

# Even Russia's Oligarchs Suffer Under Its Flailing Economy

By [The Moscow Times](#)

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Mikhail Fridman (L) and Alisher Usmanov.

Russia's oligarchs are no strangers to misfortune, asset grabs, forced investments and financial crises.

Many of them may publicly shrug off a 40 percent plunge in the ruble and the difficulties caused by a sanctions-hit economy heading for recession.

And at least on paper, there are some winners, with metal producers benefitting from rising prices in export markets.

But look closer and just about every Russian company is feeling the pinch, and perhaps the only success stories are those who sold in time — or who just got lucky.

Even those close to President Vladimir Putin are not shielded from plunging oil prices and the economic downturn. They are also at greater risk of being subject to sanctions imposed by the

West over the Ukraine crisis.

Gas producer Novatek, in which an investment vehicle belonging to sanctioned Putin ally Gennady Timchenko has a 23 percent stake, has seen its stock market value sink from \$36.9 billion to \$23.6 billion as investors have bailed out and sanctions have taken their toll.

Other have got off more lightly.

In terms of market capitalization, Norilsk Nickel, the world's largest nickel and palladium miner and exporter owned by three of Russia's original oligarchs — Vladimir Potanin, Oleg Deripaska and Roman Abramovich — has grown to \$27.6 billion from \$26 billion at the end of last year.

But the company had a market capitalization of more than \$40 billion at the end of 2010 when Russia was free of Western sanctions and when oil prices, currently near five-year lows of around \$70 a barrel, were nearer to \$95.

There has also been growth at RusAl, the world's biggest aluminum producer, which is 48 percent owned by Deripaska. It has seen its market capitalization rise to \$10.4 billion from \$4.5 billion since the beginning of the year, according to Thomson Reuters Datastream economic data.

Both have been aided more by rising prices for nickel and aluminum than the weaker ruble.

### **'Protected by God?'**

Among Russia's so-called original oligarchs — those who got rich in the chaos that followed the fall of the Soviet Union in 1991 — some have found that being out of favor with the Kremlin is not necessarily a bad thing.

Russia's second richest man, Mikhail Fridman, and his partner German Khan wanted to keep their stake in oil producer TNK-BP but sold it to state-controlled producer Rosneft, led by Putin ally Igor Sechin, when commodities prices were at a peak.

They got around \$13 billion out of a deal worth \$55 billion in total.

Rosneft, which became the world's largest listed oil producer by output after the deal, was widely seen as the winner. But now it has a market capitalization of \$41.7 billion, according to Datastream, less than it paid for the TNK-BP stake, a reverse also reflecting the fall in the price of oil.

"Sometimes it feels like they were protected by God in everything they did in the past few years," said a former co-worker of Fridman and Khan, who declined to be identified.

But despite Fridman selling some of his assets in Russia, those that remain are not performing well. His Amsterdam-incorporated X5 Retail Group has lost its No. 1 spot in the Russian market and its shares are down seven percent in the year, reelecting the economic downturn.

His telecoms company VimpelCom, also incorporated in Amsterdam, has struggled with more

than \$20 billion in debt.

Alisher Usmanov, Russia's richest man and another notable example of a businessman benefiting from investing in Internet projects outside the country, has also suffered at home despite a successful investment in China's e-commerce giant, Alibaba.

Shares in MegaFon, in which he owns about 50 percent, are down 45 percent this year, dragged lower by a weak market despite leading in 4G technology, while Internet company, Mail.ru, is suffering from weak advertising revenues in a sagging economy.

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