

Russia's Richest Man Is Out to Prove a Point

By [The Moscow Times](#)

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Usmanov gesturing during an interview at his home outside Moscow. **Maxim Shemetov**

Alisher Usmanov, the richest man in Russia, stabbed the air emphatically with his finger.

"With Facebook, people say I took money from the Kremlin," he declared. "But I invested my own money."

Usmanov's point is broader than the tenfold return he made from his 2009 investment in the social-networking site. The Uzbek-born tycoon, who is worth an estimated \$18 billion, said he had been sure that investing in a social network of 1 billion people would generate "big money."

"Nobody believed in it, and in Russia at the very least, a lot of people said I was crazy," Usmanov said in a rare interview.

"Can you imagine life without the Internet?" said the 59-year-old, who this year made \$1

billion selling Facebook shares and gained control of the No. 2 mobile phone company, MegaFon.

Usmanov built his first fortune in iron ore, but it was his well-timed bets on technology and telecom that have multiplied his wealth more than tenfold since 2009, catapulting him to the top of Russia's rich list. He is unusual among the nation's richest businessmen in venturing out in this way.

"It was always a challenge for me to prove that a Russian financial investor can be as successful in the West as back at home in Russia," Usmanov said.

In the exclusive district of Gorki 10, his residence lies behind green security gates that slide open to reveal a guest house and a glimpse of a palatial country house through a shroud of silver birch trees.

Unlike the Russian tycoons who won control of empires through rigged privatization auctions in the 1990s, Usmanov said he had accumulated his wealth by investing money smartly.

"Buy low, but not at the bottom, and sell high, but not at the top, to leave some profit to others," Usmanov said. "We never bought anything at auctions. We bought only on the open market, from owners."

Financial Aerobatics

Usmanov, who has degrees in law and banking, is a former fencer and ballet lover. He made his investments in telecom, media and technology over the past decade after building his first fortune in metals and mining.

"Making money from money is like aerobatics," he said. "This is the most enjoyable money. Because you don't have competitors. You have to compete only against yourself and the market."

But in a country where government connections can prove more important than financial savvy, he hits back at critics, who have made allegations concerning his business methods and relationships. He denies the allegations.

"It's unpleasant when people say someone gave you a gift in Russia," said Usmanov, who switched from strongly accented English to Russian when he wanted to express himself precisely.

Usmanov did borrow money from the wife of a government official, Igor Shuvalov, nearly a decade ago to

buy shares in British steelmaker Corus. The loan agreement was subsequently modified to deliver a significant profit to the politician's wife.

Usmanov and Shuvalov have acknowledged the dealings but denied that any conflicts of interest or favors were involved.

The tycoon snapped up the 450-piece art collection of Mstislav Rostropovich after the cellist

died in 2007, and he donated it to a St. Petersburg presidential residence renovated on the orders of President Vladimir Putin.

He also owns the Kommersant publishing house, which prints the influential business daily Kommersant.

When its weekly Kommersant-Vlast magazine printed a photograph featuring an obscene message to Putin in December, the editor was abruptly replaced and said he had been fired. Usmanov said at the time that there had been violations of journalistic ethics at the paper.

Usmanov does not deny his Kremlin connections and says he admires Putin, who has run Russia in the role of president or prime minister for more than a decade.

This year, Putin has faced the biggest protests since he rose to power, mainly by relatively well-off Russians in big cities. Usmanov said Russia's rising middle class had forgotten how bad things used to be.

"Compare the time when Putin came to power and today and you will see the massive scale of development in our country, with enormous problems at the same time," Usmanov said. "Russia should be grateful to Putin."

Umbrella Company

Many Russian businessmen who own diverse assets hold them in one umbrella company, a structure Usmanov is now adopting.

The company, to have annual profits of about \$7 billion, will be owned with his partners Farhad Moshiri, with whom Usmanov owns a stake in London soccer team Arsenal, and Vladimir Skoch, father of billionaire lawmaker Andrei Skoch, who helped build up Metalloinvest, the world's fifth-largest iron ore company.

To be created in the coming months, it will own stakes in Metalloinvest, MegaFon and Internet firms such as Facebook and Groupon.

Creation of the company, expected to have a turnover of up to \$25 billion, is a logical step that will consolidate shareholdings and provide separation from management, he said.

"For me as a shareholder I don't want more insight into these. We need a management advisory company."

Usmanov said that at some point he would like to step back from business, but he is not about to start selling assets.

"Honestly, I don't want to do business anymore, but you have a responsibility toward business that you [already] have," he said.

Usmanov's typical strategy is not to take majority positions in his assets. He owns a 50 percent stake in Metalloinvest and minority stakes in Mail.ru, Facebook and Arsenal.

In a departure from the norm, he took control of MegaFon this year by buying shares from tycoon Mikhail Fridman and TeliaSonera, the Nordic telecom firm, ending years of shareholder infighting. He now controls 50 percent and one share.

"In the MegaFon situation, before we came, the shareholders hated each other and did not think about an alliance between each other," he said. "When there is no controlling shareholder, 'independent' management works in its own sybaritic interests."

Giving a "very elegant form of realization" for the shareholders, Fridman "fixed a miracle profit," while TeliaSonera "received the biggest dividend in its history," Usmanov said.

MegaFon is now preparing to go public in London and is expected to be valued at about \$15 billion. The deal will offer TeliaSonera a route to further monetize its investment.

"Of course, we are not against being public, but not because we want only to be public, but because I think it is good for our partners," he said. "If we see the level of the valuation as good, we go to IPO."

Facebook Gamble

Telecom and technology bets set Usmanov apart from rival tycoons, who have largely stuck to their roots in metals, mining and energy.

These bets have made him the 28th-richest person in the world, according to Forbes, in the league of financial masters such as investor George Soros, Google's Larry Page and Amazon's Jeff Bezos.

Usmanov, who cites Apple founder Steve Jobs as a businessman he admires, now has a string of technology and media investments to his name. He has invested heavily in Digital Sky Technologies, the investment firm of Russian social media investment star Yuri Milner, with whom he invested in Facebook.

Milner himself didn't believe it would be possible to buy such a stake, Usmanov said.

"I suggested that he should go to [Facebook CEO Mark] Zuckerberg and propose that he buys a far larger volume of shares without voting rights. This became our DST-style deal."

Usmanov, who hasn't yet met Zuckerberg, has no plans to sell out despite the stock trading around half its IPO price.

"I continue," he said. "I am there. I am confident about this investment."

Social media is a long way from Usmanov's first industrial investments in iron and steel, accumulated as a tough new breed of businessman was still vying for control over the industrial legacy of the Soviet Union.

Much of Usmanov's wealth still lies underground, in the form of Metalloinvest. Skoch and state-controlled Russian bank VTB are the company's other owners.

Usmanov built up Metalloinvest through a series of acquisitions after working at the

investment arm of state gas-export monopoly Gazprom in the late 1990s. During the early 1990s, Usmanov worked in banking.

In the 1980s, he spent six years in a Soviet prison, but his conviction was later overturned. He was exonerated in 2000 by Uzbekistan's supreme court, which ruled that the case against him had been fabricated and that no crime had been committed.

Now the biggest iron ore producer in Russia, Metalloinvest has a portfolio of mines. It owns the Baikal Mining Co., which holds the mining license to the vast Udokan copper deposit, and a 4 percent stake in platinum giant Norilsk Nickel.

"Metalloinvest is a company that knows it will someday come to an IPO," Usmanov said, adding that it would likely first need to reduce its debt burden.

All-Mining Deal

As a stakeholder in Norilsk, the world's largest nickel and palladium miner, Usmanov has sought to mediate a bitter dispute between the company's two main shareholders, Oleg Deripaska and Vladimir Potanin.

"We think the day will comewhen these two partners understand that [there is] such big potential if they work together," he said. Only these two partners can determine what it takes to create a "normal atmosphere inside this company."

Usmanov has in the past suggested solutions to no avail such as merging Norilsk with RusAl and Metalloinvest to create an all-Russian mining giant. He said one option is to create a unified holding company into which all three put their Norilsk shares.

Usmanov thinks Norilsk, currently valued at about \$30 billion, could have a value of between \$60 billion and \$80 billion, although he gave no time frame for when this could be achieved.

Of Usmanov's assets, one is a clear favorite. When the topic of football was mentioned, he was visibly delighted, smiled, settled back in his seat and said: "Aaah, Arsenal."

Usmanov, who jointly owns a 29.9 percent stake in the team with Moshiri, is one of a handful of tycoons who own or hold stakes in English football teams.

But the investment has proved difficult, and he recently criticized the team's board for failing to halt an exodus by top players such as Dutchman Robin van Persie, which he blames on underinvestment.

"I consider Arsenal to be the best team in the world, and there is enormous achievement by those who have managed the team until today," he said. "But that doesn't mean [you should] remain silent when you see mistakes."

Usmanov will "always be there" for Arsenal, and his greatest hope is for success on the field. He said he cares about fans' views and enjoys having an incognito drink in a Holloway pub near Arsenal's new stadium where "no one recognizes me."

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