

# Fridman's Maneuvers Symbolize Oligarch Evolution

By [The Moscow Times](#)

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Fridman is not planning on retiring. **Sergei Karpukin**

Mikhail Fridman once seemed omnipotent as one of the elite group of Russian businessmen who amassed vast fortunes and huge political influence under President Boris Yeltsin in the 1990s.

More than a decade after Vladimir Putin succeeded Yeltsin and started reining in the oligarchs, Fridman is on the defensive as a new generation of businessmen snatch up assets and the Kremlin reasserts control over the economy.

His call for a divorce from BP, his partner in Russia's No. 3 oil firm TNK-BP, and the \$5 billion sale of his stake in mobile firm MegaFon are widely seen as evidence that he is following other oligarchs by cutting his exposure in Russia.

“There's a new generation of oligarchs — their horizon is longer — and then there's the

earlier generation that are tired or see the writing on the wall,” said one senior source in the Moscow business community. “I don’t think that the Fridmans of this world will be living in Russia in 10 years.”

Fridman, 48, usually avoids publicity but rebutted suggestions that he is ready to throw in the towel in a rare newspaper interview after he quit last week as chief executive of TNK-BP.

“Why do I need cash? So I can sit by the seaside or go for a sail?” he told Kommersant daily. “I’ve got nothing against sailing — it’s an excellent activity — it’s just not for me.”

BP’s subsequent announcement that it may sell its stake in the 50-50 joint venture triggers a lengthy sale procedure that gives a Fridman-led quartet of billionaire shareholders an initial chance to offer to buy the British oil major’s stake.

But with ex-Deputy Prime Minister Igor Sechin — last month named chief executive of state oil major Rosneft — waiting in the wings as a potential buyer, industry watchers do not rule out an exit by the oligarchs, who own their stake through the AAR group.

A gradual withdrawal by BP from TNK-BP was one option, Fridman said in the Kommersant interview, while a sale by AAR that included partial payment in BP stock was another.

## **Empire Building**

Fridman started out with a window-cleaning business as the Soviet Union collapsed, ushering in the rampant capitalism in which a few people were able to quickly build business empires.

He went on to amass a wide range of assets from the oil, banking, retail and telecoms sectors, buying up Soviet energy assets on the cheap and staking a string of wagers on the emergence of a free-spending Russian middle class.

With a fortune estimated by Forbes at \$13 billion, Fridman’s Alfa Group owns a 25 percent stake in TNK-BP, a near 25 percent voting stake in mobile firm VimpelCom and just under 50 percent in leading food retailer X5. Fridman also owns 36 percent of Alfa Bank.

Fridman’s empire has become increasingly international, which some observers say reflects a desire to spread risk out of Russia. Capital flight out of Russia has been high, blamed in part on a lack of confidence in the country’s respect for property rights and on persistent, rampant corruption.

Fridman is described as intelligent, ruthless and cynical. During his tenure as CEO, TNK-BP entered Vietnam, Venezuela and Brazil. He backed VimpelCom’s costly and controversial expansion into markets such as Africa, to the chagrin of Norwegian partner Telenor, which favored a Russian-focused strategy.

In April, he agreed on a deal to sell out of MegaFon, Russia’s No. 2 phone company, which is eyeing a London IPO. Kremlin-friendly oligarch Alisher Usmanov won control in the deal and later sold an interest to a state-linked company.

Observers say Fridman may also at some point seek a sale of X5, which has struggled since the firm’s chief executive, Lev Khasis, left last year to join U.S. retail giant Wal-Mart.

“There is a general view that he seems to be looking to divest out of Russia and internationalize his business more,” said another source in the Moscow financial community. “I think he’s always wanted to do that.”

Fridman was not available to comment for this article.

## **Corporate Fights**

Ukraine-born Fridman’s success has not come without picking fights or making enemies. He has placed himself on the other side of the battlefield with two of the largest investors in Russia — Telenor and, more significantly, BP.

The BP saga pitted Fridman against Sechin, who personally masterminded an Arctic exploration pact and \$16 billion share swap between BP and Rosneft announced at the start of 2011.

The AAR consortium, made up of Fridman, German Khan, Viktor Vekselberg and Len Blavatnik, blocked the deal in the courts, arguing that it violated the TNK-BP shareholders agreement requiring BP to do business in Russia through the venture.

“AAR embarrassed Sechin and Putin when that didn’t work out. And revenge is best served cold,” said a further source in the Moscow business community who declined to be named.

But insiders caution against underestimating Fridman’s ability to manipulate outcomes in his favor.

“Fridman has plenty of his own connections in the government,” said a source who has worked with him on several projects. “It will not be easy for Sechin to go against him. Putin is not all-powerful.”

Others praise Fridman for political diplomacy.

“I think he’s been good at being apolitical; he has systemically important businesses in all sectors, and he’s a good corporate citizen,” said a senior financial source in Moscow.

## **New Tycoons**

Among oligarchs from the Yeltsin years, former tycoon Mikhail Khodorkovsky is in a Russian jail, while Boris Berezovsky fled to London in 2001 after falling out with Putin.

Vladimir Potanin remains extremely powerful, with his Interros investment company holding about 30 percent of Norilsk Nickel, the world’s biggest palladium and nickel producer.

Among those who rose later, Mikhail Prokhorov, who amassed his wealth during Putin’s years, holds vast aluminum, gold and banking assets.

In recent years, however, a new breed of tycoons with closer ties to Russia’s current leaders has emerged, like construction tycoon and former Putin judo partner Arkady Rotenberg, oil trader Gennady Timchenko, and more recently, Summa Group, the trading group founded by Ziyavudin Magomedov.

Summa has been particularly aggressive in striking deals. In the last month alone, it has approved deals to buy a stake in Russia's state grain trader and control of transportation group FESCO.

Summa's telecoms arm also emerged Wednesday as a potential bidder in Russia's forthcoming round of fourth-generation mobile licenses, posing a challenge to a group of incumbents that includes Fridman's VimpelCom.

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