



RUSSIAN ROYAL FLUSH: THE FIVE RUSSIAN OLIGARCHS BEHIND ONE OF THE LARGEST DIETARY SUPPLEMENTS COMPANIES IN ROMANIA

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In the context of the illegal and unprovoked invasion of Ukraine by the Russian Federation and starting from an investigation carried out by Context.ro, we try in this analysis to deepen and bridge several facts and information regarding the Russian oligarchs behind Sun Wave Pharma SRL:

- 1. Russian oligarchs Mikhail Fridman and Peter Aven, among others, are sanctioned in several jurisdictions, including the European Union*
- 2. All five oligarchs that we discuss in this analysis (Mikhail Fridman, Peter Aven, German Khan, Alexei Kuzmichev and Andrei Kosogov) have long been in the upper echelons of power in the Russian Federation*
- 3. The insurance company AlfaStrakhovanie, part of the Alfa group founded by Fridman, provided services to companies in the Russian military-industrial complex*
- 4. The company Sun Wave Pharma SRL has Andrei Kosogov, a Russian oligarch sanctioned in Ukraine, close to Fridman since the 90s, declared as the ultimate beneficial owner.*

Sun Wave Pharma SRL is one of the main players in the Romanian food supplements market. It is a company that generated a turnover of over 80 million euros in 2022, with over 11 million euros in profit and over 400 employees. The company is owned by the LetterOne investment fund, founded by Russian oligarch Mikhail Fridman, among other oligarchs.

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Fridman and Aven, a successful partnership in post-Soviet Russia

Mikhail Fridman was born in Lviv, Ukraine (former USSR) on April 21, 1964. He has Russian and Israeli citizenship, having Jewish origins in his family. **According to Forbes**, his personal wealth stands at \$12.8 billion and comes mainly from equity/shares in Alfa-Bank, one of Russia's largest private banks, and **LetterOne**, an investment fund he established in 2013 with other Russian oligarchs. He is a graduate of the Institute for Steel and Alloys in Moscow and in 1988, during Gorbachev's era of economic relaxation, a young Fridman launched a window washing business that brought him his first serious money.

In 1989, together with fellow faculty colleagues German Khan and Alexei Kuzmichev, he founded several companies, including Alfa-Foto (photo chemicals import company) and Alfa-Kapital (investment firm), which eventually formed the Alfa consortium, with interests in the banking, energy, telecommunications and retail industries.

In an **interview for the Financial Times**, Fridman recounts how he survived the wild business environment of post-communist Russia in the 1990s: *"We never wanted to challenge authority, I have always followed the philosophy of being loyal and friendly to the government but not too close"*. In 1997, together with Viktor Vekselberg and Leonard Blavatnik, two other well-known Russian oligarchs, he bought the Tyumen oil company (TNK). The business proved highly profitable amid the sustained rise in oil prices throughout the 2000s.

In August 2003, the assets held by the three in TNK merged with those held by British Petroleum (BP) in Russia, forming a new entity, TNK-BP (50%:50%). The resulting new company was, at the time, in the top ten private oil companies in the world. Although the partnership proved successful in terms of profitability, BP expats, led by Robert Dudley (American citizen, head of BP in the partnership) experienced the Russian style of dealing with business partners: problems with **extension of visas** and a **raid** by special forces on the Moscow offices, as a result of a dispute between shareholders.

In March 2013, Fridman closed **the most important business deal of his life**: the sale of its shares in TNK-BP, following the latter's takeover by the state oil giant Rosneft (a deal worth \$55 billion in total, which also involved the granting of a stake in Rosneft to BP). Fridman, Khan and Kuzmichev's share, through the Alfa consortium, was \$14 billion. This liquidity allowed Fridman and his associates to broaden their investment diversification, and the vehicle created to achieve this was called LetterOne.

In addition to German Khan and Alexei Kuzmichev, another important name in the Russian pantheon of oligarchs is linked to Fridman's success: Petr Aven. Born in Moscow on March 16, 1955, Aven has Jewish and Latvian roots in his family. He graduated from the Faculty of Economics at Moscow State University in 1977, later pursuing a research career at the Institute for Systems Analysis of the Academy of Sciences of the Soviet Union. Here, he **met Egor Gaidar**, influential Russian politician and economist, considered **the architect** of the brutal reform of the post-communist Russian economy. Through the latter, Aven launched into politics, occupying high positions in Russia in the early 90s, including that of Minister for Foreign Relations in the Yeltsin administration (1991-1992).

His political career probably served as an excellent springboard into the business world. He founded a consulting company (FinPA), through which he collaborated with Alfa-Bank, eventually becoming a shareholder in the bank founded by Fridman in 1994. From this point, the path of the two converged, Aven being directly involved in the majority of important business decisions made by Fridman. The latter admits in an interview with the Financial Times, cited above, that Aven was an important addition to Alfa's business, due to his connections in the Russian government. **According to Forbes**, Petr Aven has a fortune of 4.2 billion dollars and is the owner of the largest private collection of Russian art in the world. Along with Fridman, he owns shares in LetterOne and is one of the founders of the investment fund.



Sanctions and controversies

The two oligarchs are not without controversy. First, Petr Aven and Mikhail Fridman are under economic sanctions in several jurisdictions. Both have been sanctioned at the same time in the following countries/areas: European Union (28.02.2022), Ukraine (19.10.2022), New Zealand (05.04.2022), UK (15.03.2022), Switzerland (04.03.2022), Australia (14.03.2022), Canada (19.04.2022), United States (11.08.2023). In the motivation that comes with the placement of an individual on the EU sanctions list, it is written that Fridman *"is believed to be a key Russian financier and facilitator in Putin's entourage. He was able to acquire state assets through his government connections. In exchange for favors done to Vladimir Putin, he obtained political support for his business and financial gains."* The motivation for Petr Aven is similar to that for Fridman.

It is clear that the sanctions have had an effect on the oligarchs. Immediately after they were imposed by the European Union, Fridman characterized them as "**baseless and unfair**" and expressed hope that the United States and the United Kingdom would not follow suit. His wish was not fulfilled because by the end of August 2022 he was already sanctioned, together with Petr Aven, in the two countries. In December 2022, Fridman **was arrested** in the UK (and later released on bail) on charges of money laundering, among other things. In the end, the authorities **withdrew their charges** against Fridman.

The two oligarchs tried to challenge and stop the effects of sanctions through several methods, some quite unexpected, which proves that sanctions work. From a series of accusations thrown between two representatives of the Russian liberal opposition, Alexei Venediktov, editor-in-chief of Radio Ekho Moskvyy, and Leonid Volkov, *ally of Alexei Navalny*, we learned that Volkov **signed a letter** addressed to the European Commission, requesting the sanctions against Fridman and Aven to be lifted.

Politico **reported** in September that Aven had hired a Washington lobbying firm in 2022 to try to find out if he would be sanctioned by the US government and prevent it from happening. An **investigation** by journalists from the International Consortium of Investigative Journalists (ICIJ) has brought to light UK court documents showing transfers of approximately \$5 million from an account in Austria managed by the Cyprus firm Abacus Ltd., allegedly on behalf of Aven, on February 28, the day sanctions were imposed against him in the European Union. The investigation is part of a larger ICIJ material, in partnership with 68 other newsrooms around the world, called **Cyprus Confidential**, focused on the role of Cyprus offshores in Moscow's plans to dominate and divide Ukraine and the West, in general.

In a **conversation** with the Spanish publication El Pais, from March 2022, Fridman seemed affected by the imposition of sanctions, realizing for the first time the high cost of living in a European capital like London, with his accounts frozen. The oligarch lamented that *"things will not improve for the West if they force brilliant entrepreneurs to go to Russia instead of integrating them more and trying to get them to take a stand, although it is clear that private businessmen have zero influence on Vladimir Putin ."* Fridman also says in the article that *"sanctions against entrepreneurs do not make sense because most have built their businesses through talent, effort and personal qualifications."*

As with Viktor Vekselberg's **profile**, in order to see to what extent oligarchs associated with LetterOne/Alfa participated in Russia's war effort, we turned to an **investigation** by Russian journalists from Proekt, an investigation focusing on contractual ties between Russian oligarchs' companies and Russian state-owned entities and companies that produce the equipment and weapons that kill Ukrainians. The journalists are in exile, having been in danger if they had stayed in Russia. **Roman Badanin** is the founder of the project, a graduate of the John S. Knight program at Stanford University. From their work we learn that the five oligarchs around the Alfa group of companies indirectly contributed to Russia's war effort, including to some of the greatest atrocities of this war, so far. The main link between the Alfa group and the Russian military-industrial complex is the insurance company **AlfaStrakhovanie**.

The Bucha massacre (**1400 dead, including 37 children**, according to the Kiev authorities) was also made possible by the use of AK-100-class assault rifles, produced by the Kalashnikov company, and the PKP Pecheneg machine gun, produced by the Central Scientific – Research Institute for Precision Machine Engineering (TsNIITochMash) from Podolsk and the private plant Degtyaryov, owned by **Igor Kesaev**. Both entities benefited from AlfaStrakhovanie's property and health insurance services.

Some of the cartridges fired by these weapons, which killed Ukrainians in Bucha and beyond, came from the cartridge factories in Tula and Ulyanovsk, owned by **Igor Rotenberg**. Alfa Bank had a special relationship with the Tula factory. Although in 2018 the bank had announced that it was stopping all lines of credit granted to companies in the defense sector (due to the risk associated with sanctions), in 2020 it granted a new credit of about 1.8 billion rubles (about 20 million euros) to the company owned by Rotenberg, credit that was only closed in December 2022.

The company AlfaStrakhovanie also indirectly links the five oligarchs with the **bombing of the drama theater in Mariupol**, the main shelter of the city, (**at least 300 dead**, according to Kiev authorities) in that they provided property insurance services to Sukhoi, which produced the planes that dropped the two 500-kilogram bombs on innocent Ukrainian civilians.

Therefore, because of its collaboration with state and private institutions involved in aggression against the sovereignty of Ukraine, AlfaStrakhovanie Group was sanctioned by **Ukraine** (05.07.2023), and starting from December 2023 by **the European Union, Switzerland and France**.

It's not just Proekt that has documented these connections. Radio Free Europe Ukraine investigated the topic and **published** a piece in May 2022 showing that AlfaStrakhovanie provided insurance services for vehicles belonging to the National Guard, a Russian internal military faction, separate from the Russian Armed Forces, established by Vladimir Putin himself in 2016, with the aim of providing services to protect state objectives, to defend Russia's borders, to fight terrorism and organized crime. The National Guard played an active role in Russia's war against Ukraine, operating on the sovereign territory of Ukraine, including with vehicles insured by AlfaStrakhovanie. Ukraine **nationalized** Fridman's assets and holdings on its territory, including Sense Bank, formerly Alfa Bank Ukraine. Moreover, in December 2023 it issued a **warrant** for arrest in his name.

From Russia with love

The huge infusion of liquidity from the sale of the shares held in TNK-BP opened new investment horizons for the five Russian oligarchs. LetterOne, **founded in 2013**, became the vehicle through which Fridman, Khan and Kuzmichev's money went to Luxembourg, the headquarters of LetterOne, and from there to business opportunities all over the world, including Romania. Luxembourg is not an exotic destination for Russian oligarchs, on the contrary. Luxembourg publication Delano **cited**, in March 2022, a database compiled by anonymous former employees of the so-called Big Four (the world's top four auditing and consulting firms, KPMG, Deloitte, Ernst & Young, PwC), who worked with relevant documents in Luxembourg (the database is no longer online): a third of the top 40 richest Russians, according to Forbes 2021, reportedly own companies in the Grand Duchy.

According to **information** made public by LetterOne (L1), the investment fund is built around two groups of companies: one controlled by **Letterone Holdings SA** and one controlled by **Letterone Investment Holdings SA**, both based in Luxembourg. The first branch includes investments in the field of energy (through the company L1 Energy) and the second branch includes the rest of the investments, as well as the treasury component (through companies L1 Health, L1 Technology, L1 Retail, L1 Treasury). Each of the two groups has its own board of directors. The Chairman of both Boards of Directors is Lord Davies (Evan Mervyn Davies), current **member of the British Parliament** (House of Lords) and former Trade Minister in Gordon Brown's cabinet (January 2009 - May 2010). The chief executive of both companies is Jonathan Muir. He has extensive **work experience** in Russia and with Russians, occupying top positions in Sidanko (Financial Director) and TNK-BP (Vice President of the Financial department). Sidanko was a Russian oil company with a controversial history.

We learn from the annual evaluation report (**2022**) published by L1 some relevant information: 2022 brought with it a drop of more than 30% in the total value of assets held (from \$26.8 billion in 2021 to \$18.7 billion in 2022) and a drop in liquidity of almost 20% (\$9.6 billion in 2021, \$7.7 billion in 2022). Both Davies and Muir associate this serious deterioration in the quality of the L1 investment portfolio with the effects of the war in Ukraine on the Russian founding partners. **Muir refers to Aven and Fridman in the report as "UBO" (ultimate beneficial owner).**

To reduce that impact and distance themselves and L1 from the two sanctioned individuals, Davies and Muir say a number of steps were taken, including: *Aven and Fridman were excluded from any kind of executive decision-making regarding L1; the two had their access to dividends and other economic resources or assets of L1 frozen, as well as access to the company's means of electronic communication (e-mail); each L1 employee must declare on a monthly basis that they have not contacted/communicated with the sanctioned persons, as well as the fact that they have not facilitated access to L1's economic resources, including the assets held; the voting rights associated with the shares owned by Aven and Fridman were suspended.* The two resigned from their executive positions at L1 on March 1, 2022, and on March 4 the remaining Russian shareholders followed suit.

These measures go a long way in trying to create space between the consequences of being a sanctioned oligarch and the future of the L1 fund. This allowed L1 and associated businesses to continue to operate within the EU. At the same time, it is virtually impossible to fully and consistently verify, whether we are referring to a government agency or an independent auditor, all possible channels of communication between Aven and Fridman and the L1 executive management.

In an **article** from June 2023, the Financial Times (FT) wrote that L1 managers, including Davies and Muir, take advantage of the gray area of the oligarchs' ownership of L1, giving themselves exorbitant bonuses (according to documents seen by the Financial Times, Davies alone collected \$40 million in bonuses over the past two years). The author proposes to those who received these bonuses, to donate them to humanitarian efforts related to the disaster of the destruction of the Kherson dam, in Ukraine. Even if the FT suggests that managers are taking advantage of the oligarchs' situation, it can also be viewed that with the increased need for sanctioned oligarchs to have an executive management that represents their interests in L1 management, the latter's remuneration has increased exponentially.



The Romanian connection

In Romania, Sun Wave Pharma company has been active in the pharmaceutical market since 2008, being a project initiated by Yogish Agarwal, the former country director (Romania) of the Ranbaxy pharmaceutical company. In 2017, the company **was bought** by the South African company Ascendis, for approximately 16 million euros and in 2021 it was taken over by LetterOne together with the investment fund Blantyre Capital on the background of financial problems of the South Africans and their existing debt to the two investment funds. Daily Maverick, a South African publication, **reported** in 2021 that a group of minority shareholders of Ascendis expressed their concern that the takeover by the two investment funds could be a corporate raid (hostile takeover). Finally, LetterOne took over the shares held by Blantyre Capital at the end of 2022, information that comes from a **communiqué** from the Maltese Competition Bureau, which had to approve the transaction. Thus, ***we know that LetterOne, through L1 Health, owns 100% of Sun Wave Pharma SRL, probably through one or more legal entities, at least at the date of the communiqué, January 2023.***

According to the Romanian Trade Register, Sun Wave Pharma SRL has as a sole shareholder a legal entity called SUN WAVE PHARMA HOLDINGS LUXEMBOURG S.A. According to the information available on the Ministry of Finance, the evolution of Sun Wave Pharma in Romania, after its takeover from Ascendis, was one of constant yearly growth. In 2017 it recorded a turnover of approximately 19 million euros, increasing to 39 million euros in 2018, up to 84 million euros in 2022. The company's profit also increased steadily during this period, from approximately 1 million euros in 2017, up to 11 million euros in 2022.

This growth was also manifested against the backdrop of the tripling of the food supplements market in Romania, between 2012 and 2022, reaching a value of approximately **2.7 billion lei in 2022** (approximately 550 million euros). Speaking to the growth of this sector, the director of the Romanian Competition Council **said** “my concern is that the population spends a lot of money on some products that have questionable benefits and thus, it would be worth it, as you saw how rigorous the verification is with medicines, it would make sense to have a more rigorous verification in the area of food supplements as well, to we ensure that they really benefit those who use them.”

According to an extract from the Register of Beneficial Owners from the Romanian Trade Register Office, Sun Wave Pharma SRL has Andrei Kosogov, a Russian citizen, the declared beneficial owner. **Therefore, the question is who is Andrei Kosogov and is he correctly declared as the beneficial owner?**

Who is Andrei Kosogov?



Andrei Kosogov credit Proekt

He is the fifth Russian oligarch in the Alfa-Bank / Letter One sphere, less visible than the other four we have already written about, but also having considerable wealth, **estimated** at \$1.1 billion by Forbes. Kosogov is also under sanctions, imposed by Ukraine (from **19.10.2022**).

As Bloomberg **reported** in May 2022, “Kosogov was never meant to assume so much power in the world of Russia’s billionaires.” Kosogov was born in Estonia (former USSR) on March 15, 1961. He graduated from the Moscow Institute of Energy Engineering. He has been working with Fridman since 1992, when he appointed Kosogov, bizarrely for an engineering graduate, with the decision-making power over Alfa Capital's investments associated with Russia's privatization wave. A **profile** made by the publication Turkish Weekly (profile in which Kosogov is referred several times as a "hero") we learn that he was the secretary of the Communist Youth (Comsomol) branch of the Institute of Energy Engineering, from which he graduated, which represents a common element with Fridman, who was also part of this youth organization. We also learn from the same article that Andrei Kosogov met Fridman in a rather mundane way, after applying to a job published in the Moskovskiye Novosti newspaper by the Alfa firm.

In the end, Kosogov did amass a lot of power after becoming **the largest shareholder in Alfa Bank** (41%), as a result of the decision of shareholders German Khan and Alexei Kuzmichev to leave the institution in March 2022. According to **contracts** revised by Russian journalists from Proekt, in the 2014-2021 period, various companies in the Alfa group provided services (insurance, credit lines, etc.) to at least 23 entities of the Russian military-industrial complex.

From the book **Putin's People**, written by Catherine Belton, we learn two interesting things that may provide more context to the apparent chance meeting between Fridman and Kosogov: (1) *“everything was under Soviet control”* - reference to the direction in which Fridman's businesses and operations were supposed to go, in the early days of Alfa, a quote from an interview with a Russian government official in June 2014; (2) The Gorbachev-era KGB realized that the end of the Soviet Union was near so it began a process of capitalist experimentation, whereby young Comsomolists, such as Fridman or Mihail Khodorkovsky, were able to start businesses directed and supported by the Communist Party, which later turned them into oligarchs, the nouveau riche of post-Soviet Russia. The direct links between the KGB and the Comsomol are documented, the latter being a **recruitment nursery** often used by the Soviet secret service.



Why is correctly identifying the UBO important?

The notion of UBO (ultimate beneficial owner) might seem technical, specific jargon from the financial services industry, but it actually refers to something fundamental: transparency regarding who ultimately controls a business. In our day to day lives we interact with businesses as much as we interact with other individuals, so it is important to have this information made public and as accessible as possible. It is also important for the state to have a clear view of who ultimately controls a business, if it is to act in its capacity, to apply the law and sanctions regimes. The state also needs to have the legal and regulatory tools to identify the UBO of a company.

Coming back to the May 2022 Bloomberg article cited above, it mentions another two important pieces of information: **(1)** Kosogov has taken over the shares held by German Khan and Alexei Kuzmichev in LetterOne, bringing his share to 47.2%, and **(2)** Mikhail Fridman owns 37.9% (at least at the time of publication of the article).

According to Romanian law no. [129/2019](#), the beneficial owner of a company is a natural person who owns more than 25% + 1 shares/stakes of said company. At the time of writing, only Andrei Kosogov is declared UBO for Sun Wave Pharma.

If the information regarding Fridman's share in LetterOne is correct, it may indicate that the Romanian authorities do not verify the correctness of the information in the UBO statement. More so, according to an answer given by the Trade Register to Romanian investigative outlet Context, they check whether the person who submitted the declaration has the legal right to do so, but not necessarily the correctness of the identity of the ultimate beneficial owner. Therefore, even if Kosogov is correctly listed as the beneficial owner, then Fridman should also have appeared on this statement, if indeed he owns 37.9% of LetterOne shares. If Fridman would have been identified as an ultimate beneficial owner (as he is referred to in LetterOne's internal reports), being also on the EU sanctions list, the authorities would have an argumentative basis to discuss and evaluate at a national level if the measures taken by L1 to distance from Fridman are sufficient as to not impact Sun Wave Pharma's activity in Romania.

In our **previous analysis**, centered on the Russian oligarch Viktor Vekselberg, we noticed that he was correctly identified as the ultimate beneficial owner by the representatives of the company Sulzer GTC Technology Romania SRL, but in accordance with the practice of the Romanian authorities, no action was taken, not being mandatory for them to act, from the point of view of international law. In this analysis, we observe a different situation. It seems that there is no verification from the state on whether a UBO statement is correct or not, if there is no prior notice from a third party regarding discrepancies (eg. a bank, other government agencies, etc.). This is a vulnerability for Romania because it may give a window of opportunity to sanctioned individuals and entities to do business and generate revenue, without the authorities being aware and acting upon such information.

When going back to the question in the subtitle, sanctions and correctly identifying UBOs are important because when applied diligently, they diminish Russia's capacity to wage war and ultimately, prevent more Ukrainians from needless suffering and death.

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