. What is said in the article, it is true to some extent: indeed we, on legal grounds, were reducing the tax amount. But it didn't affect the Sibneft profit in any way.

Q. Well, let's go through this slowly. Do you dispute that you established oil trading companies with primarily disabled staff in order to take advantage of certain tax exemptions?

A. We've done it. I don't recall why it was done. But these were real people, we've paid them salaries.

Q. Do you dispute that Sibneft, under your control, sold in the region of 98 per cent of its oil to these companies also under your control and ownership, which, as the article notes, immediately resold the crude oil to Sibneft at two to three times the price?

A. It is difficult for me to say. This is a journalist's investigation and if he thoroughly investigated that, then maybe. But I do not recall this.

Q. That's quite a healthy profit that you were making from your control of Sibneft, was it not? You were buying the oil through these companies, at this stage not within the Sibneft corporation, and selling the oil back to Sibneft at two to three times the price that you had bought it from Sibneft at?

A. I think you are confusing oil because that was -- I think was done for tax purposes. It wasn't done to send any profit to these companies. It was done to reduce the tax amount and there was a law to that effect at that point in time.

Q. Mr Abramovich, it was only in, I think, 2001 that these companies, these companies which were located in tax-efficient places, were integrated into Sibneft. Prior to that, they were outside of Sibneft. That's right, isn't it?

A. Unfortunately I do not recall that. I don't think we used them before, but I simply do not recall.

Q. Sorry, when you say you don't think you used them before, are you saying that they only came into Sibneft in 2001 and that prior to that, although they were owned and controlled by you, they were not within the Sibneft ownership structure?

A. Sorry, I think I've lost your thought. Could you please repeat? Did I own or did Sibneft own these companies

prior to 2001?

Q. Correct, and I'm distinguishing between Sibneft and you and your trading companies.

A. What year are we talking about?

Q. Prior to 2001, Mr Abramovich.

A. From what I can recall, all the profit of the trading companies was almost -- always accumulated in Sibneft. I think it was done by merging these companies in, but I do not recall.

Q. I suggest to you, Mr Abramovich, that that is wrong and that you know it is wrong. After these companies were brought within Sibneft, their profits were merged with Sibneft's; but before that, that profit was not a profit which accrued to the shareholders of Sibneft.

A. Do I need to comment on this or is that your assertion?

Q. Well, I'd like you to comment on whether you dispute what I'm saying.

A. I cannot say with the whole clarity. From what I can recall, the companies, the profits of these companies were almost (sic) accumulated, accrued in Sibneft, but I cannot say for sure. Mainly these companies were created in order to reduce the tax burden, the tax basis, and at that point in time that was lawful and it didn't affect the profits in any way.

Q. You'll see that this article refers to the audit report

and we've managed to find that audit report, both in Russian and we have an English translation. Can I just hand up to you that audit report, please. (Handed)

A. May I say a couple of words, please?

MRS JUSTICE GLOSTER: Yes, please do.

A. The source from you, where you've got it from, I understand this: this is the compromat.ru website. I cannot claim that everything that gets on that website is the truth, but I am prepared to discuss this document.

MR RABINOWITZ: Thank you.

In order to see what this audit report was a report into, can I invite you, please, to look at, on the first page of this, the heading "Subject of the Audit".

MRS JUSTICE GLOSTER: This will go on the system, will it?

MR RABINOWITZ: It will go on the system.

It says at point 1:

"Assessment of the effectiveness of measures taken by the company to ensure full and timely payment of tax and other required payments to the federal budget."

Then can I ask you next to go to page 21 in the Russian, page 19 of the English version, where we can see the conclusions of this report.

A. Sorry, once more, what the page was in Russian?

Q. 21.

"The Company carried on its business through a network of legal entities (hereinafter Companies or Intermediaries) registered in tax havens and acting as mediators. The Companies purchased the whole bulk of crude oil extracted by [Noyabrskneftegas] (the Company's subsidiary) and sold it at the same fiscal metering unit for a 2 to 3 times higher purchase price. The crude oil was not removed from the fiscal metering station and retained its physical qualities. Later, some oil was exported and some was used to produce petroleum products subsequently purchased by the Company. Legally, the oil was owned by the intermediaries; however, the Company arranged for export shipments, paid customs duties, arranged and paid for oil transportation and refining in the Russian Federation. Thus, the company arranged for and paid costs of the whole workflow, whereas the intermediaries accumulated profit, without performing any functional operations. Preferential tax treatment allowed the intermediaries to decrease the profit tax rate by over 6 times... Subsequently, intermediaries merged with the Company with net profit."

Do you see that?

- A. Yes, I can see that. This is what I was trying to say: that with regard to companies, we had no problems. The tax authorities could have had questions in this regard



but the company couldn't have any questions. Never mind that we're discussing 2001, year 2001, and Mr Berezovsky is not saying anything in that regard.

Q. Except that what this says is that, "Subsequently, [the] intermediaries merged with the Company with net profit", not that they were always merged with the company. Do you follow?

A. Yes, I follow. But here only 2001 is discussed, if I understand correctly. And absolutely the auditors of the Audit Chamber, they are not as clearly putting themselves as you are, Mr Rabinowitz, so it's not quite clear what they could have meant.

MRS JUSTICE GLOSTER: Mr Abramovich, when did the tax-profitable companies merge with Sibneft, what year?

A. If I recall correctly, that happened every year. I think unfortunately at that year I already did not work at the company; I cannot comment. I'm trying to help, but I do not have the knowledge in this regard.

MRS JUSTICE GLOSTER: I see. The tax vehicles would merge every year with Sibneft; was that the idea?

A. If I recall correctly, it happened every year, but I cannot assert that for sure. The idea of these companies was to reduce the tax burden and did not affect Sibneft.

MR RABINOWITZ: Isn't in fact what happened that you took

the profit by virtue of lower taxes being paid in these intermediary companies which you had established in these tax havens, and then you sold the oil back to Sibneft at a price which was the same price -- which ensured that it made the same profit it would have made had it had to pay full tax?

- A. If I got correctly what you said, I think that was right. If you could, could you please repeat what you just said?
- Q. What was happening here was that you had set up these companies outside of Sibneft. These companies bought the oil and sold it to Sibneft at two to three times the price that they bought it at. The arrangement that you've set up, in effect, meant that Sibneft landed up making exactly the same net profit -- that's to say after-tax profit -- as it would have made had this arrangement not existed. Is that correct?
- A. It's very difficult for me to confirm from just being able to hear it. I think you're quite close to what was happening, but I cannot say for sure.
- Q. What I'm saying is that Sibneft's position landed up exactly as it would have been had you not had this tax-efficient arrangement because it was buying the gas back from someone to whom it sold it for two to three times the price. Is that correct?

A. It is very difficult to comprehend it from just hearing it, but it looks like this is the case. I wanted to say one small thing: that Sibneft, the company, was receiving all the profit that it was supposed to receive. We paid less tax; this is true.

Q. But the money was being made somewhere, Mr Abramovich: it was being made in these vehicles who were selling the oil for two to three times the price that they were buying the oil and they were paying tax at a rate of only 5.5 per cent. Is that right?

A. Yes, this is right. These companies were making money on the tax differential; this is right.

Q. And the benefit of that was being taken not by Sibneft but by you?

A. I cannot assert for sure, but it's very likely to be the case.

Q. Thank you.

Now, whilst we're in this --

A. Oh, I beg your pardon, can I correct myself, please? All the profit that was accumulated in these companies returned back to Sibneft.

MRS JUSTICE GLOSTER: As a result of what you say is an annual acquisition by Sibneft of the tax vehicles?

A. If I recall correctly, yes, that annual acquisition. But, to be honest, I am not an expert on this and

I think I will get myself confused and will confuse you.  
And this is the part of which I don't have great  
knowledge, deep, in-depth knowledge.

MR RABINOWITZ: And what about the tax savings on those  
profits, Mr Abramovich? You were paying 5.5 per cent  
rather than 35 per cent tax on those profits. Do you  
say that the benefit of that went back to Sibneft as  
well?

A. With regard to Kalmykia, I do not recall. With regard  
to Chukotka, all the amount was either going to  
Chukotka's budget or to charitable foundations.

Q. But not to Sibneft?

A. The tax savings did not return back to Sibneft; this is  
true.

Q. So you kept them and you used them as you wished?

A. You can assert this, but this is not quite the way I see  
this. And again, it depends which year we're  
discussing. If we're talking about year 2001, then most  
of the savings -- basically all of the savings were to  
Chukotka's budget and to the charitable foundations.

Q. What about the years before 2001?

A. In year 2000 I think the situation was the same; and  
then I do not recall.

Q. Can I just ask you, please, to go to a different part of  
this report: it's at page 14 of the Russian version and

page 13 of the English version. Now, what the audit report is dealing with here, again, when you see about three paragraphs down certainly from the top of the English version, it says:

"The audit revealed that the Companies that later merged with the Company..."

And it's dealing there with Olivesta, Vesta and Novella.

"... purchased promissory notes of credit institutions and transferred currency assets outside of the Russian Federation under import contracts.

"Thus, Olivesta LLC transferred 50 [million] US [dollars] in two instalments, on May 30 and June 1, 2001 as a payment to Palmtex limited, SA (Panama) for supply of dump trucks, bulldozers, excavators, etc under Contract No 210501 of May 21, 2001. Said amount was transferred to Latvian Trading Bank (Riga). On July 25, 2001, the amount of 50.00 [million] US dollars was returned by Palmtex limited, SA (Panama) to Olivesta LLC due to the supplier default under the import contract.

"Vester LLC transferred 50 [million] US dollars as a payment under Supply Contract with Palmtex limited, SA (Panama) (with the range of goods identical to that of Olivesta LLC). Said amounts were transferred to Latvian Trading Bank (Riga) on June 4, 2001. On July 26, 2001,

the amount of 50 [million] US dollars was returned by Palmtex limited, SA... to Vester LLC due to the supplier default under the import contract.

"Novella transferred 35.0 [million] US dollars as a payment under Supply Contract with Palmtex limited, SA... (with the range of goods identical to that in case of Olivesta LLC and Vester LLC). On August 10, 2001, the amount of 35.0 [million] US dollars was returned by Palmtex limited, SA... to Novella LLC due to the supplier default under the import contract.

"Thus, funds totalling 135 [million] US dollars received by the Companies from the Company prior to the merger were transferred to the same foreign entity under import equipment supply contracts. Subsequently, within two months, the funds were returned to the Companies due to the supplier default; the Companies, in their turn, transferred said amounts to the Company's settlement account."

What is being described here, Mr Abramovich, is a scheme to transfer currency out of Russia. Can I just describe to you what I suggest is being said here and then get you to comment on it.

First, the Russian companies -- this is Vesta, Olivesta and Novella -- purport to enter into contracts with a foreign third party for the acquisition of goods,

and the goods here are dump trucks, bulldozers and excavators. Secondly what happens is these Russian companies transfer money out of Russia in order to pay for these goods, in this case to accounts in Latvia. Third, the Russian companies use these bank accounts to pay the third-party suppliers of goods. And fourth, the contract is then cancelled and the money returned to the Latvian Trading Bank, where, presumably, it remains, Mr Abramovich.

Do you agree that that is what was happening here?

A. No, I do not agree. How did you conclude that the money remains there? I'm not sure. It's indeed quite difficult to follow. It's very different (sic) to comment because I didn't work in any of these companies and at that point I didn't work at the company, although I'm prepared to continue with this discussion.

MRS JUSTICE GLOSTER: Just a second. Mr Rabinowitz, if you look at the third paragraph from the bottom:

"Subsequently, within two months, the funds were returned to the Companies due to the supplier default; the companies, in their turn, transferred said amount to the Company's settlement account."

MR RABINOWITZ: Settlement account.

MRS JUSTICE GLOSTER: So are you --

MR RABINOWITZ: That would be, we suggest, in Latvia.

MRS JUSTICE GLOSTER: But that's Sibneft, isn't it? "The company" is defined as Sibneft.

MR RABINOWITZ: No. This report is not terribly clear. It talks about "the companies" when it refers to Olivesta, Vesta and Novella as well. You see that if you look --

MRS JUSTICE GLOSTER: Yes, I see that. But who is "the company" then? Well, if you look at page 2, it's Sibneft, isn't it? If you look at the definition just below the first hole-punch.

MR RABINOWITZ: That does appear to be Sibneft, when "the company" is referred to in the singular.

MRS JUSTICE GLOSTER: So whether or not it's in a Latvian account, the proposition you put that the monies stayed with Novella, Vesta, et cetera doesn't seem to be right, does it? I mean, you tell me, but I just don't want the question to be asked on the basis of a false premise.

MR RABINOWITZ: No, I will come back to that in a minute. I will just check that.

MRS JUSTICE GLOSTER: Very well.

MR RABINOWITZ: Can I just ask you this, Mr Abramovich: these contracts between Olivesta, Vesta and Novella with Palmtex Limited, purportedly for dump trucks, bulldozers and excavators, Palmtex Panama is one of your companies, isn't it?

A. I honestly do not recall.



- Q. Well, I can tell you that Palmtex SA Panama is one of your companies; indeed, it is one of the companies that was used to hold the Rusal shares. Do you now remember it?
- A. Possibly. I just simply do not recall the company name. I don't want to deny it. If it's my company, so it is.
- Q. You see, if Palmtex SA in Panama was your company and if Palmtex SA in Panama was in fact a holding company used for holding your shares in Rusal, then it's very unlikely that that is a company which is going to be supplying dump trucks and bulldozers to Novella, et cetera.
- A. Why is it highly unlikely? I don't understand. If it's a company that holds Rusal's shares, maybe Rusal needs trucks. This is just my supposition. To be honest, I have no idea.
- Q. Was it not a shelf company which was being used to hold the aluminium assets?
- A. Possibly. I cannot confirm this.
- Q. Do you say that these were, so far as you're aware, genuine contracts whereby Palmtex SA was supplying dump trucks and bulldozers to Novella -- these tax vehicles?
- A. I'm not asserting this. I just simply have no idea. That's what I'm trying to say here.
- MR RABINOWITZ: I'm going to move on to another document,

which I'm happy to do, my Lady. We may not finish it by 1.00.

MRS JUSTICE GLOSTER: Why don't we take the break now? I'll sit again at 2 o'clock.

(12.55 pm)

(The short adjournment)

(2.00 pm)

MRS JUSTICE GLOSTER: Mr Rabinowitz, I'm going to rise at 4.15 this afternoon.

MR RABINOWITZ: Mr Abramovich, can you go, please, to bundle H(A)87, page 250 H(A)87/250, a document which is only in English.

Mr Abramovich, this is a research note produced by ING Financial Markets in September 2004. Can I ask you, please, to go to the second page of this: that's page 251 H(A)87/251. At the bottom of page 251 there is something which is called "Sibneft's SWOT analysis" and that means strengths, weaknesses, opportunities and threats. One can tell that that's what that means because, in the box immediately below, one sees the headings "Strengths", "Weaknesses", "Opportunities" and "Threats".

Now, in the "Threats" box, the document says this:

"The company is run for core shareholders rather than minority shareholders. We estimate [the year] 2000

revenue was lower by US\$700 million due to sales to an unconsolidated trading company. This company has since been consolidated."

Can you assist us as to what was the unconsolidated trading company which is here being referred to?

- A. Unfortunately I cannot assist you in this. I've not been working at the company for the past two years, so it's difficult to comment. And if you're talking about this particular document, I've not been working there for five years, so I would be really hard put to say anything at all about that.
- Q. Perhaps I can help you by referring you to another document. Can you go, please, to H(A) volume 38, page 1 H(A)38/1. This is another research note, this time produced by an organisation called Renaissance Capital, this time dated 4 September 2001. You can see -- well, I will tell you that it is headed "Sibneft -- Consolidating the Profits".

If we go over the page, page 2 H(A)38/1 -- perhaps I can just read to you the first three paragraphs of this:

"The major change in our view of the company has been caused by the impact of the consolidation of two trading companies named Vester and Olivestra (Kalmykia-registered structures that trade Sibneft's oil

and products). We believe that both companies made around US\$300 million in net profit during 2000 from arbitraging the transfer price between Sibneft's upstream subsidiaries and its refinery at Omsk (and perhaps also through involvement in its export sales). While it is important to note that the activity of both companies was not illegal under Russian law, it clearly transferred huge value away from Sibneft.

"As a result of the consolidation of these companies into the Sibneft holding structure, which has been almost entirely motivated by the new tax legislation that makes transfer pricing much more difficult, the profitability of the holding company will increase dramatically. We estimate that in 2000 the trading companies had revenues of around US\$7 per barrel, which will effectively be added straight back into the net revenues of Sibneft as a result of the consolidation at minimal cost (Sibneft is paying around US\$2,000 for both companies).

"Clearly the suspicion is that the trading companies were formerly owned by the majority shareholders of Sibneft, who are now transferring profitability back to the holding company rather than keeping it for themselves in the trading companies. This is clearly good news for Sibneft's minority shareholders going

forward, despite the annoyance of realising how much they have missed out on in the past."

I suggest to you, Mr Abramovich, that this is an accurate description of the consolidation of your so-called tax-efficient companies in 2001. Do you want to comment on that?

A. I can only speculate once again. In '99 I was elected member of the Duma and at that time I was no longer working in the company.

MRS JUSTICE GLOSTER: So what's your speculation?

A. It's really difficult for me to comment. If I understood the translation correctly, the profits were consolidated in Sibneft; that's what I understood. But it was a very long text, several paragraphs, so I was not able to remember it all.

MR RABINOWITZ: What it seems to be saying, Mr Abramovich, is that as a result of the consolidation of Vesta and Olivesta into Sibneft, which was only taking place in I think late 2000, the profits of Sibneft would go up substantially because those companies had previously been making profits outside of Sibneft.

A. If I understand you correctly, once again, they're speaking about taxes here, if I understand you correctly. But once again, I may be mistaken. It's very difficult to judge because I -- number one, I did

not work there; and number two, I'm listening to a translation orally.

Q. Can I ask you, please, to go to another research note.

You'll find this at bundle H(A)46, page 244

H(A)46/244. Again, I apologise, but this is only in English so I'm going to have to read to you what it says under the heading "Blow Out 2001" and then ask you a question after that.

What it says is this. It's a research note from 3 July 2002 and it says:

"Last week, Sibneft reported way above consensus numbers for 2001, to US GAAP. Total revenues rose by 49% to [\$3.576 billion] while EBITDA climbed 67% to [\$1.719 billion]. This was palpably above last year's guidance which had indicated that [\$1.6 billion] in EBITDA would be achievable. Moreover, it is amply in excess (10%) of our own expectation ([ \$1.564 billion]), as we had cautiously expected the demise of domestic pricing in the final weeks of 2001 to hurt Sibneft. The EBITDA outcome was also hugely higher than the consensus EBITDA expectation carried by IBES of [\$1.311 billion], although admittedly this consensus estimate was sparsely populated. The very significant growth reflects both the sizeable production gain delivered by Sibneft (19.7%) and the marked positive effects of bringing

trading activities in-house. Unpalatable as it is to think of Sibneft diverting hundreds of millions of dollars out of the company before the merger with these trading units, we confine ourselves here to comment on the positive economic effects of having ceased to operate on this basis."

Again, stopping there, one has commentators suggesting that there have been substantial profits, I think running into the hundreds of millions of dollars, which have been made outside of Sibneft, which are now being brought into Sibneft as a result of the consolidation of, I think, Olivesta and those tax-efficient companies.

Do you wish to comment on that suggestion, that that is what was happening here?

A. Once again, if I understood you correctly, I have no knowledge about this; I can only speculate. Would it be okay if I continue speculating?

MRS JUSTICE GLOSTER: Yes. What's being put to you is, is this true: that so far as you knew at the time, profits were being diverted out of Sibneft to these trading companies and that came to an end when the trading companies were consolidated with Sibneft?

A. I cannot say anything clearly about those companies and I do not remember those company names. The practice was

that we were saving money on taxes; that was the practice. Now, diverting income or profit from Sibneft, no, I'm not aware of that kind of practice. And also the increase in the income, if I understood the translation correctly, was mainly due to the appreciation of crude oil or due to the increase in physical volume of the crude oil produced.

Q. Mr Abramovich, at the relevant time you say that you owned somewhere between 88 and 91 per cent of Sibneft and all of the trading companies. Surely you have more knowledge than you suggest and surely you're not -- you must know. It can't simply be all you can -- sorry. You must be able to actually tell us from your knowledge rather than have to speculate about the position here?

A. Well, this is the case. This is what it is. I can only speculate and I'm happy to do that.

Q. Would you at least accept this: that what was being kept out of Sibneft was the difference between what Sibneft would have had to pay on a tax of profits and what these tax-efficient companies were having to pay on profits?

A. The tax savings was probably kept outside of Sibneft or maybe it was consolidated; I cannot tell you now. The question is: what year are we talking about? This is very important. When I became governor, that difference came either to the coffers of Chukotka or to charitable



foundations and organisations.

Q. The years I'm suggesting are from 1998 to 2001.

A. But again this is going to be speculation. I have no knowledge about this. And in '98 I don't think there could have been any profit there at all because it was a time of crisis and one could not even speak about any profit at all.

Q. Well, the companies outside of Sibneft were certainly making a profit because they were taking the oil from Sibneft at one price and selling it back to Sibneft at two to three times that price. So they were making a profit.

A. I would like to understand: do you mean within Russia domestically or through export operations? We need to agree on the terminology. What exactly do you mean when you say "transfer pricing"? Then I will understand what you're talking about.

Q. I haven't used the expression "transfer pricing", Mr Abramovich. I'm talking about the scheme that had been set up by inserting an intermediary between Noyabrskneftegas and Omsk, that intermediary being positioned in a tax-efficient territory, the arrangement being that the oil would be sold to the tax-efficient intermediary and sold back to the company at two to three times the price at which the tax-efficient company

bought that gas.

A. I cannot comment this. I have no knowledge about this.

Q. Very well.

A. Can I just add something? Runicom had never received any crude oil or petroleum products from Sibneft at privileged prices.

Q. Now, I want to ask you next about your evidence in respect of the payments that you say were made to Mr Berezovsky.

Can you tell the court, Mr Abramovich, what you say was the first payment which you made to Mr Berezovsky as a result of the arrangements that you made in 1995?

A. The very first payment, I think it was \$16,000. I mean, if you want to drill down to that kind of detail, amongst the large payments, the first one I think was \$8 million.

Q. And when do you say you made the first payment to Mr Berezovsky of that size?

MRS JUSTICE GLOSTER: Of \$8 million?

MR RABINOWITZ: Of \$8 million.

A. 8 million, I think it was in March.

Q. You see, Mr Abramovich, you make no reference whatsoever to this payment in your defence. You're aware of that?

A. What is defence?

Q. That's your pleaded defence. Do you remember the

document we looked at in bundle A1, where you set out your defence to Mr Berezovsky's claim? You were given a translation of it, but at A1, I think tab 3, you'll see an English version of this A1/03/35. I don't know if there's a Russian version behind it.

My point is: you make no mention at all of this payment in that document, do you? Well, I can tell you you don't. I can also tell you that you make no mention at all of this payment in the evidence that Mr Mitchard gave to the court in the context of the strike-out application. Are you aware of that?

A. Yes, I know, and I could even offer a comment on this.

MRS JUSTICE GLOSTER: Right. Give me your comment.

A. When I was answering Mr Paul Mitchard's questions, I was only giving him my first impression. I was mainly answering his questions, of course, I was sharing with him my story, but it's not like I was sitting there and, you know, put aside all my affairs and doing nothing but that. This is not the way it happened.

MR RABINOWITZ: Mr Abramovich, Mr Mitchard tells us in his evidence for the strike-out application that the evidence he compiled was compiled after discussions with you, with Mr Tenenbaum, with Mr Shvidler, with Ms Panchenko, with all of your close and trusted advisers, and not one of you suggested at that time that

you had made a payment to Mr Berezovsky of \$8 million in March 1995. That is correct, isn't it?

A. If Paul Mitchard did not reflect that in his documentation then that must be the case. I don't think he would have concealed that.

Q. You see, not only is this not mentioned in your defence or in Mr Mitchard's evidence, but you have also produced no documentation at all to evidence this payment, have you?

A. I don't have any documentation. What I'm saying there is that this is what I remember. And I paid much attention to this, I spent a lot of serious time thinking about this. The part of it that was reconstruction, I spent a lot of time and effort in order to put together my more detailed third witness statement.

Q. You see, Mr Abramovich, I'm going to suggest that you have made this up. Do you understand? You're making this up. No such payment was made.

Do you want to comment?

A. Yes, I would like to comment and to say that there was such a payment and the payment like that was made.

MRS JUSTICE GLOSTER: What paragraph of the witness statement is it, please?

MR RABINOWITZ: Paragraph 9. Sorry, that's a wrong

reference. Paragraph 57 at page 51 of the English and then going on to paragraph 62 E1/03/51.

You see, you have no documentation and your evidence appears to be that sitting in 2011, writing your witness statement, you suddenly remembered that in March 1995 you made a payment of \$8 million when you have no documentation at all to support that suggestion.

Do you really have any clear recollection of this, Mr Abramovich?

A. I do have recollection and this is what I describe in my witness statement. In an as detailed manner as I could do this, I did this in my witness statement.

Q. How could you possibly remember, without any documentation at all, both the month in which you say you made this payment and the precise amount that you say was paid?

A. Sorry, could you repeat your question? How could one recall the month? I'm not saying I recall the month. It was definitely before Sibneft was incorporated, this is what I remember exactly, but I'm not sure it was March. I think it was March, but I'm not sure.

Q. You don't really have any clear recollection of this at all, do you?

A. I do have a clear recollection of the fact and this is a recollection, it's just that.

Q. What do you mean when you say, "this is a recollection, it's just that"? A recollection as distinct from what?

A. If I had any documents which I could base myself on, then it would have been a reconstruction. But because this is my recollection, I'm saying this is my recollection.

Q. Do you also say that you personally remember a demand made by Mr Berezovsky in the autumn of 1995 for \$10 million and that \$4 million of this was paid directly by Runicom SA to Logovaz?

A. I'm sorry, I'm not sure I understand. Do I recall the request and the 4 million? Could you repeat your question, please?

MRS JUSTICE GLOSTER: Where is the \$4 million in the witness statement, please?

MR RABINOWITZ: Paragraph 77 E1/03/58.

MRS JUSTICE GLOSTER: Right. Can you repeat the question, please?

MR RABINOWITZ: Do you say that you personally remember a demand being made by Mr Berezovsky in the autumn of 1995 for \$10 million, which you paid, including \$4 million being paid directly from Runicom SA to Logovaz?

A. So the question is -- do you want me to offer some comment? I'm not sure I heard a question. Do I recall?

Part of this is reconstruction on the basis of documentation and the rest is my recollection. I do remember that 5 million in hard cash was actually brought to the club.

Q. Do you say \$5 million or \$4 million?

A. If my memory serves me right, it was \$5 million hard cash and 4 million was transferred to Logovaz, to the Logovaz account.

Q. And is it the case that you had no recollection of this either at the time you produced your defence document or at the time that Mr Mitchard put in his evidence for you in the strike-out application?

A. No, that question did not arise at that time, so I did not spend much time on this.

Q. Are you saying that you didn't have a recollection or that you did have a recollection at that time?

A. \$5 million hard cash I do remember. The \$8 million I did not remember right away but then I recalled it later. But so far as the \$4 million was concerned, I remembered that it was not far from that time, but I did remember it exactly. But then, based on the documents that were shown to me, I was able to reconstruct this whole thing.

Q. This payment also, Mr Abramovich, is not mentioned anywhere, either in your defence or in Mr Mitchard's

statement; and again I have to suggest to you that you are making this up.

A. I do recall this.

Q. Now, at paragraph 77 you refer to a document which you seem to suggest is of assistance to you in remembering this payment of \$10 million, of which \$4 million was paid directly from Runicom SA to Logovaz, and I wonder if we can just look at that document: it's at H(A) volume 2, page 124.

A. Yes, I can see this.

Q. This document does indeed show a payment from Runicom SA to Logovaz in September 1995 but it refers, Mr Abramovich, to payment under a settlement agreement.

Are you suggesting that Runicom SA was issuing false invoices that misrepresented what the payments were being made for?

A. Sorry, I'm sorry, before you spoke about the false invoice, could you once again remind me about that other document, which you characterised as -- I don't remember what.

Q. This document, which identifies a payment of \$4 million being made by Runicom SA to Logovaz, explains that that payment was being made under a settlement agreement. That's what this document says.

And my question to you, if you're suggesting that



this was not a payment being made under a settlement agreement, is whether your suggestion is that Runicom SA were issuing false invoices that misrepresented what the payments were being made for?

A. Now, if I understand you correctly, this settlement agreement -- or that name, it's a very broad term, and I'm sure that that document was executed at that time because otherwise the bank, the paying bank, would not have accepted this payment and would not have made the payment. So there is nothing false about it.

Q. So is your evidence now that this payment was made as a result of some agreement called the settlement agreement between Runicom SA and Logovaz?

A. I can only speculate. It's been a long time and it's very hard for me to recall. But if it says what it is, then this is what it is. But I can comment why that money was needed.

Q. What I'm interested in is why it was paid, Mr Abramovich, because if you say there was a settlement agreement and it was paid as a result of a settlement agreement, then I suggest to you that is not consistent with this being paid as krysha.

A. If I recall correctly, Mr Berezovsky demanded that that payment be made and he needed this in order to pass it on to Mr Khorzakhov later on. Part of it was paid in

hard cash and part of it was in non-hard cash, ie bank transfer.

Q. Can I go to another document which records a payment that you say was a --

MRS JUSTICE GLOSTER: Just a second. I've got a question on this invoice.

Mr Berezovsky said that maybe it was one of your oil companies bought cars for employers, or maybe employees, and that it was payment under such an agreement. Have you anything to say about that suggestion?

A. If these are Russian cars, then for this amount you could have bought 1,000 cars. If these are foreign-made cars, then this is still a lot of money.

At that time I think I already had cars and we did not need to buy cars through Logovaz. We either bought it directly from dealers, dealerships. But, if I recall correctly, at that time I had a Bentley and Logovaz was not a Bentley dealer at that time.

MRS JUSTICE GLOSTER: Thank you.

MR RABINOWITZ: Mr Abramovich, you referred, when I first asked you what was the first payment you had made to Mr Berezovsky, to a payment, I think you said, of \$16,000. Do you remember that?

A. Yes, I do remember that.

Q. Can I ask you, please, to go to page 109 of the bundle

that you're in H(A)02/109. This again is a record of the payment made by Runicom SA to Logovaz on 19 September 1995 for an amount of \$15,591.

Is this the payment that you say was the first of the payments you made to Mr Berezovsky?

A. I do not mean this payment. Mr Berezovsky owed money to Mr Denisov, and so when I got caught between Denisov and Berezovsky in a club he asked me to pay off his debt, and this is what I did. First off it was 16,000 and then one or two months after that there was a further 50,000. But this was in hard cash; it was not a bank transfer.

Q. Are you able to assist as to what you say this payment of \$15,000 made by Runicom to Logovaz was for?

A. I do not recall what the objective of that payment was.

Q. You see, Mr Abramovich, I have to suggest to you that there were no payments that you made to Mr Berezovsky other than in respect of genuine commercial transactions for cars and suchlike prior to 1996. But you disagree with that, do you?

A. I can comment that. I disagree with that. We never bought any cars from Mr Berezovsky.

Q. Now, I want to ask you next about how much you say you paid Mr Berezovsky and Mr Patarkatsishvili between 1996 and 1999.

First, how much do you recall paying them in 1996?

A. About \$80 million.

Q. And how much do you say you recall paying them in 1997?

A. Can I do this before I have a look at my witness statement or after that? I think it was 50 million.

Q. Do you not have a recollection of it sitting here?

A. I've just mentioned this. I've just said this.

Q. How much do you recall paying them in 1998?

A. I think it was also 50, about 50, 50 or thereabouts.

Q. And in 1999?

A. In '99 it was a larger figure but I do not recall now. I think we paid for TV6, for Kommersant, and altogether I don't remember what the grand total was.

Q. Now, your evidence as to the amounts paid each year is based exclusively on your recollection; is that right?

A. No, not only my recollection. I spoke with people, different people. For ORT and Kommersant, I looked it up, when it was done. A lot is based on my recollections. I do recall the ballpark figures but I cannot give the details. Was it 82 or 76 or 84? I remember that the ballpark figure was about 80 million.

Q. Mr Abramovich, you said you looked it up in order to come up with these figures; certainly that was the translation. Where did you look it up?

- A. With respect to Kommersant and TV6 I looked it up because I did not remember exactly when the payments went through. So I spoke with people, I spoke with colleagues. Now, whether I did have documents or not, I don't remember, but if I did have -- to the extent that I did have any documents, all the documents are part of the case file now.
- Q. So are you saying that these figures that you have come up with are a result of you having discussions with a variety of people and then coming up with these figures?
- A. Including that, yes, but not only that. I did have my own ideas but I needed to have them confirmed. I did not want to mislead the court or say anything to the court that I was not totally sure of.
- Q. Who do you say you discussed this with before putting these figures in your witness statement, please?
- A. Are you talking about all the figures or about the figures broken down by years? 30 million I remembered; 80 million I remembered; 50 million I remembered. But then when those payments started for TV6 and for Kommersant, I spoke with Lev Cherney, to whom the payment had gone.
- Q. I just want to be clear about this, Mr Abramovich. Are you saying that the payments that you've identified in

answer to my questions -- \$80 million, you say, for 1996; \$80 million for 1997; \$50 million for 1998 -- are amounts that you yourself personally remembered?

MR SUMPTION: My Lady, it was actually \$50 million for 1997 that the witness had said. My learned friend I think suggested it was \$80 million for both '96 and '97.

MR RABINOWITZ: I apologise. That's right. My memory is worse than his.

Are those figures that you --

MRS JUSTICE GLOSTER: Put the question again, please.

MR RABINOWITZ: The numbers that you have identified for the years 1996, 1997 and 1998, which were \$80 million for '96, \$50 million for '97 and \$50 million for '98, do you say that these were figures that you personally remember paying to Mr Berezovsky and Mr Patarkatsishvili?

A. Sorry, I -- could you take me through the figures again? Because I thought I misheard 18 instead of 80, so that raised a red flag, and so I focused on that and I missed out on the rest of it, sorry.

MR RABINOWITZ: I'll give you the figures first and then ask the question.

You have said in your evidence that you recall that in 1996 you paid them \$80 million; you said in 1997 you paid \$50 million; and you say you remember that in 1998, again you paid \$50 million.

And my question is: do you say that you personally remembered that these were the amounts you paid in those years?

A. Because I have been taking part in this for such a long time, now, whether I did recall then as clearly as I remember it clearly now, when the proceedings started, that it was 80 plus 50 plus 50, I cannot say that now. I do recall that we had about -- first about 30, then about 80, and then 50 and 50 were also ballpark figures, approximate figures. But in order to be clear about this, I needed to speak with Marina Goncharova, who at that time was in charge of this relationship.

Q. You're suggesting, are you, that your memory got better as time passed?

A. Do you expect me to answer your question about whether my memory got better?

Q. Well, you seem to be saying that your memory now is better than it was earlier on about the amounts that you paid in these years.

A. I'm not sure I understand the question. I now do remember this well. Part of it was reconstruction; part of it was recollection.

MRS JUSTICE GLOSTER: I think we've gone round this hoop.

MR RABINOWITZ: Well, the trouble about saying part of it is reconstruction, Mr Abramovich, is there are no documents

that exist, other than the bolshoi balance, which would support any of the figures that you're giving for these years. Which part of this do you say is reconstruction then, and from what?

- A. I've already said that some of the figures with respect to Kommersant and TV6 I got on the basis of the talks that I had with the colleagues with whom we were working then, Lev Cherney and his people who were in charge of that transaction.

The rest of it was my general recollection. I did remember those figures approximately but I could not confirm them with precision. Even though 30 million I do remember; that figure I do remember very clearly indeed.

- Q. Do you accept that the position is that apart from a document called the bolshoi balance, which we will come to shortly, you have disclosed no documents whatsoever evidencing or recording the payments which you say you made?

- A. There is a document on the screen now which confirms those -- some of the payments. So it would be wrong to say that I did not disclose any documents. It is true that we do not have many documents; that is true.

- Q. Well, the document on the screen at the moment that you're referring to, Mr Abramovich, shows \$15,000 being



paid from Runicom SA in respect of a payment that you say has nothing to do with what you claim were payments of krysha to Mr Berezovsky.

A. No, I did not affirm that it was related to this. It was part of the krysha and, prior to that, 4 million was also documented. What I'm saying is that it would be wrong to say that there are no documents at all.

Q. But what would be correct to say is there is, with the exception of the bolshoi balance, not a single document from you which would support what you're saying you paid; that's right, isn't it?

A. Didn't we disclose those documents?

Q. No, you didn't, Mr Abramovich.

A. Then we did not. Then if this is the only document, then we did not disclose any documents.

Q. You see, although you say you paid -- although you did pay hundreds of millions of dollars over the years, and these payments were made through the banking system, you claim to have no documents at all relating to any of these payments.

A. Many payments were made by hard cash and there's been a lot of time; it was no need, made no sense to store or keep those documents. The banks could have maintained -- retained those documents; I just don't know what the policy of the banks is in terms of storing

documentation. We're talking about something that happened 15 years ago. If they store documents in banks for 15 years, then there is a possibility that they are still in the bank's archives, but unfortunately I cannot assist you with that.

Q. Do you say that there once were documents which carefully totted up how much Mr Berezovsky and Mr Patarkatsishvili were being paid?

A. If by "document" you mean a bank payment, like this, of course documents like this did exist because I paid for ORT, I would pay some of Berezovsky's expenses -- we paid his credit card bills, we paid for his chateau in southern France -- and they are all documented. There is a lot of correspondence.

So it would be wrong to say that there are no documents at all but many documents are missing; they're no longer available. But we can draw a certain picture on the basis of this -- we can get a certain impression on the basis of this.

THE INTERPRETER: Sorry.

MR RABINOWITZ: My question was really whether you had produced a document which totted up how much you had paying Mr Berezovsky and Mr Patarkatsishvili. Did such a document, in which you totalled up the amounts for any particular year or for every year, ever exist?

- A. It was not to those two people; it was to just one person mainly. I don't have one general document.
- Q. The question was whether you ever had a document which totted up, which added up what you say you were paying, I say, to Mr Berezovsky and Mr Patarkatsishvili. Did such a document ever exist for any of -- for these years?
- A. I don't think there ever existed one general compounded document. Apart from small ledgers that were being kept, I don't think that there was one certified document that would tot everything up, or a banking document; no, I don't think so. But at the end of every year we put our figures together to try to figure out how much exactly had been paid, what the grand totals had been. If that may be of any assistance, that's what was the case.
- Q. Are you saying then that there was a document that you produced every year which showed these figures?
- A. Well, of course we did take note of the old expenses for our internal purposes. It couldn't have been otherwise.
- Q. But all of these documents have been destroyed now?
- A. When you say "destroyed", do you mean deliberately destroyed or do you mean that they are no longer there? They're no longer there because it's been a long time, so there was no need to keep them in the archives. And

also many payments were made using hard cash, so that's just an entry in some notebook, in a small ledger.

Q. And do you accept that the requests for payments that you say were made were made both by Mr Patarkatsishvili and Mr Berezovsky?

A. Yes, that's -- that was the case.

Q. Mr Patarkatsishvili controlled the payments and generally handled the commercial side of Mr Berezovsky's affairs; do you agree with that?

A. I cannot tell you that -- I cannot say that he was in charge of all the commercial activities of Berezovsky but probably he controlled the bulk of it. The overwhelming majority of his commercial operations he controlled; yes, that's true.

Q. And Mr Fomichev, who was a close associate of both Mr Berezovsky and Mr Patarkatsishvili, liaised with your staff in relation to the making of payments on behalf of both Mr Patarkatsishvili and Mr Berezovsky; do you agree with that?

A. Sir, could you be more specific when you ask your questions? Did I think that those payments went to Patarkatsishvili? The answer is: no, never, if this is what you're asking me about.

Q. My question was more directed to whether it was Mr Fomichev who was liaising with your staff in relation

to the making of those payments.

A. Yes, with respect to many of the payments, yes.

Q. And it follows that it would therefore not be surprising if Mr Berezovsky personally were not aware of all the details of those payments?

A. It's just in his character. Usually people know how much money they get, but I also sometimes forget how much exactly I have received. So it was part of Berezovsky's character. But I think that Fomichev and Patarkatsishvili knew what the grand totals were better than Berezovsky did.

Q. And so far as you are concerned, were you aware of the extent to which Mr Berezovsky and Mr Patarkatsishvili had joint commercial interests?

A. Which year are you referring to?

Q. Well, do you say you were aware of their joint commercial interests in any of the years from 1995 to 2001?

A. No.

Q. Thank you. And it follows that, for the many payments --

A. I'm sorry. In the year 2001, chances are that I already got some hint, but I wouldn't have said that this was the case, between 1994 and 2001. Between those years I did not know that they were -- to use a term that

you're using -- partners. But by the year 2001 I was probably partly aware of this because I discussed certain things with Badri.

Q. And if you didn't know about their joint commercial interests, you would not have known whether any payment that you were making was for Mr Berezovsky's benefit or for Mr Patarkatsishvili's benefit or for their joint benefits?

A. Only how we made the payments. We used our infrastructure: I knew who the payee was, I knew who the final recipient was.

Q. What if the payee was just some company the name of which you'd never heard before? You couldn't know then whether the payment was for Mr Berezovsky or Mr Patarkatsishvili or for both of them, could you?

A. Now, if the payment went to ORT bank account, then I could see that. If the payment went to a company who was recipient at Berezovsky's request, then I could see that. Sometimes hard cash also went to Badri, sometimes it went to Berezovsky, but it was also at Berezovsky's request.

Mainly Berezovsky or Badri explained to me what the purpose of this was. I had never made a payment at the beginning of the year and then they started using this. For every payment they had to call me or call one of my

people and after that I issued an instruction for the payment to be made. We then started calling this a programme and then...

MR RABINOWITZ: I'm not sure if the translator is...

THE INTERPRETER: I'm so sorry, I cannot keep up with the speed. I'm asking Mr Abramovich to repeat.

A. It never so happened that we let them have the whole amount at the beginning of the year; we always made payments on the basis of their requests. We either repaid their debts or we received a request from Badri or Boris or they asked us to let them have hard cash. And therefore I'm absolutely certain that I never made any payments to Badri.

And they usually explained to me what the objective of the payment -- what the purpose of the payment was. Many payments went to ORT and in that case I did see who the payee was. Now, if we assume that the money went to ORT and then the shareholders split it 50/50, then perhaps you can draw that conclusion. But I usually saw who the payee was, who the recipient was, and on the basis of that I can draw those conclusions.

Q. Mr Abramovich, at the beginning of that answer, you explained that:

"It never... happened that [you] let them have the whole amount at the beginning of the year..."

Can you explain what you meant by that, please?

What was the "whole amount" that you were talking about there?

- A. What I mean is that we never had an arrangement whereby, for instance, we would let them -- all the \$50 million -- let them have the 50 million together. The arrangement was that they issued requests and then in response to their requests we made the payments.

MRS JUSTICE GLOSTER: Did the requests come in writing or were they made orally to you personally?

- A. Mainly, on the whole, these were oral requests. Badri used to call me and then he sent an invoice and asked me to make a payment somewhere, or sometimes an invoice came and then Badri called, or sometimes they called me and asked me to send \$50,000 worth of hard cash to the club; this is also something that did happen.

MRS JUSTICE GLOSTER: Did Mr Berezovsky ever call you?

- A. Yes, he did call me, and quite often. Of course, when he needed money, he did call me.

MR RABINOWITZ: You said in that answer that:

"... [you] never had an arrangement whereby... [you] would let them... have [all] the 50 million together."

Are you suggesting that what happened was that you had agreed that a particular amount would be payable, for example \$50 million, and that you would not pay that



out in one go?

A. No, never. Never in a bullet payment.

Q. I'm not sure that's an answer to my question. I follow that you say you didn't make the payment in one go, but were there agreements that there was a particular amount that would be payable?

A. It's almost always we had agreed in advance how much would be paid on an annual basis. Sometimes we were not able to pay the whole amount and then there was a spill-over for the next year.

Q. So this wasn't a case of you simply meeting a request for payment on any particular month; you accept that there were discussions and an agreement as to how much should be paid for each year?

A. Well, the way it worked was Badri came to me or I went to the club and we had a meeting and we discussed how much he needs and he said -- he used to say, "Okay, I think I will need this", and then he would let me know how much, depending on their needs, how much and in what instalments money needed to be paid. Sometimes Berezovsky used to call me directly or sometimes Badri called me. He used to ring me up. And so this is what I'm trying to convey to you: we never -- it never so happened that we let them have the whole amount right away.

So apart from making payments, we were also an infrastructure. We were an infrastructure that was used in order to make those payments, or rather we were the infrastructure in order to make those payments.

MRS JUSTICE GLOSTER: Mr Rabinowitz, before the break, I would be assisted if you could tell me where I find your client's stated position as to the amounts which he was paid, because I'm not clear of the area of the dispute on this.

MR RABINOWITZ: I'm not sure that we give a particular amount for how much was paid each year. What I'm trying to ascertain from this witness is whether, as he suggests he has, he has a very clear amount as to how much was paid each year.

MRS JUSTICE GLOSTER: Well, I'm not clear in my own mind as to where the dispute lies between the parties as to the amounts of the payments.

Anyway, will you have a think about it.

MR RABINOWITZ: I will have a think about it. I can tell your Ladyship that we do not anywhere set out particular amounts, totals of particular amounts that we say we received.

MR SUMPTION: My Lady, that's not quite correct, if I may say so, because such amounts were supplied to the French investigating magistrate and they appear to have been

derived from the evidence put in in writing in our evidence, that's to say from Ms Goncharova or from Mr Abramovich, which were put forward by Mr Berezovsky to the French magistrates as correct figures, as we understand it. Moreover, in cross-examination he did not suggest, in spite of being asked to do so, that the true figures were either greater or less than that amount.

So it is correct that, while not in documents or in pleadings or in witness statements, Mr Berezovsky has in fact accepted that those figures were broadly accurate. It has been our impression to date that there is in fact no dispute about these matters --

MRS JUSTICE GLOSTER: Well, that's why I'm raising the point, because I don't understand --

MR SUMPTION: -- other than 1995. There's clearly a dispute about 1995 --

MRS JUSTICE GLOSTER: Yes, absolutely.

MR SUMPTION: -- but not in relation to any subsequent period.

MRS JUSTICE GLOSTER: Mr Rabinowitz, that's why I think I would like to know what you say is the area of dispute, if there is one, other than in relation to the -- was it 30 million in '95 where there is a dispute?

MR RABINOWITZ: Indeed. Can I just comment on what my learned friend said --

MRS JUSTICE GLOSTER: Maybe it's less; I can't remember.

What's the figure for '95: is it 30 or 16?

MR RABINOWITZ: The question is whether there were any payments made at all at the times that Mr Abramovich says they were made, that is to say before the arrangement took effect. I'm not sure of the exact figure for that.

MRS JUSTICE GLOSTER: I would be grateful to have somewhere on a bit of paper, if it's not already in the submissions, what the position is in relation to the area of disagreement.

MR RABINOWITZ: We will get those for you.

MRS JUSTICE GLOSTER: Very well. I'll take ten minutes.

(3.12 pm)

(A short break)

(3.30 pm)

MRS JUSTICE GLOSTER: Yes, Mr Rabinowitz.

MR RABINOWITZ: My Lady, in answer to your question, the position is this: Mr Berezovsky does not in fact assert a case as to what precisely he was paid in these years. The purpose of the cross-examination was to determine whether Mr Abramovich himself has a clear recollection as to how much was paid in those years and the reason

for that is not because we have a particular point that we want to make by reference to the precise figures, but just in case my learned friends have a particular point that they seek to assert by reference to the precise amounts of those payments.

Because of that, in our respectful submission, we thought your Ladyship might be assisted by an understanding of the extent to which Mr Abramovich really could be as certain as he claims about the extent of those payments for those years.

MRS JUSTICE GLOSTER: But is this right: Mr Berezovsky does not dispute the defendant's case that the sums were paid? I know there's a dispute about '95, but in the other years, is it right there is no --

MR RABINOWITZ: There is no dispute at all that the sums were paid.

MRS JUSTICE GLOSTER: No dispute that the sums were paid.

Thank you.

MR RABINOWITZ: Sorry, I need to be clear. Mr Gillis points out that when your Ladyship says -- I was answering your Ladyship on the basis that there's no dispute that sums were paid. We don't accept, contrary to what my learned friend suggested, that those particular sums that Mr Abramovich asserts were paid were in fact the sums that were paid.

MRS JUSTICE GLOSTER: You're not putting forward a positive case as to what sums, even in ballpark figures, were paid?

MR RABINOWITZ: We accept that there were substantial sums, but not the precise figures that Mr Abramovich seeks to put forward.

MRS JUSTICE GLOSTER: What, they might have been bigger, they might have been smaller?

MR RABINOWITZ: They might have been bigger, they might have been smaller.

MRS JUSTICE GLOSTER: Right, thank you.

MR RABINOWITZ: Mr Abramovich, can we now please turn to the 1996 agreement. As you know, Mr Berezovsky's case is that between March and June 1996 you made clear to him that you felt very strongly that Mr Berezovsky should distance himself from Sibneft because Mr Berezovsky was so involved in politics and Mr Berezovsky says that he agreed to do this.

Now, let me ask you this question: do you agree that Mr Berezovsky was very involved in politics in 1996?

A. Yes, I do agree.

Q. And he was indeed a prominent politician at that time, was he not?

A. Yes, this is so.

Q. Would you agree that businesses in Russia were subject

to substantial levels of political risk before the 1996 presidential elections, including attacks by local and national government agencies on businesses controlled by political rivals?

A. Sorry, I think I did not understand. I didn't understand the question. What was the question, the political rivals and the tax? What was the question?

Q. The question was this: businesses in Russia were subject to substantial levels of political risk before the 1996 presidential elections, including attacks by local and national government agencies on businesses controlled by political rivals; do you agree with that?

A. No, sorry, this is federal --

MR SUMPTION: My Lady, I think the problem is it's being translated "a tax", eg income tax or...

MRS JUSTICE GLOSTER: Sorry, can you not talk at the same time as the interpreter, Mr Sumption. There was a problem. Say what you had to say again.

MR RABINOWITZ: I think Mr Sumption is pointing out that in the transcript it's come out as "tax" rather than "attacks", but that may not have been what Mr Abramovich was told.

MRS JUSTICE GLOSTER: Right. Put the question again.

MR RABINOWITZ: Businesses in Russia were subject to substantial levels of political risk before the 1996

presidential elections, including attacks by local and national government agencies on businesses controlled by political rivals; do you agree with that?

I'm told it's been translated as "tax" as in T-A-X.

THE INTERPRETER: Sorry, it might be my mistake. Was it "attacks", as attacking someone?

MR RABINOWITZ: Yes.

THE INTERPRETER: I do apologise. I shall make an amendment.

MRS JUSTICE GLOSTER: Madam interpreter, if you could please translate the question again. If you would like Mr Rabinowitz to repeat it, I'll ask him to.

MR RABINOWITZ: The problem is translation from South African into Russian is even more difficult than translation from English into Russian.

Businesses in Russia were subject to substantial levels of political risk before the 1996 presidential elections, including attacks by local and national government agencies on businesses controlled by political rivals; do you agree with that?

A. I need to understand what you mean. Would you possibly break this question down into at least a couple of questions? I'm not quite sure what you mean by political opponents and companies being attacked.

MRS JUSTICE GLOSTER: Okay. Let me put the question.



Do you agree that businesses in Russia were subject to substantial levels of political risk before the 1996 presidential elections?

- A. I partially agree with this, but the main risk was that there were elections in 1996 and the Communists could have returned to power. Such a risk did indeed exist.

MRS JUSTICE GLOSTER: Do you agree that the risk included attacks, or aggressive attacks, by local and national government agencies on businesses controlled by political rivals of the people in power?

- A. To be completely honest, I am not quite sure what "political opponent" means. Yeltsin was in power; all people who were appointed in federal agencies were people appointed by Yeltsin. Thus, speaking about any political attacks prior to the elections, it's difficult for me to say so. Perhaps theoretically such possibility did exist, but it's very unlikely.

Some governors were, of course, from the other camp because then governors were elected and it could be supposed that they could have done something at the local level, but I would not take that into account.

MR RABINOWITZ: Mr Abramovich, this is a matter on which all the historical experts are agreed. Let me show this to you, if I can. Can you go, please, to bundle G(B), volume 6/1 G(B)6/1.01/1.

The document you have in front of you is a joint memorandum produced by three experts who have been instructed by the parties to comment on matters of contemporary Russian history, including an expert who has been instructed on your behalf, Professor Robert Service, and what this document represents is a statement of areas of common ground, where it exists, and also to identify where there are differences.

Can I ask you, please, to go to page 19 in this document G(B)6/1.01/19.

A. Could I please read it because this document, again, it's only in English; it will be hard to understand how you mean.

Q. Well, I don't know if anyone has produced a Russian translation of this. If they haven't, I shall have to read it to you and you will have it translated.

Perhaps, my Lady, if Mr Prokofiev, who is sitting next to Mr Abramovich, can translate it for Mr Abramovich while he is sitting there, rather me reading it and getting it translated through the simultaneous translator, it might be quicker.

MRS JUSTICE GLOSTER: That would be easier.

THE INTERPRETER: Certainly, madam.

Mr Rabinowitz, which part of the text are you referring to?

MR RABINOWITZ: Could you please read --

MRS JUSTICE GLOSTER: Do you want to have a chair?

THE INTERPRETER: No, I'm fine. Thank you very much, my  
Lady. I'm fine.

MR RABINOWITZ: Mr Prokofiev, you'll see a heading D,  
"Political Risk", halfway down the page. Then you will  
see a statement 19. And then after statement 19 you  
will see at paragraph 41 the position that the experts  
have taken on this. Could you read that to the witness,  
please?

THE INTERPRETER: For that I would need to translate the  
statement as well because it says:

"Professors... agree with this statement..."

MR RABINOWITZ: Yes, please. (Pause)

So you see, Mr Abramovich, all the history  
professors agree that that is the position. Would you  
accept that the Russian business community, of which you  
yourself would have been a part, considered that these  
risks of attack were greater for individuals who were  
politically prominent?

A. If I may, could I please clarify what I think about  
this --

MRS JUSTICE GLOSTER: Yes, please do.

A. -- this text? It says here that after the elections --  
if I've understood correctly, after (sic) the elections

of 1996 renationalisation was the main risk, and after the elections that risk has changed. Did I understand this correctly? If we are looking at the first line, prior to the 1996 elections there was a risk of renationalisation, that renationalisation might happen after the election. Of course, it would have been bizarre for Yeltsin to renationalise when he just privatised.

MR RABINOWITZ: Mr Abramovich, you're focusing on the first subparagraph of 19. 19(2) doesn't mention renationalisation at all. And again, what these professors agree about is that prior to the 1996 presidential election the risk of this sort of threat was -- well, it existed; put it that way.

Do you follow?

MRS JUSTICE GLOSTER: I'm not sure he will understand the question from the way in which you've put it.

MR RABINOWITZ: In your comment, Mr Abramovich, you have focused on that part of the statement which refers to renationalisation and you are right to say that it says there was a risk of renationalisation both before and after the 1996 presidential election, but it diminished after the 1996 presidential election. That is what this says, but it is not all it says.

It also says that:

"Russian businesses were subject to substantial levels of political risk both before and after the 1996 Presidential election."

And that the risk included:

"Attacks..."

That's aggressive attacks.

"... by local and national government agencies on businesses controlled by political or economic rivals."

And that is what the experts agree about. Do you want to comment on that?

- A. I can comment with regard to renationalisation. That could have not happened at all at Yeltsin's because he was only speaking about privatisation. And there might have been some risk at local level, yes; possibly I could agree with that.

Overall, yes, there were some political risks. The main political risk was with the elections that could have been lost and then there could have been renationalisation, that could have been said for sure, and the leader of the Communists did not hide that at all.

- Q. It's not just renationalisation that these professors are talking about and indeed agree about; it is other attacks on businesses which were owned or controlled by their political rivals. Do you accept that or not? If

you don't accept it, then say so and we can move on.

- A. I rather -- it's not that I accept this or don't accept this; I just can't understand this. What risks are we describing? If it's a risk of renationalisation, then there wasn't such a risk, and I cannot comprehend the other risks.

There wasn't a risk to do with taxes because these were set by the federal legislation. Was there a risk that the president will be dismissed and a new president appointment? Yes, but that risk was taken off by Mr Berezovsky. And with regard to any other risks, I am not quite clear what we are talking about.

MRS JUSTICE GLOSTER: It's paragraph 19, subparagraph 2 that Mr Rabinowitz is asking you to look at and he's asking you to say whether you agree that the risk identified in subparagraph 19(2) was present before the 1996 election and/or after the 1996 election.

- A. With regard with risk prior to 1996, I said there could have been a risk of renationalisation and I perhaps didn't feel the other risks. Maybe, if all the professors agreed, maybe they felt or knew the situation better. I didn't feel that, so I cannot confirm.

And after the 1996 elections, well, I think surely some risks might have existed but they would have been considerably lesser. It's hard for me to judge. I can

neither prove nor disprove it because this is quite a nebulous wording, "the risks".

I can't understand how a federal government could attack the business. Perhaps such an opportunity exists but I couldn't feel that because only in the end of '95 we have won the auction, we just paid the government. Who could have possibly attacked us? I am not quite clear about that. All the governors that existed, they did support us, those that worked in the regions where we worked, so I didn't feel that risk in particular.

And perhaps I could agree, but I am not quite clear what the matter is, what we're talking about.

Q. Mr Abramovich, I suggest you know exactly what we're talking about and we'll see that in a few minutes, but let's move on to the next question, shall we?

Would you accept that the Russian business community, of which you yourself would have been part, accepted that the risks of being attacked by political rivals using the government agencies was greater for individuals who were politically prominent?

Again, if you don't agree, just say so.

A. For people who are politically prominent, the risk is always higher, I agree.

Q. And in terms of your not knowing what sort of risks we are talking about here, perhaps I can show you precisely

the sort of risks that there were. Can you please be given bundle B(B)1/02, page 166 B(B)1.02/166.

A. Sorry, what is this document?

Q. This is an extract from the memoirs of President Boris Yeltsin. If you go back to page 164 B(B)1.02/164, you can see the title of this book.

At page 166 President Yeltsin sets out the extraordinary events which occurred between the first and second rounds of voting in the presidential election in 1996. I will just tell you what President Yeltsin describes in the second paragraph.

He explains that he was in a run-off against Zyuganov. Do you remember that?

A. Yes. Yes, I do.

Q. And in that context he tells of how he met with his "analytical group", as he calls them, and this is a group funded by, among others, Mr Berezovsky; that's right, isn't it?

A. I don't know whether Mr Berezovsky financed the analytical group; I think not. I think Berezovsky supported Yeltsin via ORT. I don't think he was giving money to an analysis group.

Q. Well, I think he is, but I'll show you that in a few moments.

Now, there was a dispute which President Yeltsin



then mentions in the third paragraph between Khorzhakov, who was the head of the presidential security service, on the one hand, and the analytical group on the other hand, and that dispute resulted in the arrest of two aides from the analytical group. Okay?

A. Yes, but it wasn't a dispute that led to it because these two aides, if I remember correctly, they tried to bring some hard cash into the White House and that's why they were arrested and detained, when money was passing through the metal detector, through the detector. This is from what I can recall. Perhaps there were some political motives behind this but I cannot appreciate that. I think there was some breach, some crime, and so they were detained.

Q. Let me read you what President Yeltsin says at the top of page 167 B(B)1.02/167 and I'll read it and perhaps Mr Prokofiev can translate it. He says this:

"But Tanya left home..."

And he's talking about his daughter here,  
Tatyana Dyachenko.

THE INTERPRETER: I'm sorry, sir, which...?

MR RABINOWITZ: At the top of page 167.

THE INTERPRETER: Oh, 167. Yes, thank you very much,

Mr Rabinowitz.

MR RABINOWITZ: "But Tanya left home at about 1.00 am to go

to the offices of Logovaz (Berezovsky's company), where most of the analytical group members had gathered" --

THE INTERPRETER: Sorry, where on page 167 is that?

A. May I ask a question, please?

MRS JUSTICE GLOSTER: Yes.

A. Do I understand correctly that this is Yeltsin's book or a book by Yeltsin, or did I misunderstand?

MR RABINOWITZ: It's a book by Yeltsin, correct.

A. To be honest, it's hard for me to imagine that Yeltsin did indeed write, "But Tanya left home", et cetera, et cetera. I didn't know Mr Yeltsin at that point in time, but I met him a few times; I don't think he knew about these details. I don't think this book was written by Mr Yeltsin.

MR RABINOWITZ: All I can tell you, Mr Abramovich, is that if you go to the title page, it does claim to be written by Boris Yeltsin. The book is called "Midnight Diaries" and that's all, I'm afraid, I have to go on; but if you know better, then you should say so.

Can we just have this read to you.

MRS JUSTICE GLOSTER: Mr Prokofiev is going to translate, is he? It's probably easier.

MR RABINOWITZ: That may be the quickest way.

MRS JUSTICE GLOSTER: Start at the top.

THE INTERPRETER: If you just tell me where we're starting.

MRS JUSTICE GLOSTER: "But Tanya left home". But down to where, please, Mr Rabinowitz?

MR RABINOWITZ: Down to the reference to the building being "surrounded by security service agents".

THE INTERPRETER: Until that sentence?

MR RABINOWITZ: Until those words.

THE INTERPRETER: Until the words "service agents"?

MR RABINOWITZ: You can read to the end of that paragraph if you like, the next sentence as well. (Pause)

The event that President Yeltsin describes here is one that took place slightly after the time when Mr Berezovsky says that the 1996 agreement was made, but I suggest that it well reflects the political exposure of Mr Berezovsky at this time. Do you disagree with that?

A. I disagree with you. Mr Berezovsky was one of the friends of Mr Khorzhakov and they fell out at the point when Khorzhakov suggested not to hold elections but to delay them for a later date. At that point they fell out and, if I understand correctly, this very moment is being described. And before that, they had very good relationship.

Moreover, at the asking -- at the request of Mr Berezovsky, as Mr Berezovsky explained to me, we actually passed the money on to him for his assistance

in creating Sibneft. So he, as a political opponent, if we're talking about Mr Khorzhakov, I didn't view him as a political opponent at all.

Q. You see, I suggest to you that there would be very good reason why a businessman might prefer to be distanced from someone like Mr Berezovsky, who was involved in politics and was controversial. Do you dispute that?

A. Did I understand the question correctly: did Mr Berezovsky have to distance himself from business because he was a controversial figure?

Q. The question is put the other way. Was there good reason why a businessman might prefer to be distanced from Mr Berezovsky because he was a controversial business figure?

A. There wasn't such a reason, I don't know such a reason, I cannot find such a reason. Moreover, we paid for Mr Berezovsky to be close to us and not to distance himself from us. What was the point of those payments otherwise? He was protecting us from not having problems and we were not distancing ourselves from him.

Q. Mr Abramovich, I suggest you know that that is simply not the case. The reason that you were making the payments is because there was a partnership between yourself and Mr Berezovsky in relation to Sibneft.

Now, do you dispute that the question of political

exposure was a factor which you took into account in your dealings with Mr Berezovsky?

A. To some extent there was a political risk but it was linked to elections.

Q. Can you explain what you mean by that? You accept there was a political risk or a risk, presumably, of being exposed as being close to Berezovsky. Can you explain how you want to qualify that?

A. I want to qualify that if Communists would have won, then whether you're close to Mr Berezovsky or not would have no difference whatsoever because all industry would have been nationalised and that was openly stated, proclaimed. So I disagree with the statement that the business that was close to Berezovsky for that sole reason would have been nationalised.

Q. Isn't it obvious that a business which is associated with Mr Berezovsky would be more subject to risk than a business which was not associated with Mr Berezovsky?

A. If we are discussing an oil company and its privatisation, then any oil company would have been nationalised; and if we were discussing a small business, for example a restaurant, a cafe, then perhaps it were not nationalised. It's not important whether it belongs to Berezovsky or any other person.

The Communists always were proclaiming that industry

that was created at Soviet times belongs to the people, to the whole people, and therefore privatisation was unlawful and therefore everything privatised in serious industry, any serious items, will be renationalised. That was the main risk.

Q. It may have been the main risk, Mr Abramovich, but it was not the only risk. There were a lot of political factions and being associated with one of those political factions, in particular Mr Berezovsky, exposed you more than you would otherwise have been; that's right, isn't it?

A. I disagree. There were two factions: that was Yeltsin and the Communists. If you were for Yeltsin then your risk did indeed exist because Communists could have taken power back; and if you were for the Communists then perhaps you had risk as well, but because I was never on that side I cannot appreciate that risk.

Q. It wasn't just the risk of renationalisation; there was always a risk of being refused necessary licences, there was a risk of tax investigations and there was a risk of raids as well, wasn't there?

A. That could have happened, that we would have been denied licences, but that could have happened only after 1996 because I don't feel that that could have happened before 1996. Maybe with regard to tax, I'm not so sure.

But yes, indeed we could have been denied licences; but we were not thinking about new licences at the moment of creating the company.

Q. Now, by March 1996, you had acquired control of Sibneft; that's right, isn't it?

A. Are we talking about management control or control from the point of ownership?

Q. Well, let's break this down.

NFK had won the loans for shares auction in December 1995; is that right?

A. Yes, that's right.

Q. And that meant that in practical terms you were almost guaranteed -- not guaranteed, but almost guaranteed -- to end up with 50 per cent of Sibneft once the state defaulted; is that correct?

A. I've heard the word "guaranteed": did I understand the translation correctly?

Q. You did, but what I was saying was that there wasn't a guarantee; there was almost a guarantee. It was very likely, let me put it that way.

A. That was likely and very much desired.

Q. And Runicom had acquired a further 12.2 per cent of Sibneft in January 1996; is that correct?

A. Yes, that's right.

Q. And there would therefore have been no real interest for

others in seeking to obtain large stakes in Sibneft in the remaining auctions since they would be doomed to remain as minority shareholders; do you accept that?

A. Sorry, I didn't understand the question. Could you please ask that again?

Q. You were in a situation in which you were very likely to get 51 per cent of Sibneft once the state defaulted and you had already acquired a further 12.2 per cent of Sibneft in January 1996; okay? We've agreed about that.

A. I agree that if we knew about the defaults then that would have been a high likelihood. Sorry, sir, maybe I'm quite tired, I don't understand what you're saying. I don't understand the question. Yes, we did desire the default.

Q. No, it's more than desire the default. The default was very likely to happen and in those circumstances you were almost certainly going to land up with 51 per cent of Sibneft? We discussed this yesterday. That is right, isn't it?

A. The likelihood was high but there were some unknowns: whether the default would have happened and whether we would have been able to win the auction. So if to discount these two things, that -- yes, then indeed the likelihood was high.

Q. And you had also acquired a further 12.2 per cent of



Sibneft in January 1996; that's correct as well,  
isn't it?

A. Yes, this is so.

Q. And what I suggest is that in those circumstances, where you were very likely to acquire 51 per cent of Sibneft on the default and you had acquired a further 12.2 per cent of Sibneft in January 1996, there would have been no real interest for anyone else in seeking to obtain large stakes in Sibneft in the remaining auctions, since they would be doomed to remain as minority shareholders.

A. Do you mean the auctions for 19 and for 15 per cent shares?

Q. Yes, indeed.

A. May I see when these auctions were held? Then I would give you an exact answer to your question. I can't recall at the moment.

Q. We're talking about the position in March 1996 and I'm describing the position as it was in March 1996. It's not a difficult question, Mr Abramovich.

A. It seems to me that for every stake, even a small stake, there was some fights, especially for 51 per cent when the auction happened. There were many participants, many people wanting to win.

I don't understand your question, sorry. It's hard

for me. It's late in the day.

MRS JUSTICE GLOSTER: Put it again. Put it again,

Mr Rabinowitz, please.

MR RABINOWITZ: By March 1996 you were very likely --

indeed, almost guaranteed -- to end up with 51 per cent of Sibneft when the state defaulted and you had already acquired a further 12.2 per cent of Sibneft in January 1996, and in those circumstances there would have been no real interest for anyone else in seeking to obtain large stakes in Sibneft in the remaining auctions because they would be doomed to remain as minority shareholders.

A. If to suggest that we belong -- we own 12 and 51 per cent, if to take away the likelihood, then at the following auction there would have been fewer people who wanted to purchase or maybe none at all. But I think it was all back-to-front. I'll be able to give you a more exact answer when I will understand when did the 19 per cent and 15 per cent auctions happened; then I'll tell you whether such a risk existed or not.

At the moment I can't get your question. I can't see how am I supposed to answer this if I have no data. And why are you referring to March? What happened in March?

Q. That is the date when Mr Berezovsky says you began to --

you reached an agreement with him in 1996 that because of his political exposure, he should be distanced from Sibneft.

A. I assert that we never had any agreement in '96. This is pure fantasy and there is no logic in it. Unfortunately I cannot confirm this.

MRS JUSTICE GLOSTER: Okay. Well, put the dates of the auctions to him so that he can...

MR RABINOWITZ: The auctions were in September and October 1996. In September 1996, 19 per cent was bought by Firma Sins and in October 1996, 15 per cent was bought by Refine Oil.

A. May I ask one more question, please?

MRS JUSTICE GLOSTER: Yes.

MR RABINOWITZ: I'd rather you answered questions than asked them.

MRS JUSTICE GLOSTER: No, let him ask a question about the dates because it's difficult.

What's your question, Mr Abramovich?

A. I don't remember when the first round of elections happened, therefore I don't understand the question. It's very hard --

MRS JUSTICE GLOSTER: Right. Just a second. It's the end of a long day. Formulate the question and put it in the morning, Mr Rabinowitz, all right?

Now, how are we doing on the timetable? Perhaps you would have a think about that and let me know where we are on that too.

MR RABINOWITZ: We'll do that.

MRS JUSTICE GLOSTER: Very well. Anything else anybody wants to raise?

MR SUMPTION: No.

MRS JUSTICE GLOSTER: 10.15 tomorrow.

(4.15 pm)

(The hearing adjourned until  
Thursday, 3 November 2011 at 10.15 am)

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