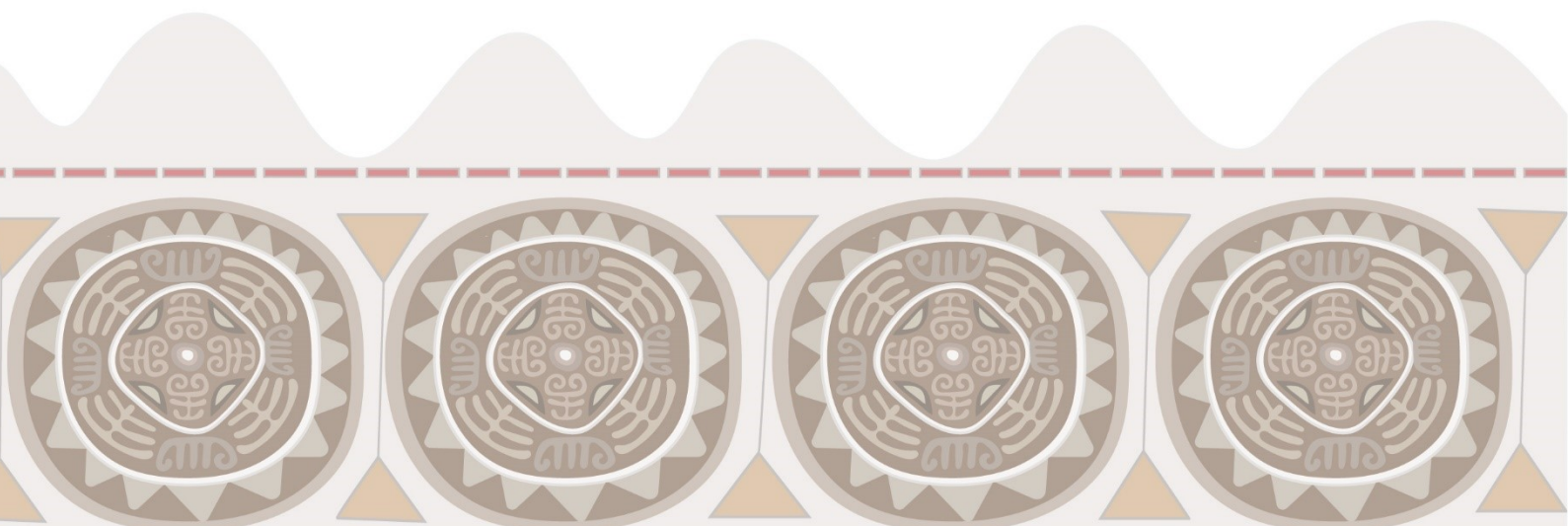


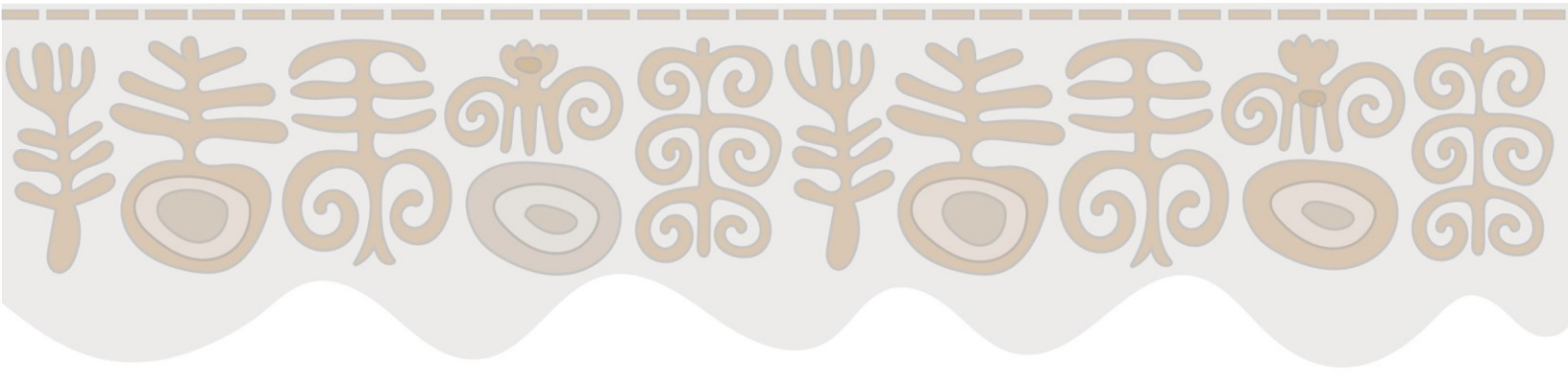


Bad Connection:

Corruption in Kazakh Telecoms

Thomas Mayne, Leila N. Seitbek, Fatima Kanji and Erin K. Schornick





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PUBLISHED BY: Freedom For Eurasia, www.freedomeurasia.org

AUTHORS: Thomas Mayne, Leila Nazgul Seitbek, Fatima Kanji and Eryn K.Schornick

RECOMMENDED CITATIONS: Thomas Mayne, Leila N. Seitbek, Fatima Kanji and Eryn K. Schornick (2021) 'Bad Connection': Corruption in Kazakh Telecoms, Vienna: Freedom For Eurasia.

LAYOUT AND DESIGN: Dinara Chokotaeva

ACKNOWLEDGEMENTS

Special thanks to Alisher Ilkhamov, Research Associate, School of Oriental and African Studies, University of London; Professor Kristian Lasslett (Ulster University); Liz Nelson (Director, Tax Justice & Human Rights); and Tax Justice Network Team for support and advice.

We express gratitude to Kazakh dissidents, organizations and colleagues, who must remain anonymous for their own safety, for their support in preparation of this research.



“Bad Connection”: Corruption in Kazakh Telecoms

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Background

The recent release of *Kleptopia: How Dirty Money Is Conquering the World* by acclaimed Financial Times journalist Tom Burgis acts as a warning about the effect on the West of the influx of illicit cash: “Globalization meant that rule by theft and the rule of law were co-existing... Such tension could not be maintained indefinitely. One system would have to dominate, leaving the other as a façade.” Illegal revenue comes in many forms, but in recent years much focus has been placed on the money flowing from *kleptocracies*, where government funds are misappropriated by corrupt politicians, their families and associates at the expense of the rest of the population.

Kazakhstan stands as one of the strongest examples of a modern kleptocracy,¹ because for the last thirty years the political economy of Kazakhstan has been dominated by an elite coterie of state officials who have used their power to capture the country’s resources. Much of this wealth has been transferred out of the country: the Tax Justice Network has estimated capital flight since Kazakhstan gained its independence in 1991 at approximately \$140 billion.² Such outflows caused Global Financial Integrity, a Washington, DC based think tank, to rank Kazakhstan 18th in the world for illicit financial flows³, with trading partners most responsible for vulnerability to these flows being Netherlands, United Kingdom and Russia.⁴

Over the last several decades, numerous reputable international non-government organisations and media outlets have reported on the active participation of senior government officials and politicians in corrupt activities in Kazakhstan.⁵ These reports run the gamut of predatory economic activities, including bribery, misappropriation of state assets, asset expropriation, and fraud. The whole kleptocratic system could even be described to resemble a mafia organisation, where money is generated by the lower rungs of the ladder and passed upward to the *consigliere* – the government ministers – and onward to the *Don* himself, the president.

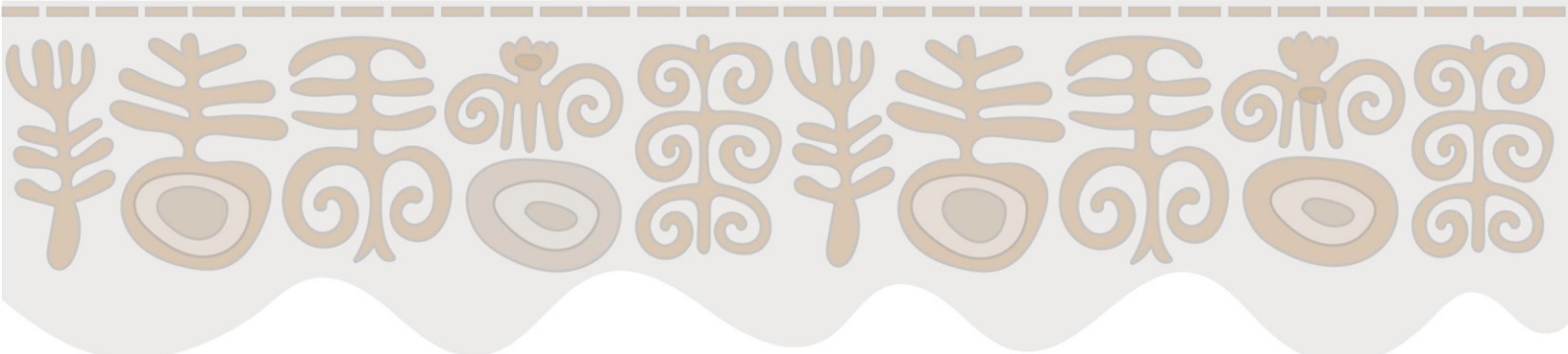
1 Ben Judah, *The Kleptocracy Curse: Rethinking Containment*, Hudson Institute, 2016, <https://bit.ly/3cGfZQX>

2 Jim Henry, *The Price of Offshore, Revisited*, Tax Justice Network, https://www.taxjustice.net/wp-content/uploads/2014/04/Price_of_Offshore_Revisited_120722.pdf, Nick Shaxson <https://www.taxjustice.net/2014/01/17/price-offshore-revisited/>, Appendix 3, Part 1, p. 35

3 GFI-2019-IFF-Update-Report-1.29.18.pdf (gfintegrity.org)

4 <https://iff.taxjustice.net/#/profile/KAZ>

5 <https://www.nytimes.com/2006/11/05/business/yourmoney/05giffen.html>, <https://www.rferl.org/a/nazarbayev-luxury-properties-wealth-real-estate-investigation/31013296.html>; <https://stories.publiceye.ch/vitolinkazakhstan/index.html>; <https://www.globalwitness.org/en/reports/risky-business/>; <https://www.leprogres.fr/france-monde/2016/05/31/airbus-group-vise-par-une-enquete-pour-corruption>



This report takes a look at just one fraction of the country's economy: the telecommunication sector. Kazakhtelecom JSC, which is majority owned by the Kazakh state, is the key player in the Kazakh telecoms industry and thus plays an important role in generating revenue for the Kazakh economy. The company – which made a \$170 million profit in 2019⁶ – holds a monopoly on landline contracts in Kazakhstan, and owns a stake in the largest of the country's three main mobile phone operators, Kcell, and all of the third largest, Tele2, leaving Beeline as the only government-independent mobile phone provider. Until recently, Kazakhtelecom JSC had different Scandinavian partners in both Kcell (the Telia Company AB) and Tele2 (Tele2 AB).⁷

The report delves into the history of both of these partnerships in Kazakhstan and examines allegations of corruption and cronyism. In recent years, much attention has been focused on Telia's activities in Uzbekistan, where it was demonstrated by international law enforcement bodies that the company paid bribes to the daughter of the then Uzbek president, resulting in criminal investigations and global settlements totalling nearly a billion dollars.⁸ Less attention has been paid to the company's operations in Kazakhstan, and the deals it struck, which bear similar hallmarks to its corrupt dealings in Uzbekistan. This report attempts to redress the balance, and throw some light on the entities in Kazakhstan that benefited from the deals struck by Telia, and the people who stand behind these deals. The Telia Company and Tele2 AB's responses to our findings can be found on pages 50 and 31 respectively.

The fact that both European companies have since exited the country does not mean that this report's findings are of no concern to the international community: it poses important questions for those foreign companies still active in Kazakhstan, and those seeking to do business there, regarding the involvement of politically-exposed people through anonymous company structures. Furthermore, many of the entities that are used to hide the ultimate ownership of shares in Kazakhtelecom JSC and telecom operator KazTransCom are registered in places such as Luxembourg, the Netherlands or the British Virgin Islands, highlighting how such jurisdictions can be used in shadowy dealings in authoritarian regimes. For Kazakhstan, the report raises serious questions over the transparency of Kazakhtelecom JSC, the control of this company and its part-private ownership, and the process through which the state allocates frequencies and other contracts regarding mobile phone telephony.

6 In 2019, Kazakhtelecom JSC made a 60.3 billion KZT profit (\$170 million). See <https://telecom.kz/storage/uploads/eb/1f/2b50eba41f9fb9e3e5898a8e8703d6c5f2aa56e3/aGAeUzjjCwuXvKEF2TBYn0M9q7iHifTMqMF3uzI7.pdf>, p2.

7 Telia Company divested of its stake in Kcell 2018 and Tele2 AB in Tele2 KZ in 2019.

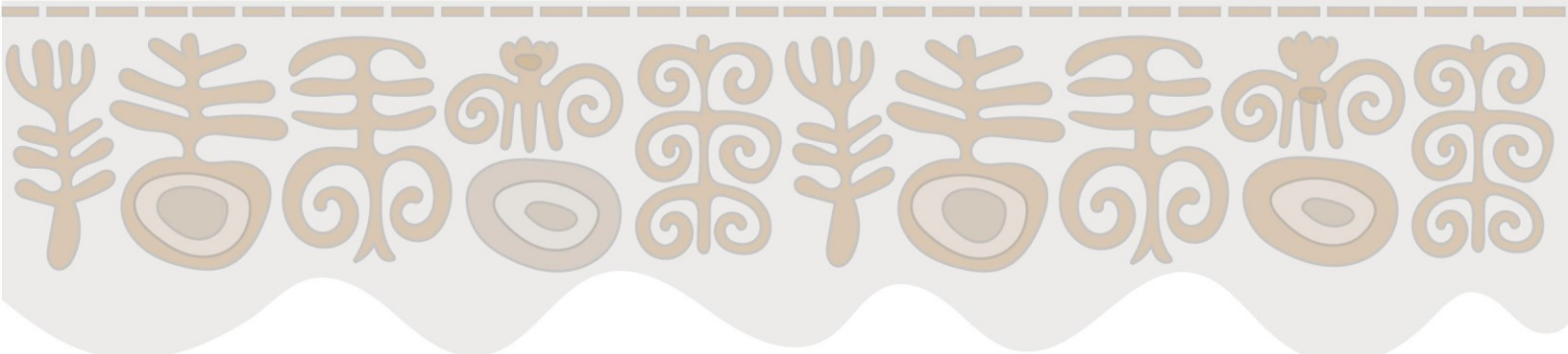
8 <https://www.sec.gov/news/press-release/2017-171>

Part 1 of this report deals mainly with Kazakhtelecom JSC and its owners, whereas Part 2 examines the joint ventures struck by Telia and how they were often obscured by a complex network of layered shell companies that kept the deals' beneficiaries hidden. However, the information that is available on their directors and shareholders suggests that the transactions benefitted members of the Kazakh political elite, who received millions of dollars in dubious funds. One of the main actors identified by this report is the current Chairman of the National Security Committee of the Republic of Kazakhstan, Karim Masimov.

This is not the first time Masimov has been identified as a possible recipient of corrupt funds.⁹ As such, Masimov is one of the key officials in Kazakhstan who supports and benefits from the country's kleptocratic system, a system built on human rights' abuses, and a lack of political freedom and civil liberties, where the state apparatus harshly suppresses any criticism or dissent.



⁹ In 2017, it was alleged that EADS (since renamed Airbus Group) had organized a secret payment to Masimov (who was at that time prime minister of Kazakhstan) totalling €12 million to help push through a 2012 deal regarding the purchase by Kazakhstan of 45 French helicopters. See <https://www.mediapart.fr/journal/france/310516/les-12-millions-d-euros-d-airbus-group-pour-le-premier-ministre-kazakh>; <https://www.leprogres.fr/france-monde/2016/05/31/airbus-group-vise-par-une-enquete-pour-corruption>; In 2020, The Financial Times reported that an executive director of a UK listed Kazakh mining company was asked in 2011 to organise a trip to Disneyland Paris for Masimov and his family by private jet at an estimated cost of around \$100,000. See <https://www.ft.com/content/7a14a6cf-067e-4f27-b8b2-82bf00c2477e>



The transfer of illicit capital from kleptocracies such as Kazakhstan into the West not only deprives their citizens of much-needed revenue, but it also has a corrosive effect on the jurisdictions where the money ends up: lawmakers' opinions are swayed by lobbyists,¹⁰ democracy is undermined,¹¹ house prices are distorted by the influx of dubious capital,¹² and paid-for articles in Western media paint rosy pictures of these nations as flourishing democracies,¹³ creating a smoke screen that obscures the truth.¹⁴

As U.S. Senator Sheldon Whitehouse and General David Petraeus wrote in 2019 that *the fight against corruption is more than a legal and moral issue; it has become a strategic one — and a battleground in a great power competition.*¹⁵

This poses a test for the international community's readiness to address grand corruption. For too long the West has acted as a safe haven for the wealth acquired by corrupt foreign officials, and their cronies.

It is time for the global community to take a stand and advocate for the initiation of investigations in relevant jurisdictions into the sources of wealth of the Kazakh political elite which must ultimately lead to seizure and responsible return of illegally acquired assets to the people of Kazakhstan.

10 <https://www.wsj.com/articles/SB121667622143971475>

11 <https://www.foreignaffairs.com/articles/united-states/2020-06-09/rise-strategic-corruption>

12 <https://www.bbc.com/news/uk-33662174>

13 <https://eurasianet.org/lobbyists-put-positive-spin-on-kazakhstan-uzbekistan-report>

14 https://corporateeurope.org/sites/default/files/20150120_spindoctors_mr.pdf

15 <https://www.washingtonpost.com/opinions/2019/03/08/putin-other-authoritarians-corruption-is-weapon-weakness/>



Preface

In February 2016, the United States Department of Justice (DOJ) moved to seize \$850 million in financial assets alleged to be the result of bribery in Uzbekistan’s telecommunications sector. At the center of the scandal was Gulnara Karimova, daughter of Uzbekistan’s former president, Islam Karimov, who was in power from 1989 until his death in 2016.¹⁶ According to an assistant U.S. attorney general, this was, “... one of the largest forfeiture actions [...] ever brought to recover bribe proceeds from a corrupt government official.”¹⁷ One of the companies accused of giving bribes to Karimova in order to gain access to the Uzbek telecommunications market was the Swedish company TeliaSonera AB,¹⁸ now called the Telia Company AB.¹⁹

This report documents how Telia appears to have facilitated a similar relationship in neighbouring Kazakhstan in several deals struck between 2008 and 2012.²⁰ Whereas in the Uzbek case, it was established that Gulnara Karimova was the intended recipient of the largesse,²¹ it is less clear where the money ultimately ended up in Kazakhstan. Telia’s actions in Eurasia outside of Uzbekistan may have been illegal – as its company chair admitted in 2014²² – but as of February 2021 no actions have been taken by international law enforcement agencies regarding the company’s dealings in Kazakhstan.

16 Along with Telia, Amsterdam-based Vimpelcom Ltd and Russian company Mobile TeleSystems PJSC were accused of funnelling bribes to Karimova. See <https://www.justice.gov/opa/pr/mobile-telesystems-pjsc-and-its-uzbek-subsiary-enter-resolutions-850-million-department>,

<http://www.theguardian.com/world/2016/feb/19/vimpelcom-pays-835m-to-us-and-dutch-over-uzbekistan-telecoms-bribes>; <https://www.bbc.com/news/world-asia-37260375>

17 <http://www.theguardian.com/world/2016/feb/19/vimpelcom-pays-835m-to-us-and-dutch-over-uzbekistan-telecoms-bribes>

18 <https://www.reuters.com/article/us-mob-telesystems-usa/u-s-indicts-gulnara-karimova-in-uzbek-corruption-scheme-idUSKCN1QO2GL>;

<https://www.traceinternational.org/TraceCompendium/Detail/435?type=0>;

<https://thediplomat.com/2017/09/telia-agrees-to-pay-1-billion-in-penalties-in-uzbek-corruption-scandal-settlement/>

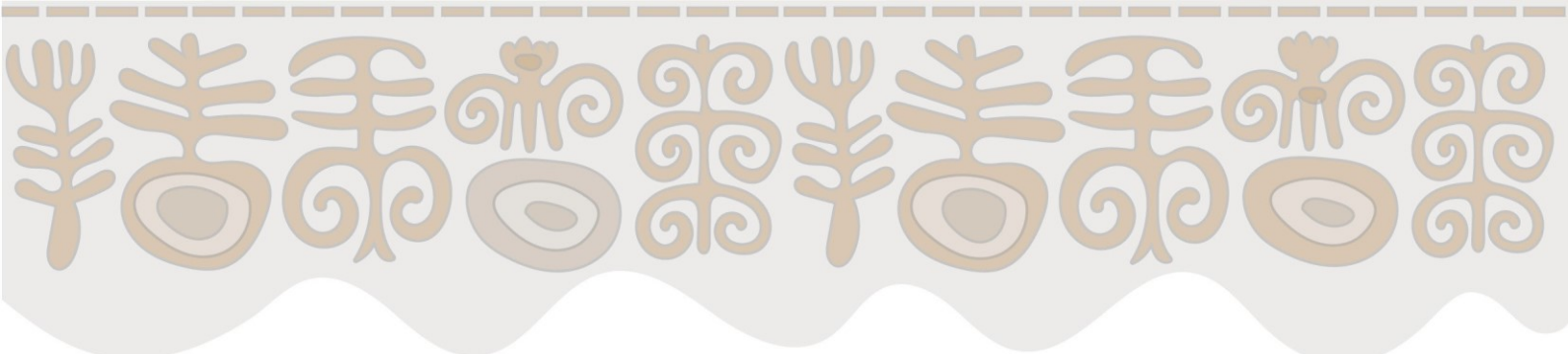
19 <https://www.globenewswire.com/news-release/2016/04/14/828876/0/en/TeliaSonera-changes-name-to-Telia-Company-AB-34-16.html>. This report refers to the company as “Telia” throughout.

20 References for substantive points in this introduction can be found in the relevant main sections.

21 See *A Dance With The Cobra: Confronting Grand Corruption in Uzbekistan*. Available at:

<http://statecrime.org/data/2017/08/Full-Report-with-Executive-Summary.pdf>

22 <https://www.reuters.com/article/teliasonera-eurasia-idUSWEB00L4E20140402>




This report also examines deals with one of Telia's main rivals in Kazakhstan, Tele2, which is headquartered in Stockholm. Tele2 has not been accused of bribery, nor has it ever faced criminal investigation like Telia regarding its operations in Central Asia.

However, as this report will show, at the very least both Telia and Tele2 had questionable local Kazakh partners who were figures close to the ruling elite in Kazakhstan. This raises the possibility – especially given Kazakhstan's kleptocratic reputation – that figures close to the Nazarbayev regime were secret beneficiaries of these deals.

The majority of the report deals with Telia as many of the deals struck by it in Kazakhstan look highly suspicious, and in many ways resemble the corrupt payments made in Uzbekistan. Time and again, Telia struck deals with companies with unclear ownership structures where layers of corporate entities obscure the companies' ultimate owners. Telia either did not do proper due diligence on these local partners and/or ignored red flags that such due diligence would have uncovered.

As always in a kleptocracy, the losers of these deals were the people of Kazakhstan: over a period of years large swathes of the state telecoms company Kazakhtelecom JSC were transferred to private individuals, the same individuals who would later partner with international companies and earn millions of dollars. These figures have close ties to the country's political elite, a further demonstration that in Kazakhstan such dealings are done for the benefit of the few, not the many.

The report also stands as a warning to any international company looking to do business in Kazakhstan: in such jurisdictions where there is no separation between the business and political spheres, companies will either find themselves complicit in dubious and potentially illicit activity, or at the very least will find themselves co-opted into an autocratic system where revenues are used to enrich the ruling elite and maintain its grip on power.



“Companies report corruption as the number one constraint for doing business in Kazakhstan. Corruption is rampant throughout the country’s political circles, and networks of patronage and clientelism negatively affect the country’s business environment. Furthermore, challenging bureaucracy and vague legislation restrict foreign investment. Navigating the public administration is also challenging for businesses, as petty corruption is endemic. Facilitation payments and bribery are illegal in the public and the private sector according to the country’s Criminal Code, but the state bodies that are responsible for combating corruption are ineffective, unreliable, and fail to hold high-level officials responsible for corruption, abuses of office, and conflicts of interest. A weak judicial system further compromises Kazakhstan’s otherwise extensive legal framework for dealing with corruption.”²³

Kazakhstan Corruption Report The Risk & Compliance Portal (formerly The Business Anti-Corruption Portal), a free resource produced by GAN Integrity

²³ <https://www.ganintegrity.com/portal/country-profiles/kazakhstan/>

Summary of findings

- **Kazakhstan's telecoms industry**

- Kazakhstan's telecoms industry is dominated by key figures from the political elite. It is highly likely that such individuals have abused their positions of state power to make money in the private telecoms sector, including through the deals highlighted in this report.
- Kazakhstan's national telecoms company, Kazakhtelecom JSC, has had a history of opaque shareholders whose owners were either not public, or more recently, disclosed to be relatives of the country's first president.



Summary of findings

● Aigul Nuriyeva's opaque involvement in Kazakh telecoms

- Aigul Nuriyeva is one of Kazakhstan's richest women. In 2014 her wealth was estimated at \$780 million,²⁴ and in 2019 at \$350 million by *Forbes*, who ranked her as Kazakhstan's 19th richest person.²⁵ The exact origins of her wealth are unclear.
- Nuriyeva has occupied a key figure in the Kazakh telecoms industry: she has been a director and shareholder in state controlled Kazakhtelecom JSC (2006-2016), holding at one point as much as 26 percent of the company; a shareholder of telecoms company Tele2 Kazakhstan (2007-2015²⁶); an indirect shareholder (through her shareholding in Kazakhtelecom) in Kcell (unknown start date to 2016); and a shareholder in telecommunication and information technology services company KazTransCom (from 2018).
- She has been the subject of allegations that she is a proxy for political figures in Kazakhstan, especially Karim Masimov, a former Kazakh Prime Minister, who is currently the head of the National Security Committee of the Republic of Kazakhstan (often referred to by its Russian initials, KNB), the country's security service.²⁷
- A paper outlining due diligence published by telecoms company Tele2 in 2014 identified Nuriyeva as a politically-exposed person (PEP) – someone with a higher risk for potential involvement in corruption – and circumstantial evidence that some kind of agreement was likely to be in place between Nuriyeva and Masimov. It also noted “an indirect link” between Tele2 Kazakhstan and Masimov.

24 Kazakhstan General Newswire, May 5, 2014. Her wealth was estimated at \$675m in 2016 https://forbes.kz/process/technologies/komu_aygul_nurieva_prodaet_svoi_aktzii_ao_kazahtelekom
25 https://forbes.kz/ranking/50_bogateyshih_biznesmenov_kazahstana_-_2019. This was a drop from the 2014 estimate, which was \$780 million.

26 Nuriyeva held shares in Tele2 KZ through AsiaNet. See <https://www.mobileworldlive.com/featured-content/home-banner/tele2-announces-kazakh-jv-with-altel/>

27 <http://knb.gov.kz/ru/article/predsdatel-knb-respubliki-kazakhstan>



Summary of findings

- **Telia's alleged corrupt involvement in the Kazakh telecoms industry**
 - Telia bought shares in a company called Kcell from Kazakhtelecom JSC at an apparently inflated rate. One of Kazakhtelecom's shareholders at the time was a company directed, and possibly owned, by Aigul Nuriyeva.
 - Telia bought licences to operate frequencies from dormant companies with unclear ownership, despite other companies buying other licences directly from the government.
 - Telia bought other companies from Nuriyeva with unclear corporate ownership structures for \$170 million, which included paying a \$64 million "shareholder contribution" to a company owned by Nuriyeva. This was in preparation to acquire a 4G licence, but the asset was later written off by Telia. This raises the possibility that the payment was a bribe to Masimov, who was head of the presidential administration at the time, akin to the payments Telia made to Karimova in Uzbekistan.
 - Telia bought into a legitimate Kazakh telecoms company, KTC, but bought the shares from a member of the Kazakh political elite, and partnered with a company owned by Masimov's former deputy from when Masimov was Minister of Communications. This raises the possibility that this was a further payment made to Masimov. Telia later sold its interest in KTC to a company owned by Nuriyeva.



Summary of findings

- **Tele2 involvement in the Kazakh telecoms industry**

- Tele2 partnered with Aigul Nuriyeva in 2010 by buying into Kazakh telecoms company MT-S, which was reportedly owned prior to this by Nuriyeva. At this point, Tele2 appears not to have independently established that Nuriyeva was the sole beneficiary of MT-S, and instead relied on testimony from MT-S itself, raising the possibility that in 2010 there were other beneficiaries.
- Despite there being allegations in the public domain that Nuriyeva was acting as a proxy for Kazakhstan's political elite, Tele2 only appeared to do significant due diligence on Nuriyeva's political ties in 2014, four years after its partnership with her began, and only after media articles had questioned the propriety of the relationship.
- In 2015, Tele2 began a partnership with Kazakhtelecom JSC, which – although majority owned by the Kazakh state – featured Nuriyeva as a private shareholder until 2016, and then Kairat Satybaldy, President Nazarbayev's nephew, from 2018.
- Although Tele2 performed significant due diligence on this partnership and its business in general in Kazakhstan, its deals financially benefited the country's ruling elite through the generating of revenues through joint ventures and directly through payments for shares in the company owned by Nuriyeva. Such dealings thus helped reinforce the well-established system of governance present in Kazakhstan which features no separation between the political and business spheres.



Introduction: Telia's dubious dealings in Eurasia

In September 2012, Swedish television news programme *Uppdrag Granskning* broke the story about Telia's wrongdoing in Uzbekistan. It alleged that Telia had made suspect payments totalling hundreds of millions of dollars to an entity controlled by an associate of Gulnara Karimova, the daughter of the then President of Uzbekistan.²⁸ Soon after, Swedish prosecutors opened a preliminary investigation into the allegations,²⁹ with suspect funds frozen by Swedish prosecutors the following month.³⁰ In response to mounting allegations, Telia's then CEO, Lars Nyberg, resigned in February 2013, citing a review that found that the company failed to do due diligence on its Uzbek partner.³¹

Multiple countries, including the Netherlands and United States, worked together to investigate Telia's Uzbek dealings due to the complexity of the money transfers involved. Ultimately, Telia paid nearly \$1 billion in penalties and fines to the U.S. and the Netherlands to resolve the bribery allegations in 2017.³²

Three senior managers from Telia – former chief executive Lars Nyberg, Tero Kivisaari and Olli Tuohimaa – faced trial in Sweden on bribery charges but were acquitted on a legal technicality in February 2019.³³ Although prosecutors demonstrated that money had been paid to Karimova by Telia, they had not proved that Karimova was a public servant formally in charge of decisions about telecommunications, which was a necessary condition of Swedish bribery law in place at the time of the transactions.³⁴ This decision was upheld by a Swedish court of appeals in February 2021, much to the dismay of anti-corruption campaigners.³⁵

28 <https://www.svt.se/nyheter/granskning/ug/teliasonera-i-miljardaffar-med-diktatur>;

<https://www.rferl.org/a/gulnara-karimova-telecom-bribes-swedish-tv/24796854.html>

29 <http://gca.satrapia.com/corruption-probe-into-teliasonera-uzbek-deal>

30 <https://sverigesradio.se/sida/artikel.aspx?programid=2054&artikel=5292163>

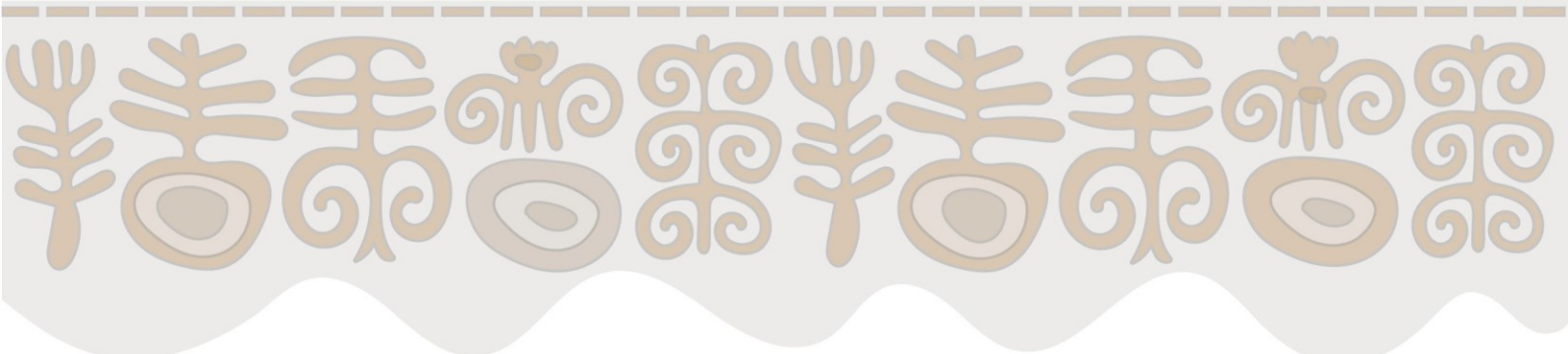
31 <https://www.rferl.org/a/uzbekistan-teliasonera-ceo-quits/24890276.html>

32 <https://thediplotmat.com/2017/09/telia-agrees-to-pay-1-billion-in-penalties-in-uzbek-corruption-scandal-settlement/>; <https://www.occrp.org/en/projects/27-ccwatch/cc-watch-briefs/7032-telia-to-pay-us-965-million-to-resolve-karimova-bribery-case>

33 <https://www.rferl.org/a/three-ex-telia-executives-acquitted-in-uzbek-bribery-case/29772426.html>

34 <https://www.occrp.org/en/daily/9260-swedish-telecom-boss-acquitted-in-uzbekistan-bribery-probe>

35 <https://thediplotmat.com/2021/02/off-the-hook-acquittals-of-swedish-telecom-officials-linked-to-uzbek-bribery-scandal-upheld/>



At the same time as Telia was operating in Uzbekistan, it had business in other former Soviet states – Kazakhstan, Azerbaijan, Tajikistan and Georgia.³⁶ Key to the company’s operations in the region were Kivisaari and Tuohimaa, who acted as president and general counsel respectively of Telia’s Eurasia unit from 2007 to 2013.³⁷ Veysel Aral, another key player during this period, replaced Kivisaari as president of Telia’s Eurasia business in February 2013, after serving as the CEO of Kazakh telecoms company, Kcell.³⁸ Kcell is important to this story because in 2012, Telia became the largest shareholder in it, thereby partnering with Kazakhtelecom JSC, Kazakhstan’s national telecoms company.³⁹

After the allegations concerning its Uzbek dealings broke, Telia commissioned the law firm, Norton Rose Fulbright, to focus on the company’s operations in Nepal, Kazakhstan, Azerbaijan, Tajikistan and Georgia.⁴⁰ The law firm’s report looked mainly at the establishment of operations and acquisitions of companies and licenses, but also focused on Telia’s failure to act appropriately in Eurasia’s difficult and complex business environment, where political risk is high and corruption widespread.⁴¹

In November 2013, *Reuters* reported that Telia had dismissed Tero Kivisaari,⁴² Veysel Aral and other senior officials,⁴³ after the Norton Rose Fulbright report found that some transactions in Eurasia had not been handled “in accordance with sound business practices.”⁴⁴ A board review of Telia’s Eurasian transactions also established a “lack of control of business partners” and a failure “to ensure that adequate risk assessments from an ethical and legal perspective were conducted.”⁴⁵

36 https://www.teliacompany.com/globalassets/telia-company/documents/investors/presentations/2007/teliasonera_presentation_mct-closing_2007-07-17.pdf

37 <https://thediplomat.com/2017/09/telia-agrees-to-pay-1-billion-in-penalties-in-uzbek-corruption-scandal-settlement/>

38 <https://investors.kcell.kz/en/article/show/1812/false?navipageId=1374>

39 <https://www.teliacompany.com/en/news/press-releases/2011/12/teliasonera-increases-its-ownership-in-kcell-and-prepares-for-ipo/>

40 <https://www.reuters.com/article/teliasonera-eurasia-idUSWEB00L4E20140402>

41 <https://eurasianet.org/kazakhstan-operations-under-scrutiny-amid-fresh-teliasonera-revelations>

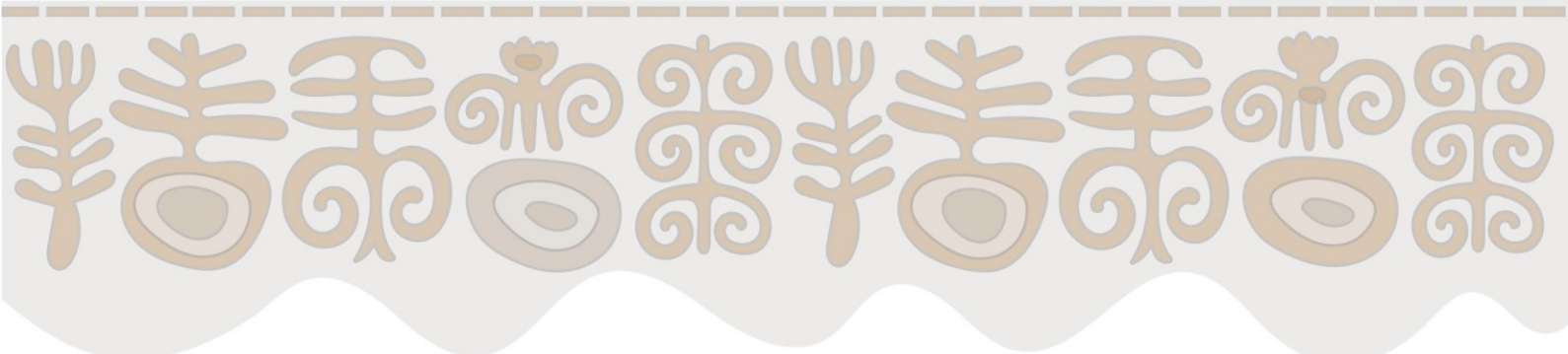
42 <https://www.reuters.com/article/teliasonera/update-2-teliasonera-fires-cfo-and-three-others-after-eurasia-review-idUSL5N0JE1D420131129>

43 https://www.teliacompany.com/globalassets/telia-company/documents/reports/2013/annual-report/teliasonera_ar2013_eng.pdf

44 <https://www.reuters.com/article/teliasonera-eurasia-idUSWEB00L4E20140402;>

<https://www.reuters.com/article/teliasonera-idUSL6N0JV2N620131216>

45 https://www.teliacompany.com/globalassets/telia-company/documents/investors/annual-general-meeting/2014/teliasonera_summary-of-the-board-of-directors-review-of-transactions-in-eurasia_agm_2014-04-01.pdf



At the company's April 2014 annual general meeting, Telia company chair Marie Ehrling went further, commenting that, based on the law firm's findings (which was not looking at Telia's activities in Uzbekistan⁴⁶), "It [cannot] be excluded that certain actions have been criminal."⁴⁷ The law firm's report was not made public for legal reasons, according to Telia,⁴⁸ although, the company provided it to the Swedish Prosecutor's office.⁴⁹ As such, important information about Telia's dealings in Kazakhstan – and the beneficiaries of those deals – has remained out of the public eye.

Telia's dealings in other countries have also drawn headlines. Investigative reporting in 2014 from the Organized Crime and Corruption Reporting Project (OCCRP) showed that in Azerbaijan, Telia partnered with companies linked to the president's daughters.⁵⁰ In May 2015, OCCRP also reported on corruption in Kazakhstan—Telia's shareholders voted to potentially sue former CEO Nyberg for a suspicious January 2013 deal in Kazakhstan where the company's partners were reportedly close to President Nursultan Nazarbayev's family.⁵¹ This may have been either the KazTransCom or KazNet Media deals, both of which were concluded in January 2013 and are described below.

Moreover, a U.S.-based company, Muddy Waters, specializing in short selling other companies, accused Telia of withholding information about alleged corruption in Eurasia in 2015. Muddy Waters found Telia's corruption scandal in Uzbekistan to only be the tip of the iceberg and estimated conservatively that Telia made over \$2 billion in corrupt payments throughout its Eurasia and Nepal operations.⁵² However, Muddy Waters did not disclose the names of any Kazakh officials allegedly involved, corporate ownership structures or potential beneficiaries of deals.

This report attempts to fill those gaps. In order to do this, we must first examine a key player in Kazakhstan's telecoms sector, what is known about her and how she became involved in the first place.

46 <https://www.reuters.com/article/teliasonera-idUSL6N0JV2N620131216>

47 <https://www.reuters.com/article/teliasonera-eurasia-idUSWEB00L4E20140402>

48 <https://eurasianet.org/in-kazakhstan-what-did-embattled-teliasonera-learn-from-uzbekistan>

49 <https://www.teliacompany.com/en/news/press-releases/2013/11/senior-employees-to-leave-teliasonera/>

50 <https://www.occrp.org/en/investigations/2531-teliasoneras-behind-the-scenes-connection-to-azerbaijani-presidents-daughters>

51 <https://www.occrp.org/en/corruptistan/azerbaijan/azerbaijan-telecom/the-teliasonera-scandals-a-swedish-trauma>

52 <https://www.ft.com/content/b5b931da-7325-11e5-bdb1-e6e4767162cc>

A politically exposed person (PEP) is defined by the Financial Action Task Force (FATF) as an individual who is or has been entrusted with a prominent public function. Due to their position and influence, it is recognised that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption and bribery, as well as conducting activity related to terrorist financing (TF).

FATF Guidance, June 2013 ⁵³



53 <https://www.fatf-gafi.org/>

Part I

Introducing Aigul Nuriyeva: Telecoms in Kazakhstan

Kazakhstan is a country where the ruling elite controls its natural resources and revenue generating businesses. A small group of families dominate the business sphere, families who are at the same time involved in the country's political system. The line between public and private in Kazakhstan is virtually non-existent, and the Kazakh telecoms industry is no exception.

As this report describes, Aigul Maratovna Nuriyeva⁵⁴ played a crucial role in Telia's dealings in Kazakhstan. As such, it is important to understand who she is, her background and what companies she has been affiliated with. What is surprising is how little is known about her: apart from a brief comment she made in a *Reuters* article in 1998,⁵⁵ no English or Russian media interviews with her were found.



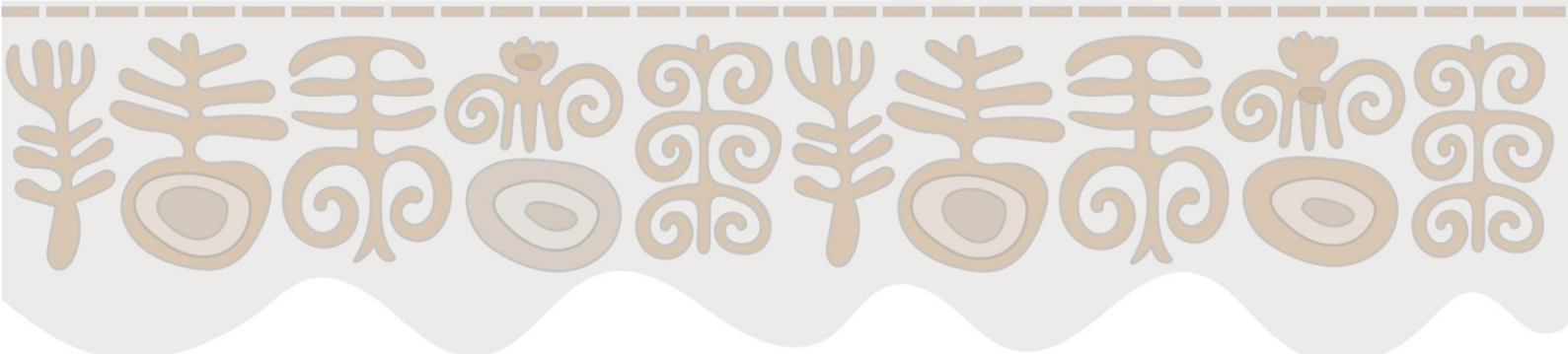
Aigul Nuriyeva. Photo forbes.kz

According to the 2011 Kazakhtelecom JSC annual report, Nuriyeva was born in August 1974 and is a citizen of Kazakhstan. She studied at the Kazakh State Academy of Management. She then moved to the U.S. where she studied at both Indiana University and Michigan State University where she gained a Master of Business Administration in Finance and Management Information Systems.⁵⁶

54 <https://profit.kz/news/29048/Ajgul-Nurieva-vishla-iz-sostava-soveta-direktorov-Kazahtelekoma/>. This gives her full date of birth as 13 August 1974.

55 Aigul Nuriyeva is described as a "Halyk Department chief" in a Reuters article from March 1998. See Largest Kazakh bank sees \$100mln Eurbond in May, Reuters, 31 March 1998.

56 https://telecom.kz/storage/files/_95/66/5d/64/53/95665d64533b8e02f917f0dbdc0c8b36.pdf



She worked as an advisor for Credit Suisse from 2002 to 2008, and as the director general of a company called Midas Capital LLP from 2005 to 2009, and, as of 2011 was a director of three companies: Bodam BV (from June 2005), Alnair Capital Holding JSC (from July 2008) and Alnair Capital LLP (February 2009).⁵⁷

According to a 2008 news wire, Alnair Capital Holding is part of the Alnair private equity group, which was managed by Nuriyeva with capital from Sheikh Tahnoon Bin Zayed Al Nahyan,⁵⁸ a member of the ruling family of Abu Dhabi.⁵⁹ In 2008, Alnair Capital became a 25.15 percent shareholder in KazaKommertzBank, one of Kazakhstan's largest financial institutions at the time.⁶⁰ A 2009 report states that according to KazKommertzBank, a company called Amun Capital Advisors KZ is “an affiliate” of Alnair Capital Holding.⁶¹

Yet only four years later, the reporting regarding Nuriyeva changed: no longer was just a manager, but an actual owner of the entities she worked for. For example, according to Alnair Capital's financial report for 2012, Nuriyeva was no longer simply a director, she in fact “owned” the company.⁶² Similarly, a 2014 report now described the above mentioned Amun Capital as a “Kazakh-British investment group [...] backed by [...] Nuriyeva”.⁶³ The above biography says that Nuriyeva was director general of Midas Telecom LLP from 2006 to 2009, but reporting from Telia in 2012 described her as the company's owner.⁶⁴ And, finally a 2015 media report indicated that Nuriyeva was actually an indirect owner of KazKommertzBank, holding 28.08 percent of the shares.⁶⁵

57 http://telecom.kz/storage/files/_95/66/5d/64/53/95665d64533b8e02f917f0dbdc0c8b36.pdf, p24.

58 <https://www.investegate.co.uk/alnair-capital/prn/alnair-capital-seeks-approval-to-acquire-stake---/20080620095700NM299/>

59 <https://economictimes.indiatimes.com/magazines/panache/football-travel-jogging-a-peek-into-the-likes-of-prince-sheikh-tahnoon-bin-saeed/articleshow/66143859.cms?from=mdr>

60 The Asian Banker Journal, June 30, 2008; London Stock Exchange Aggregated Regulatory News Service (ARNS), August 5, 2008.

61 Kazakhstan General Newswire, A representative of Alnair Capital Holding to join Kazkommerzbank's board of directors, 19 June 2009.

62 Kazakhstan & Central Asia Today, August 10, 2015.

63 <https://www.telegeography.com/products/commsupdate/articles/2014/10/21/tele2-denies-corruption-at-kazakh-operation/>

64 <https://www.teliacompany.com/en/news/press-releases/2012/12/teliasonera-completes-transactions-for-mobile-data-growth-in-kazakhstan>

65 Ukrainian News Agency, October 29, 2015.

Allegations of Nuriyeva's 'proxy' ownership

Forbes estimated Nuriyeva's wealth in 2014 at \$780 million.⁶⁶ Where had Nuriyeva – a bank department head in 1998⁶⁷ and a fund manager in 2008⁶⁸ – earned these hundreds of millions of dollars? If she possessed (or had possessed and later sold) shares in burgeoning Kazakh companies, then where had she originally got the capital to acquire those shares? There is a lack of publicly available evidence on how Nuriyeva amassed her fortune.

In part because of the opacity surrounding her fortune, Nuriyeva has faced allegations that she is a front person or 'proxy' acting on behalf of top Kazakh political figures.⁶⁹ If this is the case, this would mean that she is not the true owner of the companies she has been and is involved with, and is merely managing the fortune that is professed to be hers.



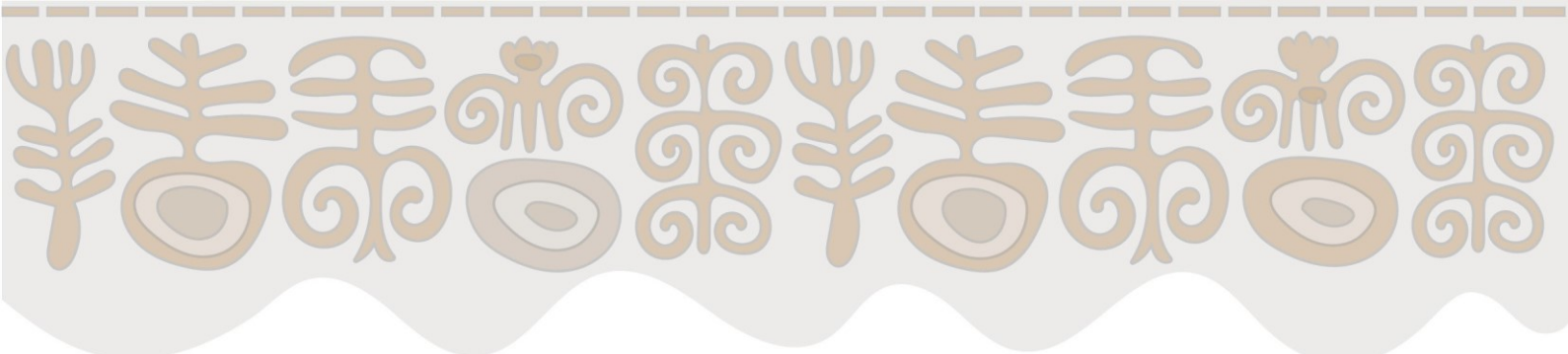
66 Kazakhstan General Newswire, May 5, 2014. Her wealth was estimated at \$675m in 2016.

https://forbes.kz/process/technologies/komu_aygul_nurieva_prodaet_svoi_aktzii_ao_kazahtelekom

67 Aigul Nuriyeva is described as a "Halyk Department chief" in a Reuters article from March 1998. See Largest Kazakh bank sees \$100mln Eurbond in May, Reuters, 31 March 1998.

68 <https://www.investigate.co.uk/alnair-capital/prn/alnair-capital-seeks-approval-to-acquire-stake---/20080620095700NM299>

69 https://www.tele2.com/globalassets/global/tele2_whitepaper_kazakhstan.pdf



For example, in 2008, *The Wall Street Journal* alleged that Nuriyeva helped an American-Bulgarian⁷⁰ consultant “manage offshore assets of the Nazarbayev clan,”⁷¹ citing people with knowledge of the family finances of then President of Kazakhstan, Nursultan Nazarbayev.

The consultant in question, Alexander Mirtchev,⁷² is a controversial figure because of his work with such figures as Gulnara Karimova and the Kazakh government.⁷³ In 2003, Mirtchev was hired by the Kazakh government to manage the fallout from a scandal later known as ‘Kazakhgate’, which linked Nazarbayev to a bribery scandal spurring U.S. criminal proceedings against an American businessman.⁷⁴ As such, Mirtchev was referred to as “Nazarbayev’s closest associate in the U.S.” in a news report.⁷⁵

Documents from UK Companies House show a financial link between Nuriyeva and Mirtchev, through a company called Krull UK, which was controlled by Mirtchev.⁷⁶ At the time of the *Wall Street Journal* report both Mirtchev and Nuriyeva denied that they managed money for the Nazarbayevs or the Kazakh elite.⁷⁷

Notably, Alexander Mirtchev also acted as an advisor to Karim Masimov, when the latter became Prime Minister of Kazakhstan in 2007.⁷⁸

70 <https://kiar.center/the-mysterious-mr-mirtchev/>

71 <https://www.wsj.com/articles/SB121667622143971475> [behind firewall]

72 <https://www.wsj.com/articles/SB121667622143971475> [behind firewall]

73 <https://kiar.center/the-mysterious-mr-mirtchev/>

74 <https://kiar.center/the-mysterious-mr-mirtchev/>

75 Intelligence Online, *Dealing with Dissidents Who Flew Coop*, 16 July 2009.

76 <https://www.wsj.com/articles/SB121667622143971475> [behind firewall]; documents obtained from Companies House.

77 <https://www.wsj.com/articles/SB121667622143971475> [behind firewall]

78 <https://www.sk.kz/upload/iblock/78e/78e05e1b1da1c01783256f66814a89d6.pdf>, p45

Significant scrutiny has been placed upon Masimov’s relationship with Aigul Nuriyeva. One source from the corporate due diligence world told the authors that, based on his research, he believed that Nuriyeva had acted as a proxy for Masimov in Kazakh telecoms deals.⁷⁹ The two certainly have a long standing relationship, which dates back at least to 1998 when Nuriyeva worked as a department head at Halyk Bank, which was chaired by Masimov from 1997 to 2000.⁸⁰ This position is not included in Nuriyeva’s biography from the Kazakhtelecom JSC reports, but is confirmed by media articles.⁸¹ Halyk Bank is owned by Timur Kulibayev⁸² and his wife, Dinara, whose father is the former president of Kazakhstan, Nursultan Nazarbayev.



79 Interview by the author with a source from a due diligence company familiar with Kazakhstan’s telecoms industry, August 2020.

80 <https://olympic.kz/en/page/81-karim-kazhimkanovich-masimov>

81 Aigul Nuriyeva is described as a “Halyk Department chief” in a Reuters article from March 1998 (Largest Kazakh bank sees \$100mln Eurbond in May, Reuters, 31 March 1998); <https://azh.kz/en/news/view/680>

82 The shares are owned through JSC HG Almex

<https://halykbank.kz/storage/app/media/Investers%20ang/Shareholders%20structure/2019%20-%20201.pdf>;

Almex is owned by Timur Kulibayev and his wife Dinara,

<https://www.kazpravda.kz/en/news/society/forbes-kazakhstan-named-timur-kulibayev-businessman-of-the-year> . Kulibayev is a former senior Kazakh oil and gas official who is married to the daughter of Nursultan Nazarbayev, Kazakhstan’s first president from 1991 to 2019.

Karim Masimov

Chairman of the National Security Committee of the Republic of Kazakhstan

Biography:

- Legal adviser to the Soviet Trade Mission in China (1991);
- Chief Economist, Head of Foreign Economic Relations of the Ministry of Labour (1991-1992);
- Deputy Director of Kazakh Foreign Trade (1992);
- Senior Economist of the MWEC Office, Deputy Director of the Kazakhintorg RO in Urumqi XUAR of the People's Republic of China (1992-1993);
- Deputy Director of VED Accept LLT (1993-1994);
- Managing Director of the Kazakh Trade House in Hong Kong (1994-1995);
- Chairman of the Board of the Almaty Trade and Finance Bank (07.1995-1996);
- Acting Chairman of the Board of TuranBank (1996-08.1997);
- First Vice-Chairman of the Board of the People's Savings Bank of Kazakhstan (08.1997-09.1997);
- Chairman of the Board of the People's Savings Bank of Kazakhstan (09.1997-08.2000);
- Chairman of the National Investment Financial Equity Company "NSBK-Group" (12.1999-03.2000);
- Minister of Transport and Communications of the Republic of Kazakhstan (07.08.2000-27.11.2001);
- Deputy Prime Minister of Kazakhstan (27.11.2001-06.2003);
- Assistant to the President of the Republic of Kazakhstan (06.2003-18.01.2006);
- Deputy Prime Minister of Kazakhstan - Minister of Economy and Budget Planning (19.04.2006-04.10.2006);
- Deputy Prime Minister of Kazakhstan (18.01.2006-01.2007);
- Prime Minister of Kazakhstan (from 10.01.2007-09.2012);
- Head of the Presidential Administration of Kazakhstan (09.2012-01.2014);
- Interim Secretary of State of the Republic of Kazakhstan (01.2014-04.2014);
- Prime Minister of Kazakhstan (from 02.04.2014; reassigned - from 29.04.2015);
- Chairman of the National Security Committee of the Republic of Kazakhstan (from 09.2016 - present)



Karim Masimov. Photo weforum.org

Tele2 AB in Kazakhstan:

Is Nuriyeva a “trusted representative” of Masimov?

The deal examined in this section does not involve the Telia Company at all, but rival Scandinavian telecoms company Tele2 AB, which was active in Kazakhstan from 2010⁸³ to 2019⁸⁴ and was also in partnership with Nuriyeva for the majority of that time. In contrast to Telia, Tele2 published information that detailed the risk – albeit four years after the partnership had begun – and explained in a variety of reports how it had tried to mitigate that risk.

In 2007, 49 percent of Kazakh telecoms company MT-S⁸⁵ was sold to Asia Net Kazakhstan LLP, a company owned by Nuriyeva.⁸⁶ Tele2 then acquired the remaining shares in MT-S in 2010, thus entering into a business partnership with Nuriyeva.⁸⁷ MT-S operated the NEO telecoms brand in Kazakhstan, which was rebranded as Tele2 Kazakhstan in 2011.⁸⁸

In 2014, soon after Telia’s corrupt relationship with Gulnara Karimova was first reported, a Swedish news report turned its attention to Tele2, and alleged that Nuriyeva was “a trustee of the assets of the Kazakh regime.”⁸⁹

83 <https://www.tele2.com/media/press-releases/2010/tele2-completes-the-acquisition-of-a-majority-share-in-mobile-operator-neo-in-kazakhstan>

84 <https://www.broadbandtvnews.com/2019/06/28/tele2-closes-kazakhstan-deal/>

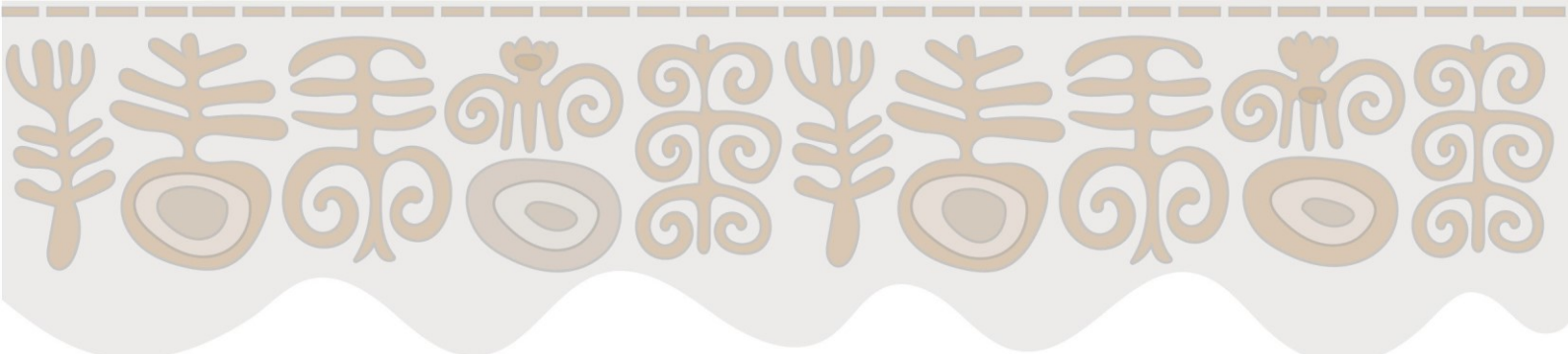
85 Not to be confused with Russian company Mobile TeleSystems, which is often referred to as MTS.

86 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p11; http://telecom.kz/storage/files/_fe/26/2f/f9/93/fe262ff99358310ead46ba87a9f2b81e.pdf, p22. 49% of Mobile Telecom Service LLP had been sold to Asia Net Kazakhstan LLP in 2007 (see http://telecom.kz/storage/files/_fe/26/2f/f9/93/fe262ff99358310ead46ba87a9f2b81e.pdf, p23).

87 <https://www.tele2.com/media/press-releases/2010/tele2-completes-the-acquisition-of-a-majority-share-in-mobile-operator-neo-in-kazakhstan>

88 <https://www.commsupdate.com/articles/2011/03/31/neo-to-relaunch-as-tele2-on-24-april-usd205-million-rollout-on-the-cards/>

89 <https://www.svd.se/hemlig-rapport-kan-falla-tele2>



Tele2 then commissioned a third party to examine the allegations regarding Nuriyeva, resulting in a White Paper in December 2014 which summarised its research.⁹⁰ The report suggests that at the time Tele2 entered Kazakhstan in early 2010, Tele2 had not confirmed that Aigul Nuriyeva was the sole beneficiary (via private shareholder AsiaNet) of the remaining 49 percent in MT-S, apart from through testimony from local partners.⁹¹ It would clearly have been in the local partners interest to present Nuriyeva as the sole owner, especially if government officials held shares.

Given the risks of operating in a well-established corruption hotspot such as Kazakhstan, accepting the assurances of local partners was insufficient from a due diligence perspective to clear this transaction from a risk of corruption.

Irrespective of whether Nuriyeva was or was not the sole shareholder of the 49 percent stake in MT-S in early 2010, at this time not only were the corruption risks of doing business in Kazakhstan well established, but allegations were already in the public domain (for example the *Wall Street Journal* article from 2008⁹²) that documented credible allegations that Nuriyeva helped manage the offshore assets of the associates of President Nazarbayev.

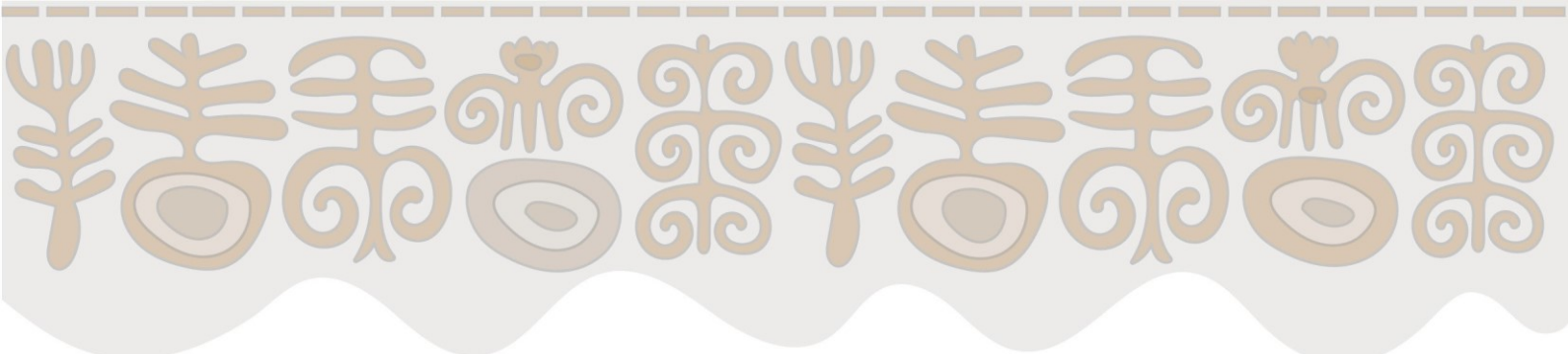
The White Paper does not say that these allegations were examined by Tele2 prior to the MT-S deal being struck in early 2010. This means that Tele2 decided to enter what may have been a corrupt relationship with a business partner (as the partner may have been acting on behalf of or diverting revenues earned to the Kazakh political elite) without having conducted comprehensive due diligence on Nuriyeva and the allegations surrounding her. The fact that this issue only appears to have been examined properly four years after Tele2 first partnered with Nuriyeva is worrying.

90 Available from the Tele2 website

https://www.tele2.com/files/globalassets/global/tele2_whitepaper_kazakhstan.pdf, or from https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf

91 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p10

92 <https://www.wsj.com/articles/SB121667622143971475>



Tele2's White Paper came after four reports were commissioned in 2014 regarding the company's operations in Kazakhstan.⁹³ These reports have not been publicly released, but one of these, a due diligence report commissioned by Nordea, a European financial services group, evaluated the corruption risk management at Tele2 in relation to Kazakhstan. The report states that: "There are strong indications that this network [behind Tele2's partner Asianet Kazakhstan] is linking together Tele2 partner Asianet with the top political level, all the way up to President Nazarbayev... These indications are already exposing Tele2 for substantial reputational risks. In case these links can be verified Tele2 could in addition be facing considerable legal risks."⁹⁴

This report posed certain questions for Tele2, and asked it to describe in detail Tele2's due diligence of AsiaNet Kazakhstan at the time of its acquisition of 51 percent of MT-S and the risk assessment performed by Tele2 prior to entering into Kazakhstan. It is unclear what information Tele2 provided in response to these questions, but the due diligence led to the publication of the White Paper.

Regarding the allegations that Nuriyeva was acting as a proxy, the White Paper reports that:

*All of the sources we consulted stressed that the system whereby Kazakh politicians use trusted representatives to hold their assets in name was prevalent in Kazakhstan. We note, however, that documentary evidence confirming Nuriyeva's alleged involvement in such arrangement [sic] is sparse.*⁹⁵

The final sentence highlights the reason for using such representatives; they often cannot be linked through publicly available documentary evidence, which gives the parties plausible deniability.

⁹³ https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p3

⁹⁴ "Report Evaluation of Corruption Risk Management Tele2 for Nordea", 28 May 2014.

⁹⁵ https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p16



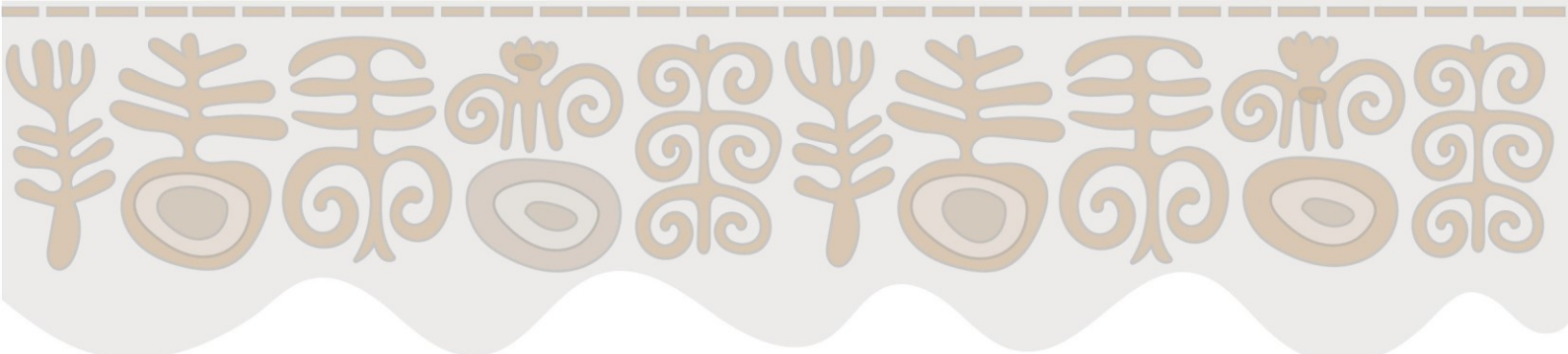
Preventive anti-corruption policies and practices:

Each State Party shall, in accordance with the fundamental principles of its legal system, develop and implement or maintain effective, coordinated anti-corruption policies that promote the participation of society and reflect the principles of the rule of law, proper management of public affairs and public property, integrity, transparency and accountability.

Each State Party shall endeavour to establish and promote effective practices aimed at the prevention of corruption.

Article 5. United Nations Convention Against Corruption⁹⁶

⁹⁶ <https://www.unodc.org/unodc/en/treaties/CAC/>



However, even though Tele2 said that documentary evidence was sparse, the report goes on to say that third party research had uncovered a series of companies with shared addresses, directors and patterns of incorporation which are associated with both Masimov and Nuriyeva.⁹⁷

The third party research concludes:

While it cannot be confirmed, taken in conjunction with the strong speculation from the sources we consulted concerning the existence of 'trusted representative' relationship between the two, we assess that this constitutes circumstantial evidence that such an agreement is likely to be in place between Nuriyeva and Masimov⁹⁸

Yet in commenting on this research, Tele2 – although saying that the information is “of concern” – tried to downplay the link:

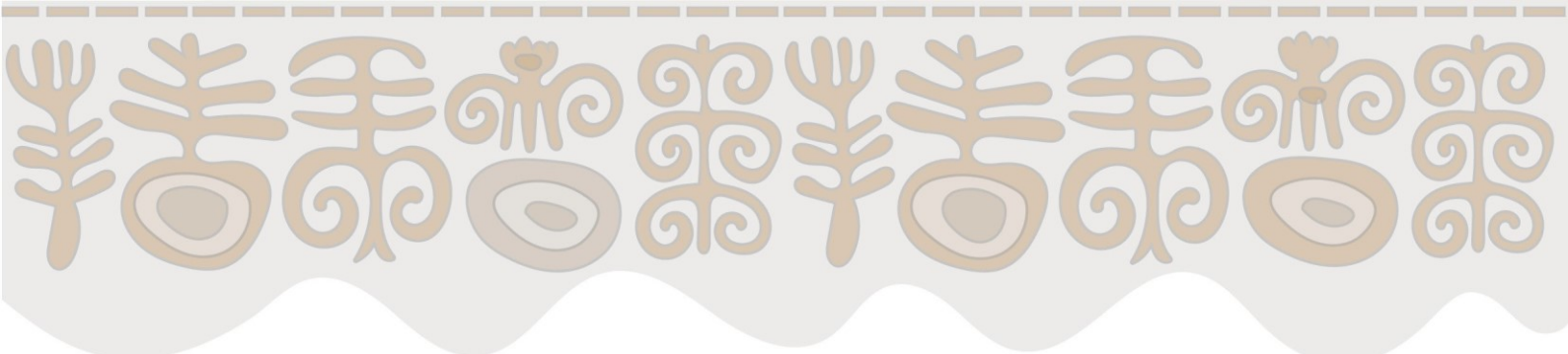
At the time being there is no hard evidence, but only rumours, suggesting that Ms. Nuriyeva is acting as a trusted representative of [then] Prime Minister [of Kazakhstan] Massimov. Furthermore, even if she indeed would be acting as a representative for someone else, this in itself would not be considered illegal⁹⁹

This appears to be justifying a potentially corrupt relationship on the grounds that it would not be illegal.

97 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p15

98 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p15

99 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p15



Tele2 exited Kazakhstan in 2019, and published a final due diligence report. The report explains how the exit process resulted in a payment to AsiaNet as a result of a sales and purchase agreement Tele2 had struck when it had bought AsiaNet’s shares in MT-S in 2015.


By this point, AsiaNet had been replaced by a company called Kauz, described by Tele2 as “AsiaNet’s legal successor and parent company”, which was owned by Aigul Nuriyeva.

Tele2 said that before making any payment they would confirm Nuriyeva’s beneficial ownership of Kauz in the form of notarized extracts from official company registers, and would perform due diligence and third-party verification to confirm the UBO declaration. Tele2 said that AsiaNet also signed (around 2014/15) a warranty that served as a guarantee that payments were not knowingly used, directly or indirectly for the purpose of financing or facilitating any activity violating anti-bribery laws or money laundering laws.¹⁰⁰

This does not preclude the possibility that the funds were used to benefit the Kazakh elite, including Karim Masimov, that fell outside of bribery/anti-money laundering legislation.

TELE2

100 <https://www.tele2.com/files/globalassets/documents/sustainability/tele2-kz-exit-report---final.pdf>, pp15-16. Page 13 says that the warranty was signed “ahead of the signing of the JV agreement” - which was in 2015.



In contrast to Telia, Tele2 appears to have avoided the more dubious dealings in Kazakhstan as outlined elsewhere in this report, and made commendable efforts to perform due diligence and address publicly the issue of partnering with Nuriyeva, and later Kazakhtelecom JSC.¹⁰¹ However, ultimately the company did strike a deal with an alleged proxy of the country's then Prime Minister, and only appeared to do significant due diligence on this relationship four years after the deal was made, and only after media articles had questioned the relationship.

The authors of this report wrote to Tele2 AB in January 2021 to get the company's comments on the issues raised here regarding its activities in Kazakhstan, most notably its relationship with Aigul Nuriyeva.

Tele2 replied:

Regarding Kazakhstan, in which we are no longer present, we refer to our White Paper, our annual CR in Kazakhstan reports and our comprehensive Kazakhstan Exit Report on Ethics and Compliance which we published in connection to our departure.¹⁰² Besides the reports, we have nothing further to add.¹⁰³

101 On forming a joint venture with Kazakhtelecom JSC, Tele2 published another due diligence report. See <https://halberdbastion.com/sites/default/files/2017-08/Tele2-Kazakhstan-Responsible-Challenger-Corporate-Responsibility-Nov-2015.pdf>

102 <https://www.tele2.com/sustainability/information-for-sustainability-professionals/policies-and-reports/>

103 Email from Joel Ibson, Tele2 Sverige AB, Head of Corporate Communications, Communications & Sustainability, 27 January 2021. Tele2's CR reports on Kazakhstan are available here:

<https://www.tele2.com/files/globalassets/documents/sustainability/final-2016-annual-status-report-cr-kz.pdf>, <https://www.tele2.com/files/globalassets/documents/sustainability/2017-annual-status-report-cr-kz.pdf>. Its Kazakh exit report is available here:

<https://www.tele2.com/files/globalassets/documents/sustainability/tele2-kz-exit-report---final.pdf>

Codes of conduct for public officials

Each State Party shall endeavour, where appropriate and in accordance with the fundamental principles of its domestic law, to establish measures and systems requiring public officials to make declarations to appropriate authorities regarding, inter alia, their outside activities, employment, investments, assets and substantial gifts or benefits from which a conflict of interest may result with respect to their functions as public officials.

Article 8. United Nations Convention Against Corruption¹⁰⁴



104 <https://www.unodc.org/unodc/en/treaties/CAC/>



Nuriyeva and Masimov's Singaporean corporate connection

The Wall Street Journal reported in 2008 that Nuriyeva was an investor with Masimov in a company registered in Singapore.¹⁰⁵ In a leaked U.S. diplomatic cable from July 2008, Masimov admitted to the then U.S. Ambassador to Kazakhstan that he was co-owner of a Singapore-based company with Nuriyeva, but that his share was not a secret as the asset was listed on his financial disclosure forms.¹⁰⁶ Even if this was true, media searches reveal that no information appears to have been publicly available about Nuriyeva and Masimov's partnership in this company, nor was any information available about what the company did, or the money it made. In July 2008, Masimov was Prime Minister of Kazakhstan,¹⁰⁷ raising the issue of the propriety of Masimov being involved in commercial business with a woman who at that time played a key role in the Kazakh telecoms industry.

The Tele2 White Paper report indicates that the Singapore company in question was “highly likely” to be a company called Midas Investment Holdings PTE Limited.¹⁰⁸ The report cites Singaporean corporate records, which show Midas Investment's sole shareholder and director was Masimov, with Nuriyeva as a former director and shareholder.¹⁰⁹ Midas Investment PTE was registered in August 2006,¹¹⁰ and filed its last annual report in 2009, before being dissolved sometime after that.¹¹¹ As noted above, Nuriyeva was director general of a company called Midas Telecom LLP from 2006 to 2009,¹¹² and its owner at least from 2012.¹¹³ Any link between Midas Telecom and Midas Investment is not clear beyond their similar names.

105 Wall Street Journal, 22 July 2008, op. cit.

106 https://wikileaks.org/plusd/cables/08ASTANA1375_a.html

107 <https://olympic.kz/en/page/81-karim-kazhimkanovich-masimov>

108 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p14


109 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p14

110 <https://singsapore-corp.com/co/midas-investment-holdings-pte-ltd>

111 <https://recordowl.com/company/midas-investment-holdings-pte-ltd>

112 http://telecom.kz/storage/files/_95/66/5d/64/53/95665d64533b8e02f917f0dbdc0c8b36.pdf, p24

113 <https://www.teliacompany.com/en/news/press-releases/2012/12/teliasonera-completes-transactions-for-mobile-data-growth-in-kazakhstan>



According to Kazakh corporate records cited in Tele2’s 2014 report, Asianet Kazakhstan (which held a 49 percent interest in MT-S prior to the company’s ownership restructuring in 2010)¹¹⁴ was at that time a subsidiary of the Singapore-incorporated company GlobalAsiaNet PTE Ltd, which was registered to the same address as Masimov’s Midas Investment Holdings PTE Limited.¹¹⁵ The shared address, according to the Tele2 report, “indicates that the two companies are affiliated in some capacity, and provides an indirect link between MT-S and Masimov.”¹¹⁶

In 2015, Tele2 bought the remaining shares in MT-S from AsiaNet, resulting in a financial transaction that benefited its shareholder, Nuriyeva. By this point, according to the White Paper, Tele2 had got Nuriyeva to sign a written statement confirming that she was the ultimate beneficial owner of AsiaNet, and was not acting on behalf of any high level politicians.¹¹⁷

Legal documents reviewed during the due diligence process detailed Nuriyeva’s ownership of AsiaNet Holding, supplying further proof of her beneficial ownership of the company through two other unnamed companies,¹¹⁸ although it was unclear why Nuriyeva needed such a complex ownership structure to own shares in a telecoms company. Prior to this, an unpublished due diligence report commissioned by Nordea had highlighted this as a risk factor: “Highly untransparent and complicated network of companies behind AsiaNet - **Red flag!** - Indicates deliberate objective to camouflage top level beneficiaries!”¹¹⁹

114 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p14

115 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p14

116 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p14

117 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p14

118 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p9

119 “Report Evaluation of Corruption Risk Management Tele2 for Nordea”, 28 May 2014, p5

However, Tele2's independent due diligence showed no direct evidence contradicting her position as the beneficial owner of AsiaNet,¹²⁰ although as noted above, this due diligence was conducted in 2014, four years after the deal was signed, at which point the beneficial owners of AsiaNet may have been different. Furthermore, even if Nuriyeva was the sole beneficial owner of Asianet at this point this does not preclude the possibility that she may have some kind of financial relationship with politically-exposed people, including then Prime Minister Karim Masimov, outside of the workings of this particular company.

If this is the case, then the purchase of the remaining shares of MT-S would have indirectly benefited Masimov.

In conclusion, Tele2's report stated that Nuriyeva *indirectly benefited financially from the disposal of the 51 percent stake in MT-S [AsiaNet] to Tele2*¹²¹ but that Tele2 had made "no improper payments in connection to Tele2's acquisition of stake in MT-S."¹²²



120 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p9

121 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p13

122 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p4



Why is Nuriyeva and Masimov's relationship so important?

Nuriyeva's link with Masimov is important because of the role he played as a Kazakh government official who made decisions on behalf of the Kazakh state.

Masimov served as Minister of Transport and Communications from August 2000 to November 2001, Deputy Prime Minister of Kazakhstan from November 2001 to June 2003, and Assistant to the President from June 2003 to January 2006, before returning to his role as Deputy Prime Minister from January 2006 to January 2007. He then served as Prime Minister from January 2007 to January 2012, before holding the position of head of the Presidential Administration from September 2012 to April 2014.¹²³ He served a second period as Prime Minister from April 2014 to September 2016. He then was appointed as head of Kazakhstan's security service, the KNB, a position he continues to hold as of February 2021.¹²⁴ This biography thus identifies Masimov as one of the most important and powerful political figures in Kazakhstan.

According to global financial standards combatting corruption, Nuriyeva's business relationship with Masimov positions her as a "politically exposed person" (PEP) – one with a higher risk for potential involvement in corruption, triggering the need for heightened due diligence.¹²⁵

According to Tele2's report, Nuriyeva agreed to her classification as a PEP due to her board position with Kazakhtelecom JSC, her ties to Bodam BV (a shareholder of Kazakhtelecom JSC, see below)¹²⁶ and her former marriage to a Kazakh diplomat, information which was confirmed to Tele2 by an independent third party.¹²⁷

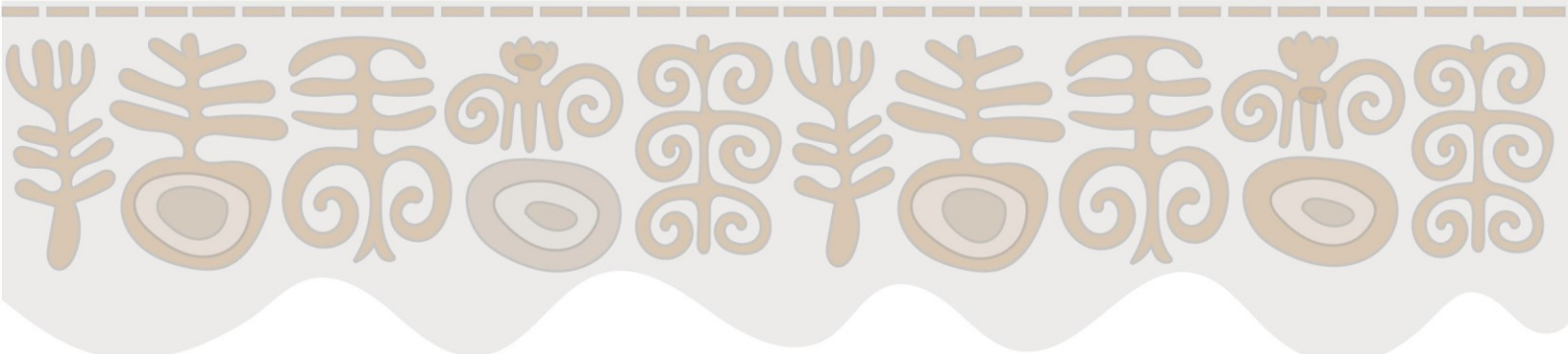
123 <https://olympic.kz/en/page/81-karim-kazhimkanovich-masimov>

124 https://online.zakon.kz/Document/?doc_id=30095276#pos=30;-52

125 [https://www.fatf-gafi.org/documents/guidance/documents/peps-r12-r22.html?hf=10&b=0&s=desc\(fatf_releasedate\)](https://www.fatf-gafi.org/documents/guidance/documents/peps-r12-r22.html?hf=10&b=0&s=desc(fatf_releasedate)); <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Guidance-PEP-Rec12-22.pdf>

126 It is unclear why Nuriyeva's ties to Bodam BV would make her a PEP as this seemingly was a private company – unless Bodam itself was owned by a PEP. The history of Bodam is explored in the next section.

127 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p5



The Tele2 report states that Nuriyeva confirmed that she knew Masimov before he entered politics,¹²⁸ likely a reference to the time they worked at Halyk Bank together.¹²⁹ She reported that they no longer (as of 2014) held a business relationship even though they had been colleagues in the past.¹³⁰

Nuriyeva's claim that she had no business with Masimov at the time of the Tele2 report in 2014 does not mean there is no impropriety: serious conflicts of interest arise when a government official such as Masimov has a former business partner like Nuriyeva who is involved in an area of business where he has political influence. Although exact dates are unclear, Nuriyeva moved into the telecoms industry around 2006, when Masimov occupied the roles of advisor to the president and Deputy Prime Minister. Masimov's involvement in the Singaporean company with Nuriyeva continued into 2008 when he was Prime Minister of Kazakhstan.¹³¹

According to media articles, as Prime Minister, Karim Masimov was involved in the process of rolling out 3G services in Kazakhstan: for example, a November 2009 article says that Masimov instructed state bodies to introduce 3G before the end of that year.¹³² A June 2010 article also says that Masimov announced a price reduction for licenses to deploy and use the 3G networks.¹³³

The exact role, if any, Masimov played in the lowering of the cost of the 3G licence is unclear. However, the potential conflict of interest is clear: he may have helped lower these charges at the very least because it benefited his former business partner Nuriyeva, who co-owned the NEO/Tele2 KZ brand that held a 3G licence,¹³⁴ and at most because he stood to gain financially through his proxy, Nuriyeva.

128 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p14

129 Aigul Nuriyeva is described as a "Halyk Department chief" in a Reuters article from March 1998 (Largest Kazakh bank sees \$100mln Eurbond in May, Reuters, 31 March 1998);

<https://azh.kz/en/news/view/680>; <https://olympic.kz/en/page/81-karim-kazhimkanovich-masimov>

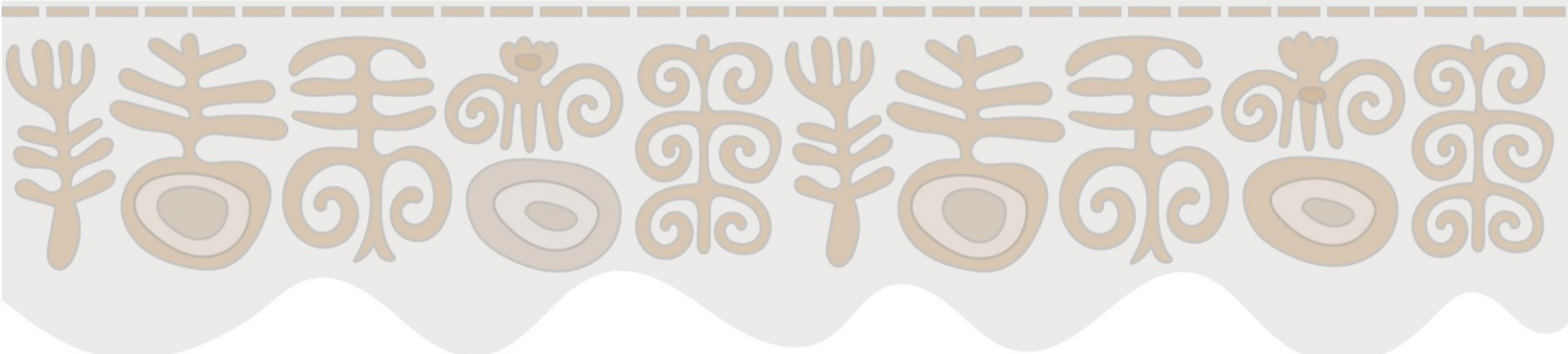
130 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p14

131 July 2008 is the date of the US diplomatic cable in which Masimov admitted to being involved in such a company: https://wikileaks.org/plusd/cables/08ASTANA1375_a.html. Nuriyeva is first mentioned as a director of Kazakhtelecom in the 2006 Annual Report.

132 <https://tengrinews.kz/news/ministerstvo-oboronyi-kazahstana-vyidelit-chastoty-seti-3g-30692/>

133 <https://tengrinews.kz/news/astana-snizit-tsenyi-na-litsenzii-setey-3g-dlya-operatorov-53060/>

134 <https://www.mobileworldlive.com/latest-stories/tele2-in-spotlight-following-kazakhstan-3g-launch/>



Foreign PEPs are always considered a high risk that warrants taking enhanced due diligence measures. In addition, business relationships with domestic PEPs and international organisation PEPs that are determined to be high risk should be subject to such measures.

In both circumstances, the following enhanced due diligence measures apply: senior management approval, reasonable measures to establish the source of wealth and the source of funds, and enhanced ongoing monitoring of the business relationship.

FATF Guidance, June 2013 ¹³⁵

¹³⁵ <https://www.fatf-gafi.org/>



Nuriyeva and Kazakhtelecom JSC

Before we describe Telia's dealings in Kazakhstan, it is worth examining the ownership structure of Kazakhtelecom JSC – Kazakhstan's largest telecommunications company – before Telia bought into one of its main subsidiaries in 2012.¹³⁶

Kazakhtelecom was founded in June 1994 as a national company,¹³⁷ but was reregistered as a joint stock company in April 2004.¹³⁸ Since then, the Kazakh state has retained a 51 percent stake,¹³⁹ but over the years the company has acquired private shareholders and listed some shares on the Kazakh stock exchange.¹⁴⁰

Key to this story are two companies, Bodam and Deran Services BV (from here, Deran), both registered in the Netherlands.¹⁴¹ According to Kazakhtelecom annual reports, Bodam and Deran first bought Kazakhtelecom JSC shares in 2006, owning 16.9 percent and 9.6 percent respectively.¹⁴² The annual reports do not say how much they paid for these shares.¹⁴³

Furthermore, no information was given on the ultimate owners of Bodam or Deran.¹⁴⁴ Therefore, any person – including Kazakh officials – could have been the real owner of the companies at the time and benefited from the shareholding in a major telecoms company.

136 <https://www.teliacompany.com/en/news/press-releases/2011/12/teliasonera-increases-its-ownership-in-kcell-and-prepares-for-ipo/>

137 <https://telecom.kz/en/pages/11557/171732>

138 https://telecom.kz/storage/files/_54/d7/82/15/8d/54d782158dbf6076cb5eacebba66514c.pdf p5

139 <https://telecom.kz/en/pages/11632/171792>

140 <https://kase.kz/en/issuers/KZTK/>

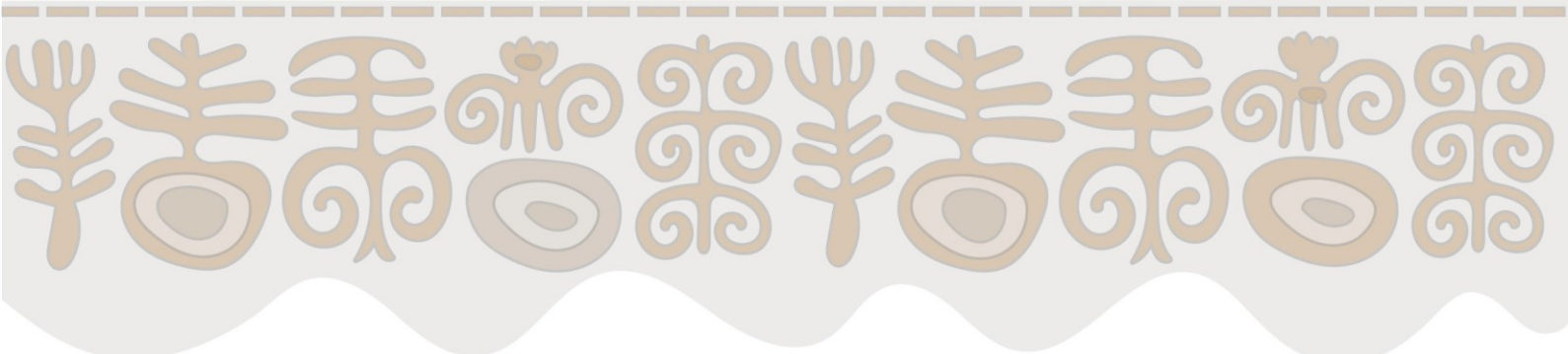
141 Further research indicates that there were two Deran entities: Deran Services BV and Deran Services Ltd, the latter which appears to be registered in the BVI. This further complicates the ownership structure. <https://opencorporates.com/companies/nl/33290088>; <https://opencorporates.com/companies/nl/34299872>

142 http://telecom.kz/storage/files/_98/2c/55/7a/6b/982c557a6bcb839a8720078173f187d3.pdf P64; Annual Report 2006,

http://telecom.kz/storage/files/_98/2b/b5/29/a3/982bb529a30fbfe11ec015692e79ffb0.pdf, p7

143 http://telecom.kz/storage/files/_98/2b/b5/29/a3/982bb529a30fbfe11ec015692e79ffb0.pdf

144 http://telecom.kz/storage/files/_98/2b/b5/29/a3/982bb529a30fbfe11ec015692e79ffb0.pdf



Aigul Nuriyeva (a different transliteration of Nuriyeva) is listed in Kazakhtelecom’s 2006 annual report as a member of the board.¹⁴⁵ She is described as a director of Bodam.¹⁴⁶ Third party research conducted in 2014 by telecoms company Tele2 indicated that Bodam was “controlled by” Aigul Nuriyeva.¹⁴⁷ The report does not go into detail about the nature of this control, or at what point this control started. This could have been easily answered had Kazakhtelecom’s public disclosures included information on the beneficial owners of its main shareholding identities. Without this critical information, the picture remains opaque.

One of Kazakhtelecom’s board members was Adilbek Sarsenov, who became a board representative first for the Kazakh state in 2007¹⁴⁸ and then in 2010 for Bodam.¹⁴⁹ Individuals often leave state work to find more lucrative opportunities in the private sector, but the situation with Sarsenov is more complex. In 2010, he was the director of management of the telecommunications assets of Amun Capital Advisors KZ LLP,¹⁵⁰ a Nuriyeva-backed company,¹⁵¹ while at the same time working for a state company involved in Kazakh telecommunications.¹⁵²

The conflict is clear: the interests of a private company – to maximise profits – does not align with the interests of the state. This lack of distinction between the private sector and the state is typical in Kazakhstan.

145 https://telecom.kz/storage/files/_98/2b/b5/29/a3/982bb529a30fbfe11ec015692e79ffb0.pdf, p12

146 https://telecom.kz/storage/files/_98/2b/b5/29/a3/982bb529a30fbfe11ec015692e79ffb0.pdf, p7

147 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf p12

148 http://telecom.kz/storage/files/_98/2c/55/7a/6b/982c557a6bcb839a8720078173f187d3.pdf, p12

149 http://telecom.kz/storage/files/_54/d7/82/15/8d/54d782158dbf6076cb5eaeabba66514c.pdf, p23

150 https://telecom.kz/storage/files/_54/d7/82/15/8d/54d782158dbf6076cb5eaeabba66514c.pdf, p26

151 <https://www.telegeography.com/products/commsupdate/articles/2014/10/21/tele2-denies-corruption-at-kazakh-operation>

152 The state company is Zerde. Sarsenov was Board Chairman in 2010,

https://www.inform.kz/en/children-s-social-network-to-be-created-in-kazakhstan-in-2010-adilbek-sarsenov_a2230671. At the same time he was working for Amun and on the board of Kazakhtelecom JSC

on behalf of Bodam, See Kazakhtelecom Annual Report 2010, p23 and p26 at

https://telecom.kz/storage/files/_54/d7/82/15/8d/54d782158dbf6076cb5eaeabba66514c.pdf



As discussed above, in 2010, Kazakhtelecom JSC sold a 51 percent share in MT-S to Tele2. There was an obvious conflict here: MT-S' other owner at the time was Nuriyeva's AsiaNet Kazakhstan, and yet Nuriyeva was also a board member of Kazakhtelecom JSC, the company selling its shares in MT-S.

According to Tele2, the conflicted was mitigated by Nuriyeva not voting in Kazakhtelecom's decision to sell its stake,¹⁵³ but the potential for a conflicted decision making process is clear, especially given the links established above between AsiaNet Kazakhstan and a corporate entity with ties to Masimov, the Prime Minister of Kazakhstan at the time of the sale of MT-S. Nuriyeva may well have had the power to influence Kazakhtelecom's decision to sell the shares, irrespective of whether she herself personally voted.

Nuriyeva's involvement in MT-S/Tele2 KZ also meant that she was involved with two rival telecoms companies at the same time: MT-S/Tele2 KZ (as a direct shareholder) and Kcell (as a Kazakhtelecom JSC board member and director of Bodam, a shareholder in Kazakhtelecom JSC, which in turn owned shares in Kcell). This drew comparisons in the media for its similarities to Telia's dealings in Uzbekistan.¹⁵⁴

According to one journalist, there were: *uncomfortable parallels with TeliaSonera's activities in Uzbekistan, where the company has acknowledged dealing with two intermediaries of Karimova's who had interest in rival telecoms companies*¹⁵⁵

153 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p11

154 http://www.dn.kz/index.php?option=com_content&view=article&id=929:2013-01-11-05-58-11&catid=5:2011-10-23-11-45-05&Itemid=6

155 <https://eurasianet.org/in-kazakhstan-what-did-embattled-teliasonera-learn-from-uzbekistan>

A state company or Nazarbayev’s company?: Kazakhtelecom’s owners today

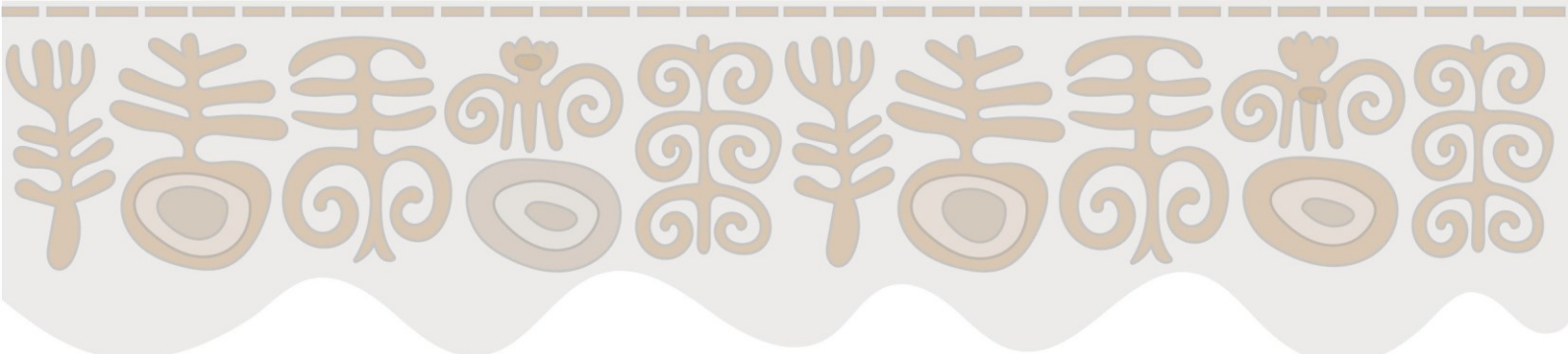
In November 2015, Tele2 AB formed a new joint venture with Altel, the mobile operations entity of Kazakhtelecom JSC, which caused Tele2 to publish another due diligence entitled *Responsible Challenger*. In this report Tele2 responded to the question of whether “dealing with Kazakhtelecom [is] the same thing as dealing with President Nazarbayev since the majority-owner, Samruk-Kazyna, is the Kazakhstan Sovereign Wealth Fund?”

Tele2 argued that it was not the same thing as Samruk-Kazyna had “an independent governance structure”.¹⁵⁶ This is not only a misrepresentation of Samruk Kazyna – because the independence of a state structure means nothing within a kleptocratic autocracy – but more importantly it is a misrepresentation of what Tele2 knew at that time: the unpublished due diligence report commissioned by Nordea had concluded that “Kazakhstan’s political system and its business system were more or less one and the same.”¹⁵⁷



156 <https://halberdbastion.com/sites/default/files/2017-08/Tele2-Kazakhstan-Responsible-Challenger-Corporate-Responsibility-Nov-2015.pdf>, p7

157 “Report Evaluation of Corruption Risk Management Tele2 for Nordea”, 28 May 2014.



The lack of separation between Kazakhtelecom JSC and the Nazarbayev family was made even more clear in the changes of shareholdings that followed after 2015. According to the Kazakh stock exchange, by April 2016 both Bodam and Deran had reduced their shareholdings in Kazakhtelecom JSC to 15.18 percent and 6.84 percent, respectively. At this point, both Bodam and Deran were owned by Aigul Nuriyeva, according to *Forbes*.¹⁵⁸

In July 2016, the Kazakh stock exchange (KASE) announced that a company called Sobrio Limited, registered in the United Kingdom, had bought a 24.47 percent stake in Kazakhtelecom JSC, acquiring a stake from “its affiliates“ Bodam and Deran.¹⁵⁹ Reports from the Kazakh stock exchange show that a businessman named Alexander Klebanov was the owner of Sobrio Limited, and had purchased both Bodam and Deran as part of the sale, before all of the shares were transferred to Sobrio Limited.¹⁶⁰ As a result, Nuriyeva was no longer involved in Kazakhtelecom JSC and stepped down from the board.¹⁶¹

According to one Kazakh internet article, Klebanov was allegedly representing the interests of Dariga Nazarbayeva, the eldest daughter of President Nursultan Nazarbayev,¹⁶² in the same manner that Nuriyeva allegedly represented the interests of Karim Masimov. Then in November 2016, it was announced that 3.4 percent of Kazakhtelecom JSC shares were acquired by Alatau Capital Invest, owned by Kairat Satybaldy, a nephew of Nursultan Nazarbayev.¹⁶³

158 https://forbes.kz/process/technologies/komu_aygul_nurieva_prodaet_svoi_aktzii_ao_kazahtelekom. If Forbes is correct, it raises yet more questions – when had Nuriyeva become the owner of Bodam and Deran? If she was Deran’s owner since its inception, then why did she use a second vehicle to buy Kazakhtelecom JSC shares, instead of buying more shares through Bodam? And, if she had bought Bodam at a later date, then who was its beneficial owner before Nuriyeva when Bodam first entered Kazakhtelecom’s ownership structure?

159 <https://astanatimes.com/2016/07/kazakhtelecom-announces-new-major-shareholder-ahead-of-possible-ipo/>

160 https://kz.expert/en/news/analitika/460_behind_the_facade_of_kcell_deal, <https://astanatimes.com/2016/07/kazakhtelecom-announces-new-major-shareholder-ahead-of-possible-ipo/>, <https://en.trend.az/business/economy/2554206.html>

161 https://forbes.kz/process/technologies/komu_aygul_nurieva_prodaet_svoi_aktzii_ao_kazahtelekom

162 https://kz.expert/en/news/analitika/1476_kazakhtelecom_the_back_door_action

163 <https://tengrinews.kz/money/alatau-capital-invest-priobrela-34-protsenta-aktsiy-307208/>

Later in October 2018, a company called Skyline Investment Company, an entity created in May 2018 in Luxembourg, replaced Sobrio as the holder of its 22.1 percent in Kazakhtelecom JSC. Skyline's beneficial owner at the time was unknown,¹⁶⁴ until 2019 when Tele2's due diligence confirmed a company representative's claim that it is Kairat Satybaldy.¹⁶⁵ This was confirmed by disclosures by the Luxembourg company register in 2021. In 2019, Kazakhtelecom JSC made a profit of 60.3 billion KZT (\$170 million).¹⁶⁶



164 https://kz.expert/en/news/analitika/1024_affair_ofkazakhtelecom,

<https://rus.azattyq.org/a/kazakhstan-plemyannik-nazarbayeva-i-kazahtelecom/31108069.html>

165 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p40

166 <https://rus.azattyq.org/a/kazakhstan-plemyannik-nazarbayeva-i-kazahtelecom/31108069.html>



A comment from Tele2 on these transactions is particularly revealing:

In November 2016 and October 2018, changes in the ownership structure of Kazakhtelecom led to ex officio investigations by Tele2 and external partners. In the first case, the conclusion was that the transaction was made at a fair market value and was publicly disclosed and, in the second, that the ultimate beneficial owner was confirmed.¹⁶⁷

This suggests that Tele2's investigations did not confirm that Skyline's purchase of shares from Sobrio in 2018 was at fair market value, suggesting that Satybaldy had purchased Kazakhtelecom's shares at under their value.

Satybaldy's familial relationship to President Nazarbayev makes him a politically-exposed person, which not only denotes a high corruption risk in general, but in this specific case raises the possibility that revenues earned through the Kazakhtelecom JSC/Tele2 joint venture were being funnelled by Satybaldy to support the corrupt autocratic apparatus of his uncle's regime.

Despite this, Tele2 continued to partner with Kazakhtelecom JSC (and thus with Satybaldy) until Tele2's exit from Kazakhstan in June 2019.

¹⁶⁷ https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p3

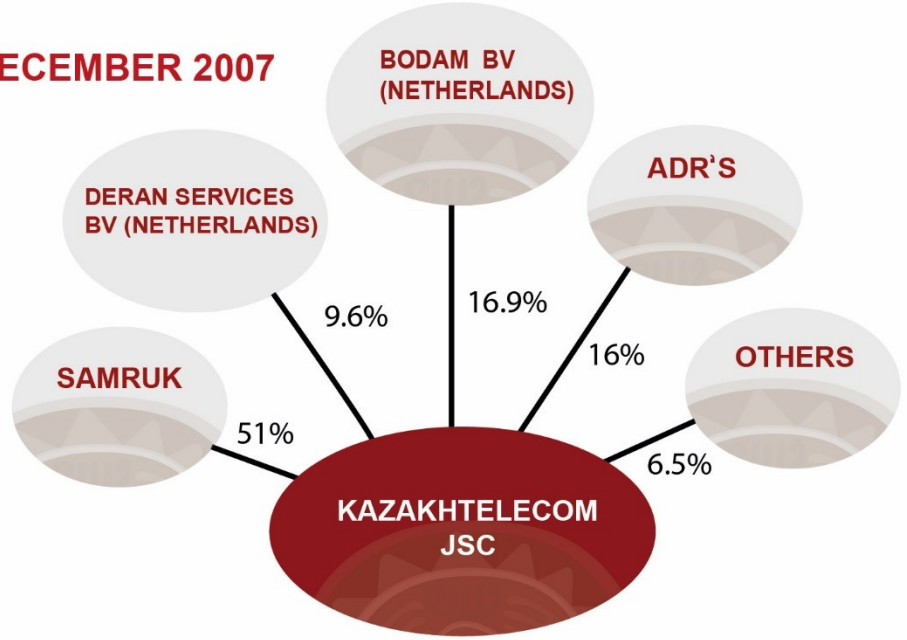


Since 2006, offshore companies have held major slices of state-controlled Kazakhtelecom JSC, a powerful company that monopolises landline contracts in Kazakhstan and controls many mobile services. These offshore companies have allowed interests tied to the Kazakh ruling elite to privately profit from what is ostensibly state business. The charts below show how Kazakhtelecom JSC's shareholders have changed over last 15 years.

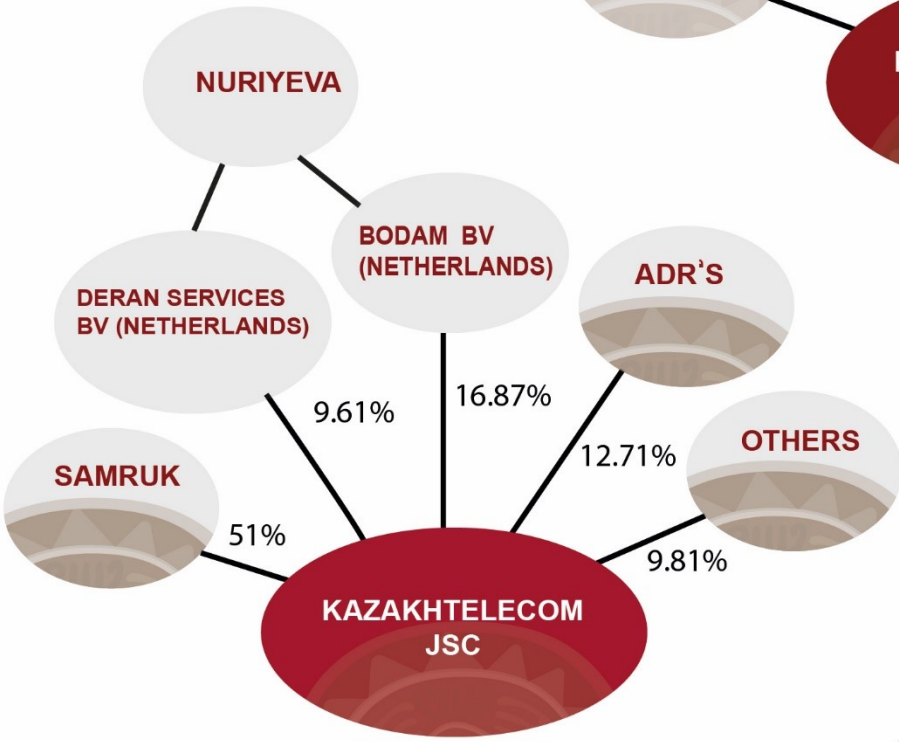
ADRs: These are shares held nominally by American banks and listed on stock exchanges as American Depositary Receipts.

Others = According to Kazakhtelecom, no other shareholder holds more than 5% of the entire company. However, holding just several percent of Kazakhtelecom JSC would still result in excellent returns (the company made \$170 million in 2019). This means that other politically exposed people from Kazakhstan might be secret shareholders in Kazakhtelecom JSC, holding stakes of less than 5%

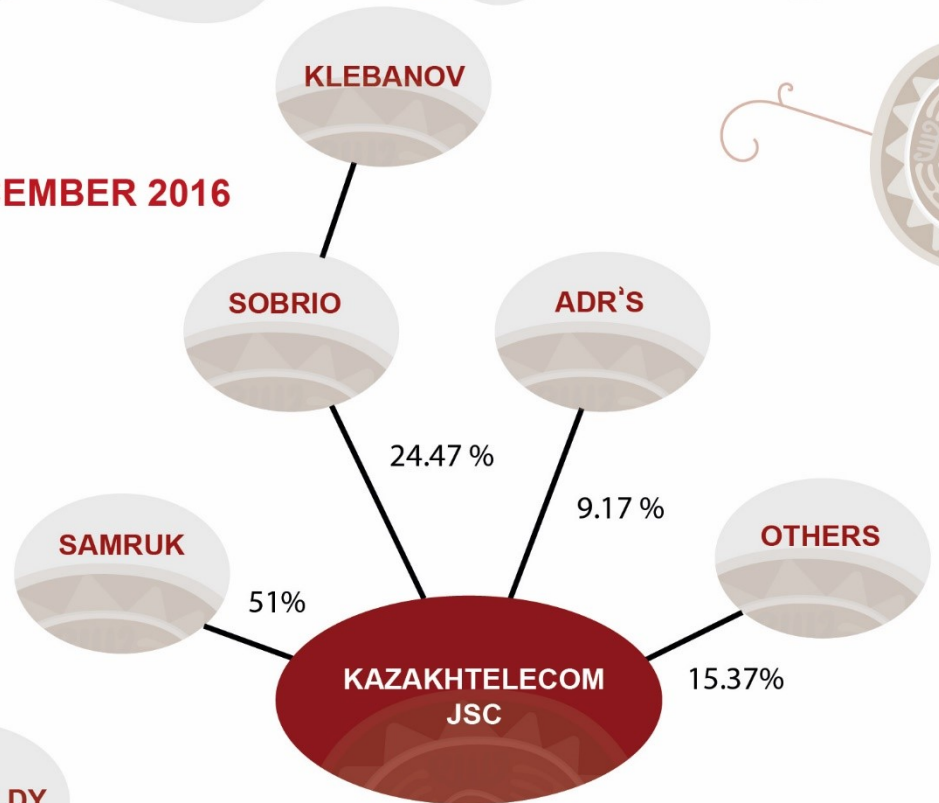
31 DECEMBER 2007



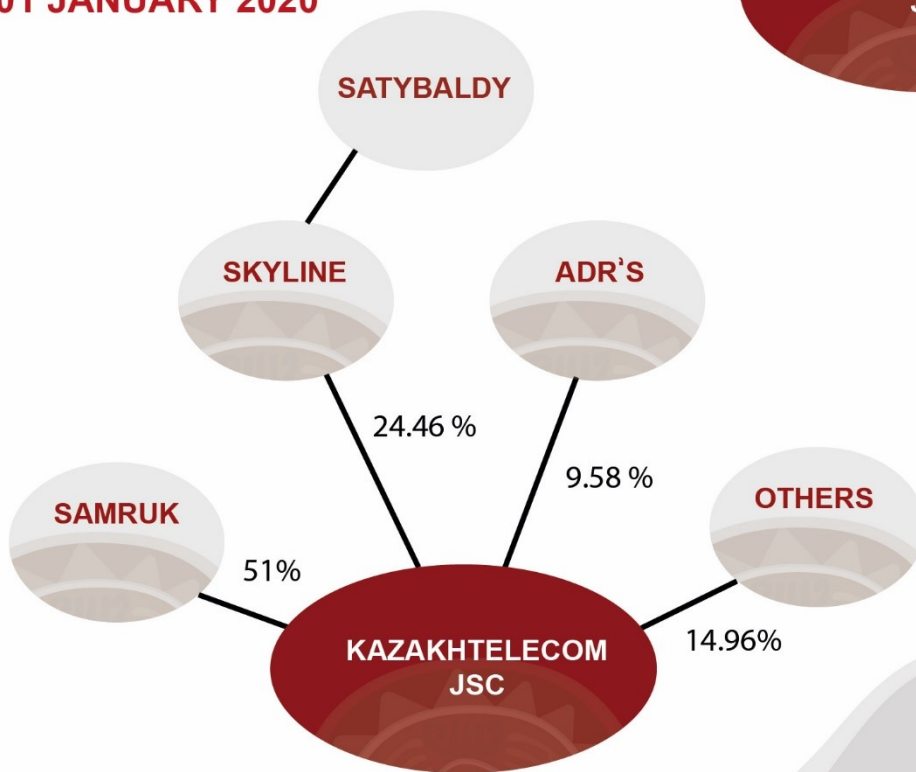
31 DECEMBER 2011



31 DECEMBER 2016



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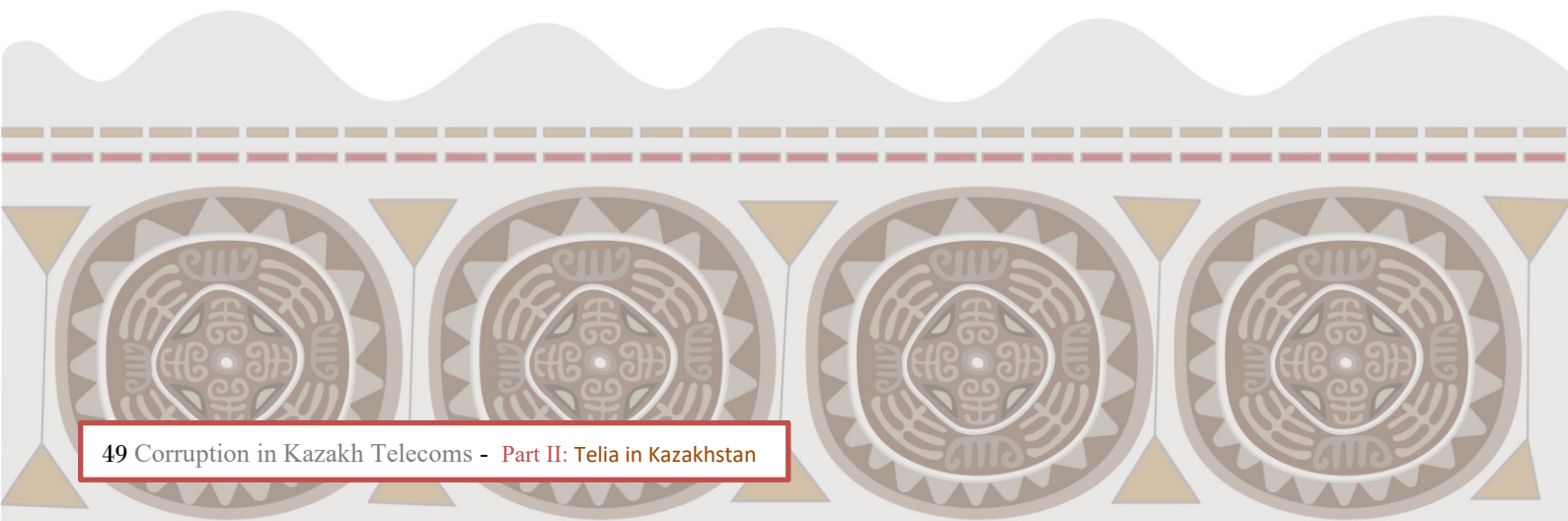


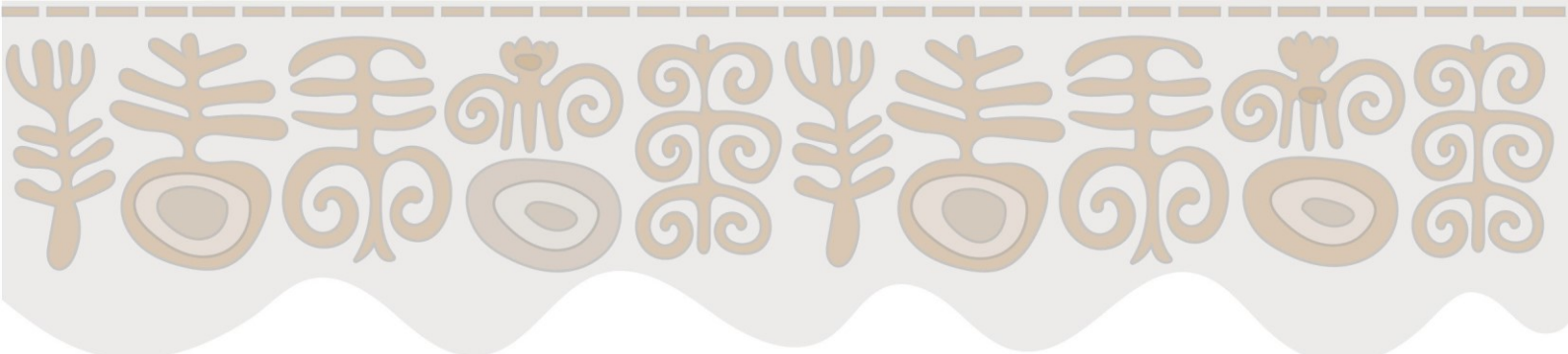
Part II

Telia in Kazakhstan

This section analyses Telia's dealings in Kazakhstan.

The chart at the end of the document draws comparisons between Telia's actions in Uzbekistan with those in Kazakhstan to demonstrate the similarities between the company's actions in the two countries.





In February 2021, the authors of this report wrote to Telia to get their comment on our findings. It replied:

As part of Telia Company's decision in 2015 to leave region Eurasia and to focus on the Nordic and Baltic countries, Telia Company and Fintur Holdings agreed to sell their 75 percent holding in the Kazakhi telecommunications operator Kcell JSC to Kazakhtelecom in December 2018. A transaction which was completed a few days later, 21th of December.

The divestment of Kcell was conducted in a responsible and ethical manner in accordance with laws and regulations in concerned countries, and the transactions have been disclosed and accounted for in Telia's accounts in a correct and transparent manner. With regards to transactions further back in time, the in 2013 [sic] newly appointed Telia Board and management at the time conducted an extensive review of all historical Telia transactions in the relevant countries in region Eurasia, including Kazakhstan. The review was carried out with the help of the law firm Norton Rose Fulbright in 2013/2014. Several transactions gave rise to questions and therefore Telia made this material available to prosecutors in Sweden, who decided to not take any actions.¹⁶⁸

Telia provided links to the summary of the review,¹⁶⁹ and to a press release and the presentation from December 2018 on the announcement of its divestment of its interest in Kcell and dissolving of the Fintur partnership.¹⁷⁰

168 Response from Irene Krohn, Head of PR & Media, Telia Company AB, February 2021.

169 https://www.teliacompany.com/globalassets/telia-company/documents/investors/annual-general-meeting/2014/teliasonera_summary-of-the-board-of-directors-review-of-transactions-in-eurasia_agm_2014-04-01.pdf

170 <https://www.teliacompany.com/en/news/press-releases/2018/12/telia-company-divests-its-interest-in-kcell-and-dissolves-fintur-partnership-with-turkcell/>, <https://www.teliacompany.com/globalassets/telia-company/documents/investors/presentations/2018/kcell-divestment-and-fintur-dismantling.pdf>

1. Telia's suspect price of acquisition of Kcell shares

The origins of Telia's entry into Kazakhstan predates its Uzbek operations by 10 years. In 1998, a company called GSM Kazakhstan OJSC Kazakhtelecom LLP (not to be confused with Kazakhtelecom JSC) was created in Kazakhstan,¹⁷¹ a company that "designs, constructs and operates a cellular telecommunications network on the GSM standard in the Republic of Kazakhstan."¹⁷²

Prior to February 2012, it had two shareholders: 49 percent of it was held by the state-controlled Kazakh company Kazakhtelecom JSC, with the remaining 51 percent held by Fintur Holdings BV, a company registered in the Netherlands.¹⁷³

At this point, Fintur itself was itself owned by Sonera Holding BV, and a Turkish telecoms company called Turkcell Iletisim Hizmetleri AS, with holdings of 58.55 percent and 41.45 percent, respectively.¹⁷⁴ Back in 2002, Sweden's Telia had merged with Finnish telecoms company Sonera,¹⁷⁵ thus absorbing Sonera's subsidiary, Sonera Holding BV.

171 http://www.annualreports.com/HostedData/AnnualReports/PDF/LSE_KCEL_2018.pdf "AO" is the Kazakh equivalent of JSC.

172 <http://www.report2012ru.kcell.kz/reports/kcell/annual/2012/gb/English/1010/kcell-today.html>

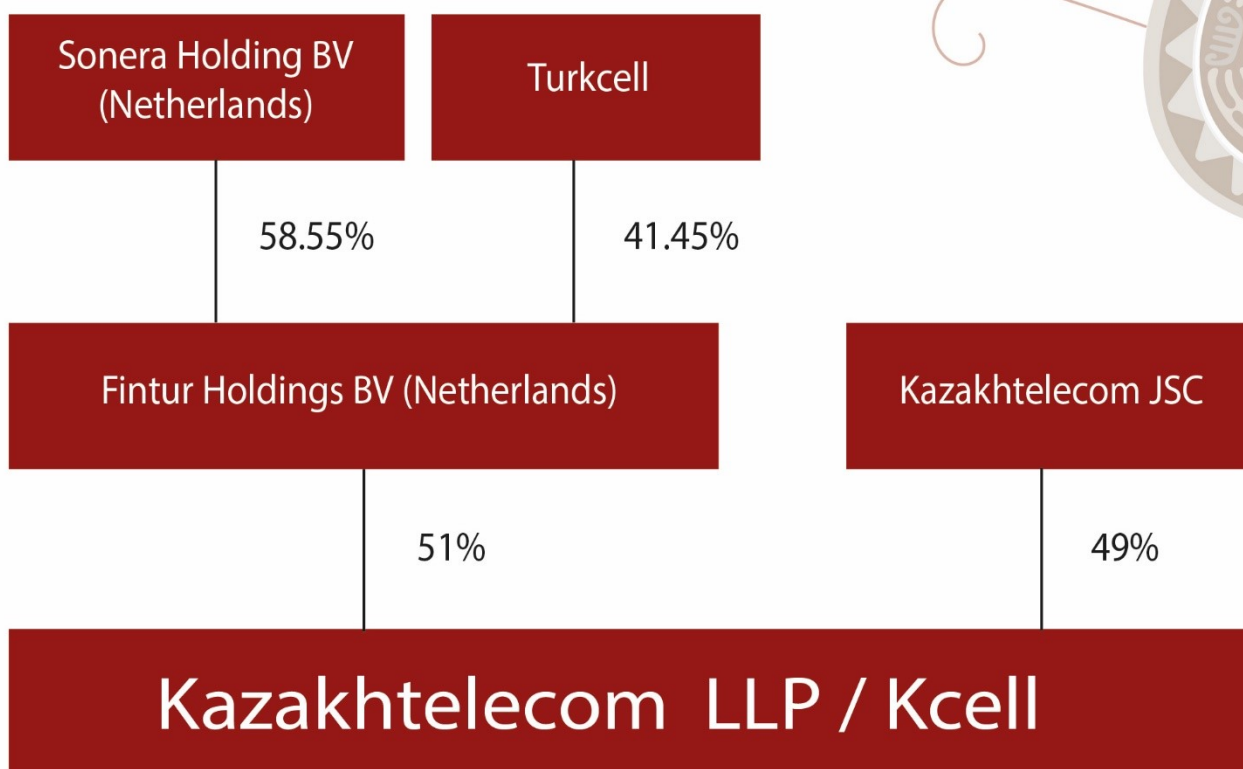
173 <https://investors.kcell.kz/en/article/show/1930/false?navipageId=2496>;

<https://opencorporates.com/companies/nl/24111385>


174 <https://investors.kcell.kz/en/article/show/1930/false?navipageId=2496>

175 <https://www.teliacompany.com/en/about-the-company/history/telia-sonera-and-teliasonera/>

GSM Kazakhstan (Kcell) shareholders prior to 2 February 2012¹⁷⁶



¹⁷⁶ <https://investors.kcell.kz/en/article/show/1930/false?navipageId=2496>



GSM Kazakhstan OAO Kazakhtelecom LLP's prize asset was Kcell, a popular Kazakh cell phone operator. Kcell was a dominant player in Kazakhstan with a market share in 2000 at 70 percent,¹⁷⁷ and a lesser, but still healthy market share in December 2012 of 46.9 percent. Its market share dropped after Tele2 moved into the highly competitive mobile phone market with its purchase of shares in MT-S in 2010.¹⁷⁸

In February 2012, Telia bought a further 49 percent share (using a company called TS Kazakhstan Holding BV¹⁷⁹) in GSM Kazakhstan OAO Kazakhtelecom LLP from state controlled Kazakhtelecom JSC for \$1.52 billion, according to Telia.¹⁸⁰

In July 2012, GSM Kazakhstan OAO Kazakhtelecom LLP transitioned from a limited liability partnership to a joint stock company, with the company offering Global Depository Receipts (GDRs) on the London Stock Exchange in December 2012. The GDR offering consisted of 50 million of Telia's shares, representing 25 percent of the company's share capital, leaving Telia with a 24 percent direct holding and a further percentage through its holdings in Fintur Holdings.¹⁸¹ Media reports say that Telia owned 61.74 percent of Kcell after the offering, suggesting that Telia bought back some of the shares. GSM Kazakhstan OAO Kazakhtelecom LLP was then renamed Kcell JSC.¹⁸²

177 <https://www.hhs.se/contentassets/820a5f7d17c143eda38b8cfb74ae8cb7/presentation-on-kcell-overview-26042013.pdf>

178 <https://investors.kcell.kz/en/article/show/1968?navipageId=1191>

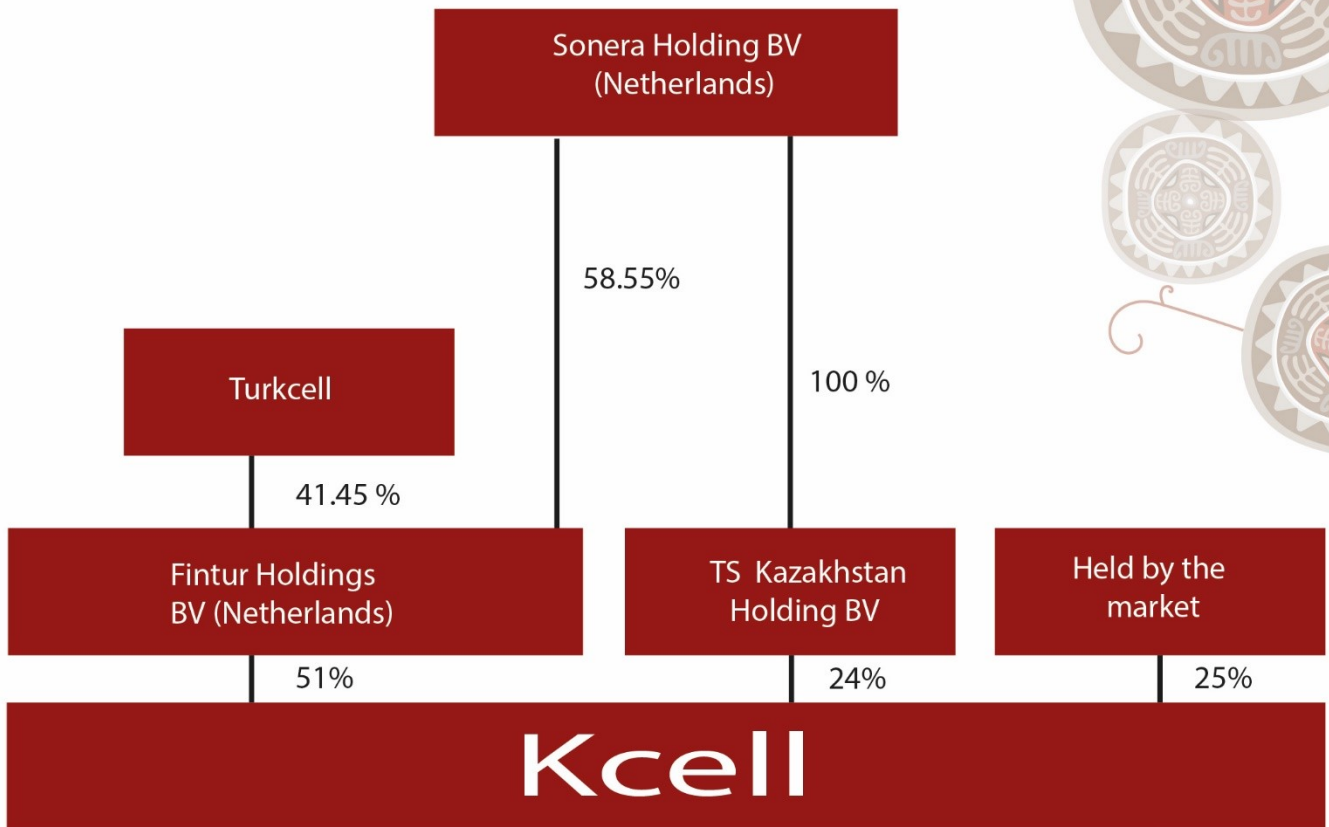
179 <https://www.teliacompany.com/globalassets/telia-company/documents/investors/presentations/2018/kcell-divestment-and-fintur-dismantling.pdf>, p7

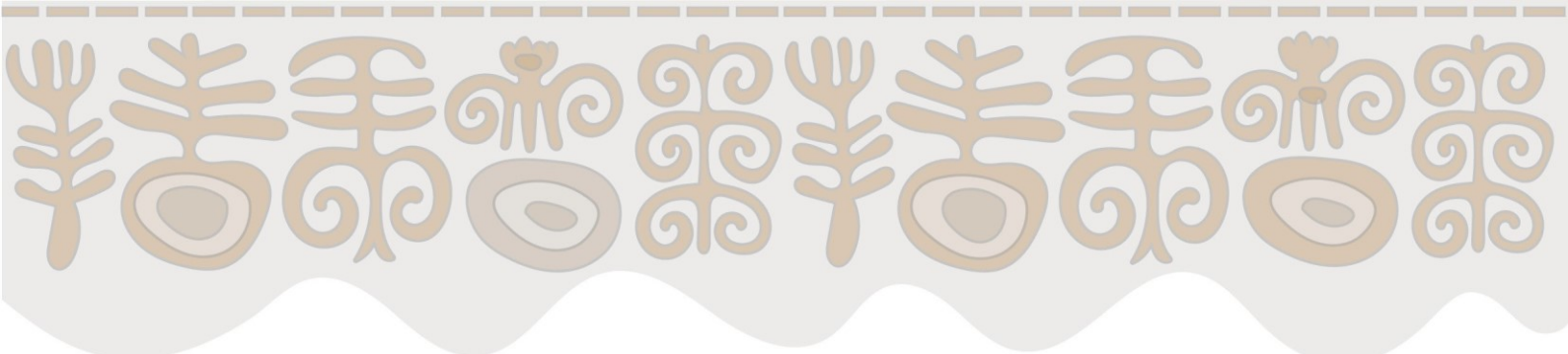
180 <https://www.teliacompany.com/en/news/press-releases/2011/12/teliasonera-increases-its-ownership-in-kcell-and-prepares-for-ipo/>, <https://en.tengrinews.kz/companies/Kazakhtelecom-sold-its-Kcell-share-to-the-Swedish-company-6320/>

181 <https://investors.kcell.kz/en/article/show/1930/false?navipageId=2496/>

182 https://kase.kz/files/emitters/KCEL/kcel_f9_2012_eng.pdf, p3

GSM Kazakhstan (Kcell) shareholders after July 2012





The GDRs' price range caused some raised eyebrows as it valued the company at significantly less than it was when Telia bought its stake just five months previously, calling into question the amount it paid earlier in the year.¹⁸³ Indeed, American research firm Muddy Waters raised this question some years later following Telia's bribery scandal in Uzbekistan. According to it, Telia overpaid for its 49 percent interest in Kcell, as it represented a 50 percent premium to Kcell's IPO of \$525 million price months later.¹⁸⁴

At the time Telia bought Kcell shares in 2012, Deran and Bodam were shareholders in Kazakhtelecom JSC (holding a combined 26.5 percent).¹⁸⁵ This means that the deal would have indirectly benefited the unknown shareholders who stood behind Deran and Bodam. As described above, Aigul Nuriyeva was the director of Bodam at this time, and reported owner of both companies at their point of sale in 2016.¹⁸⁶

Telia finally exited Kazakhstan in December 2018, when Kazakhtelecom JSC bought back a 75 percent stake in Kcell from Sweden's Telia and Turkcell for \$446 million¹⁸⁷ – over \$1 billion less than the \$1.52 billion Telia paid for a lesser stake, 49 percent, just six years prior in 2012. One could argue that this was because Telia was not in a position to strike a good deal: its own value decreased dramatically after paying hundreds of millions of dollars to resolve the Uzbekistan bribery scandal. However, Kcell's discounted 2018 price raises further suspicion about the original price Telia paid for Kcell shares in 2012. It may be that the high price Telia originally paid for Kcell was just a bad deal; however Telia's business history in Kazakhstan suggests otherwise, especially given what is known now about Telia's payments in Uzbekistan.

183 Lennighan, Mary, Kazakhstan's Kcell prepares for London listing, TotalTelecom, 9 December 2012.

184 https://ftalphaville-cdn.ft.com/wp-content/uploads/2015/10/MW_TLSN_OpenLetter_10152015.pdf, p17. Muddy Waters give a lower figure SEK 9.3419 billion, or \$1.1519 billion, for Telia's purchase price of 49% of Kcell. The \$1.5 billion appears to be correct, which means that Telia actually paid a 75% premium on what the company was worth.

185 http://telecom.kz/storage/files/_95/66/5d/64/53/95665d64533b8e02f917f0dbdc0c8b36.pdf p50

186 https://forbes.kz/process/technologies/komu_aygul_nurieva_prodaet_svoi_aktii_ao_kazahtelekom

187 <https://www.teliacompany.com/en/news/press-releases/2018/12/telia-company-divests-its-interest-in-kcell-and-dissolves-fintur-partnership-with-turkcell/>. As part of the deal, Telia agreed to buy Turkcell's share in Fintur. See <https://www.reuters.com/article/kcell-kazakhtelecom-telia-company/update-1-kazakhtelecom-buys-75-pct-stake-in-kcell-from-telia-turkcell-idUSL8N1YH16S>

2. Kcell and Telia buy dormant companies for frequencies

In June 2007, GSM Kazakhstan OAO Kazakhtelecom LLP (Kcell JSC from 2012) entered into an agreement to acquire 100 percent of a company in Kazakhstan, AR-Telecom LLP¹⁸⁸, which had been dormant since its registration in November 2003.¹⁸⁹ As described above, Telia at this point was a shareholder in GSM Kazakhstan OAO Kazakhtelecom LLP/Kcell through Telia's part-owned subsidiary Fintur Holdings BV.

The purpose of the acquisition was supposedly to get a WiMAX license (a family of wireless broadband communication standards) held by AR-Telecom that provided a right to organise wireless radio-access networks over 3.5 MHz spectrum.¹⁹⁰

The total consideration paid for the licences was \$5.587 million,¹⁹¹ though little is known about how AR-Telecom LLP first acquired the licences, how much it originally paid for them, if anything, and whether the original acquisition involved an open and fair bidding process.

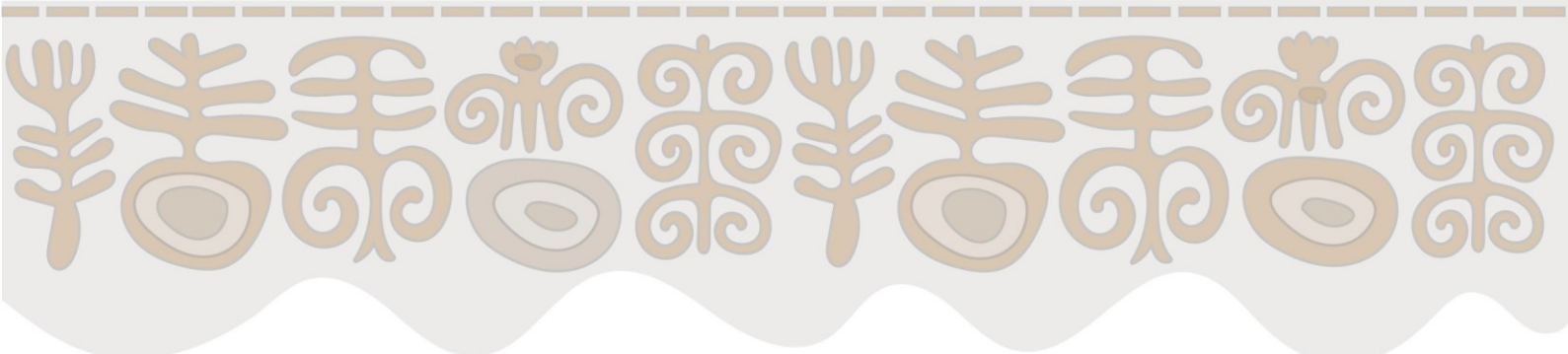


188 https://cdn.occrp.org/projects/corruptistan/documents/azerbaijan-telecom/Fintur_02.pdf, p6

189 <https://pk.uchet.kz/c/bin/031040000770/full/>

190 https://cdn.occrp.org/projects/corruptistan/documents/azerbaijan-telecom/Fintur_02.pdf, p6

191 https://cdn.occrp.org/projects/corruptistan/documents/azerbaijan-telecom/Fintur_02.pdf, p39. The figure is given as USD 5,587 but the top of the page clearly indicates that all figures are expressed in thousands of USD.



According to a Kazakh stock exchange report, AR-Telecom's senior manager was Sergey Leninovich Maximov.¹⁹² A 2009 Kazakh media article describes Maximov as manager of information and technology support at GSM Kazakhstan,¹⁹³ the company later renamed as Kcell in 2012.

It is unclear whether Maximov was at GSM Kazakhstan/Kcell at the time of the sale in 2007. If he was, then GSM Kazakhstan/Kcell (in which Telia was a shareholder) would have bought a dormant, private company directed by one of its own employees.

In 2008, another Kazakh company holding WiMAX licences, KT-Telecom LLP, was up for grabs. KT-Telecom was also described as a dormant company in Fintur's 2009 annual report¹⁹⁴ and Kcell's 2012 financial reporting.¹⁹⁵ Again, there appears to be no information about how KT-Telecom LLP acquired its licence in the first place.

This time Telia, rather than GSM Kazakhstan, paid approximately \$21.5 million¹⁹⁶ for the company, almost four times more than what Kcell paid for AR-Telecom. The director of KT-Telecom was Nurlan Tynyshbayevich Sargaskaev, according to Kcell's reporting.¹⁹⁷

192 https://kase.kz/files/emitters/KCEL/kcel9_2012_eng.pdf, p13

193 <https://profit.kz/news/4840/V-Almati-obsudili-profilaktiku-komputernih-prestuplenij/>

194 We do not have Fintur's 2009 Annual Report, but the key sentence is included in https://ftalphaville-cdn.ft.com/wp-content/uploads/2015/10/MW_TLSN_OpenLetter_10152015.pdf, footnote 50: "KCell acquired KT-Telecom LLP ('KT-Telecom') in 2008, which was dormant at acquisition date."

195 Kcell JSC, 30 September 2012, p20.

196 AR-Telecom price was KZT 677,778,000 (https://kase.kz/files/emitters/KCEL/kcel9_2012_eng.pdf p18) which was \$5.587m https://kase.kz/files/emitters/KCEL/kcel9_2012_eng.pdf, p18

197 https://kase.kz/files/emitters/KCEL/kcel9_2012_eng.pdf, p12

An online biography for Sargaskaev reports that he worked for GSM Kazakhstan/Kcell from 1998 to 2000 as a marketing and sales director, became a project and development manager for the same company in 2002, and launched the commercial GPRS/WAP/MMS services of the Kcell network in 2003.¹⁹⁸

A 2007 article described Sargaskaev as the director for business development of GSM Kazakhstan¹⁹⁹ as did a 2011 business conference where Sargaskaev was a speaker.²⁰⁰

Given this information, it is highly likely that at the time of Telia's purchase of KT-Telecom LLP in 2008, Sargaskaev was an employee of GSM Kazakhstan/Kcell. No information has been made available by Telia on the owners of AR-Telecom and KT-Telecom, nor any due diligence that the company performed on them.

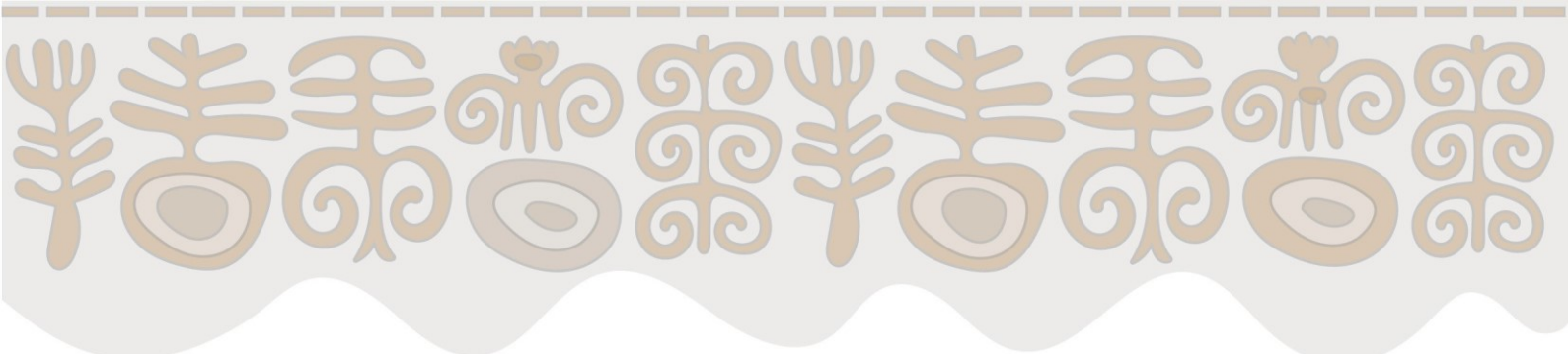


*Nurlan Sargaskaev.
Photo Kcell reports*

198 http://www.raexpert.kz/jquery/bio/iframe_new.php?id=67

199 <https://profit.kz/articles/236/Nashi-seti-pritaschili-GSM/>. He appears to have still been in this position in 2011: A 2011 business conference at which Sargaskaev was speaking also gives him this title. See <https://www.raexpert.kz/events/e100kz-2011/program>

200 <https://www.raexpert.kz/events/e100kz-2011/program/>. Sargaskaev would go on to become Kcell's chief commercial officer, and then acted as the CEO of Ncell, a telecoms company in Nepal that Telia also owned, in June 2013 (See Regulatory News Service, Kcell year end report Jan-Dec 2013, 30 Jan 2014).



Telia's acquisition of dormant companies to seemingly acquire licences is strange:

According to Tele2, when the Kazakhstan government took the decision to issue rights of use for spectrum in the 2.1 GHz band in December 2009 (coming into force in January 2010), the regulator proposed that the spectrum would be divided equally amongst the three existing operators (Tele2 KZ, Kcell, Beeline) for a fee. Tele2 reported that it obtained a license authorizing the use of two blocks of 20 MHz spectrum in the 2.1 GHz band in January 2010 at a fee of approximately \$34.3 million.²⁰¹

It is unclear why the WiMax license acquisition was held differently. It is suspicious that GSM Kazakhstan and Telia acquired these frequencies from dormant, private companies with hidden owners rather than from the Kazakh government as Tele2 reports it did in a similar situation.

It is possible that AR-Telecom LLP and KT-Telecom LLP had politically connected owners looking to cash in on their license ownership. Alternatively, it is also possible that the scheme was not about acquiring licences at all; but, about making payments in order to facilitate Telia's continued operation in Kazakhstan.

This would be similar to Telia's conduct in Uzbekistan where it made payments to Takilant, Swisdorn, Expoline and other shell companies created by Uzbek nationals, but controlled by the Uzbek president's daughter, Gulnara Karimova, through her proxies.²⁰²

The parallel is clear: Takilant, a Gibraltar registered company controlled by Karimova, received bribes from Telia and a Dutch telecoms company, Vimpelcom, in return for wireless frequencies.²⁰³

201 Using exchange rate of 0.00686 KZT to 1 USD (<https://www.x-rates.com/average/?from=KZT&to=USD&amount=1&year=2011>)

202 Alisher Ilkhamov, Grand corruption in Uzbekistan 's telecommunications sector. Roots causes and Social costs, 2017, https://www.academia.edu/35401966/Grand_Corruption_in_Uzbekistan_s_Telecommunications_Sector_Root_Causes_and_Social_Cost

203 <https://www.bloomberg.com/news/articles/2016-07-20/takilant-found-guilty-of-accepting-bribes-from-telia-vimpelcom>

According to the U.S. Department of Justice *no part of the \$25 million paid to Takilant [by Vimpelcom] was legally required to obtain rights to use the frequencies in Uzbekistan.*²⁰⁴

The U.S. Department of Justice concluded that *the payments to Takilant were in fact made for the “corrupt purpose” of obtaining Karimova’s influence with Uzbek government officials, and to assist Vimpelcom operate in the national telecommunications market.*²⁰⁵

As Muddy Waters sums up regarding Telia’s purchase of KT-Telecom:

*Although the beneficial owner is unknown, it is similar to the pattern in Uzbekistan.*²⁰⁶



204 Complaint. United States of America v. all funds held in account number CH1408760000050335300 at Lombard Odier Darier Hentsch and Cie Bank, Switzerland, on Behalf of Takilant Limited, and Any Property Traceable Thereto et al, Case No. 1:16-cv-01257, para. 62 (S.D.N.Y. Feb. 18, 2016).

205 Ibid, para. 97.

206 https://ftalphaville-cdn.ft.com/wp-content/uploads/2015/10/MW_TLSN_OpenLetter_10152015.pdf, p28

3. Telia buys “worthless” company

In August 2012, six months after Telia bought a further 49 percent (later reduced after a public offering of shares) stake in Kcell, it was looking to buy further WiMax capabilities in Kazakhstan.

Telia and Kcell describe the deal, concluded in January 2013, differently. According to Kcell, Telia bought all the participatory interests in the charter capital of a company called KazNet Media LLP for US\$170 million,²⁰⁷ “of which \$20 million has been paid by way of a non-refundable deposit.”²⁰⁸

In its own reporting on the transaction, Telia stated that it acquired the WiMax operations of Alem Communications for \$106 million, and bought the Kazakh company KazNet Media, which “received a \$64 million shareholder contribution from TeliaSonera.”²⁰⁹

Alem Communications was founded in 2008 in Kazakhstan with an aim of growing its cable and wireless broadband operations with new services and acquiring new subscribers.²¹⁰ Prior to Telia’s purchase of Alem, two companies, Midas Telecom and Mymari Holding BV, bought a 13.0561% stake in Alem for \$20.4 million in April 2012. This put Alem’s corporate value at \$156.3 million.²¹¹

At some point in 2012, Midas Telecom appears to have purchased all of Alem Communications. According to Telia’s own reporting, it bought Alem Communications “from its owner Midas Telecom” for \$106 million.²¹²

207

https://static.kcell.kz/files/investors_reports/Investors_year_reports/Interim_Financial_Statements_6m%202013.pdf, p18

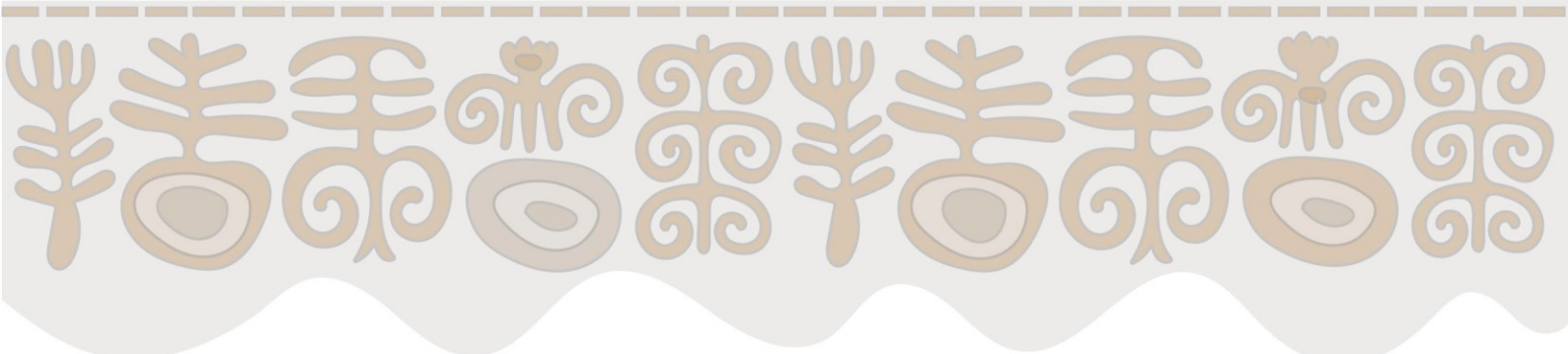
208 https://static.kcell.kz/files/investors/Kcell_JSC_Prospectus_en.pdf, p58

209 https://www.teliacompany.com/globalassets/telia-company/documents/reports/2012/annual-report/teliasonera_annualreport_2012_eng.pdf, p27

210 <https://www.investegate.co.uk/tau-capital-plc/rns/joint-venture-investment/200903251445024749P/>

211 <http://www.taucapitalplc.com/wp-content-tau/uploads/Tau-Capital-Plc-06-2012-4-INTERIMS-FINAL.pdf>, p26

212 https://www.teliacompany.com/globalassets/telia-company/documents/reports/2012/annual-report/teliasonera_annualreport_2012_eng.pdf, p27



According to other information published by Telia at the time of the deal, Midas Telecom LLP was owned by Aigul Nuriyeva.²¹³ No information appears to have been released at the time on the owner of KazNet Media. According to Kcell’s prospectus, KazNet Media was also owned by Midas Telecom, though as this reporting refers to the entire \$170 million transaction, which included the purchase of Alem Communications, the exact details of the purchase are unclear.²¹⁴

Telia bought KazNet Media because it held a 100 percent participatory interest in two companies: Aksoran LLP and Instaphone LLP, described as “companies holding frequencies possibly eligible for 4G”²¹⁵ by Telia. This deal again begs the question: Why did Telia not get these frequencies directly from the Kazakh government?

When companies were obtaining rights for licences for 3G, Tele2 noted that, “All operators in the country were granted the same right to frequencies for UMTS/3G operations and paid the same amount directly to the relevant authority.”²¹⁶

The situation with 4G was a little different, with Tele2 saying it did not directly hold a license, but obtained access as a result of a transaction with another company, through a Joint Operating Agreement, and that the origin of access to 4G lay with Kazakhtelecom JSC which during 2011 was granted a frequency for a fee of KZT 5 billion (approx. \$33.2 million²¹⁷) which was paid in December 2012.²¹⁸

213 <https://www.investigate.co.uk/teliasonera-ab--tee-/bus/teliasonera-completes-transactions-for-mobile-d---/20121228165500Z7571/>, <https://www.teliacompany.com/en/news/press-releases/2012/12/teliasonera-completes-transactions-for-mobile-data-growth-in-kazakhstan>

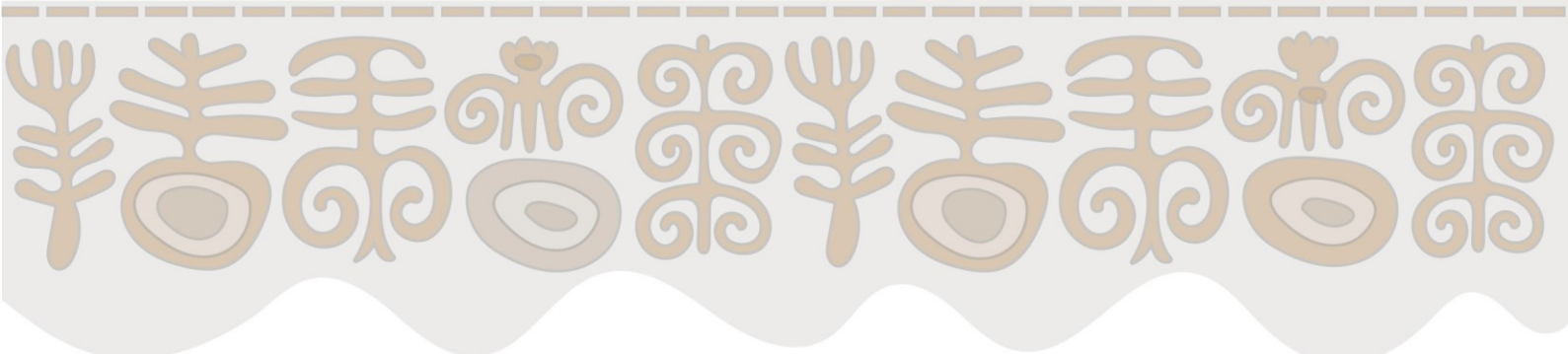
214 https://static.kcell.kz/files/investors/Kcell_JSC_Prospectus_en.pdf, p58

215 http://www.annualreports.com/HostedData/AnnualReportArchive/k/LSE_KCEL_2015.pdf

216 https://halberdbastion.com/sites/default/files/2017-08/Tele2_Whitepaper_Kazakhstan-Operations-Dec-2014.pdf, p12

217 Using exchange rate of 0.006646 KZT to \$1, according to <https://x-rates.com/average/?from=KZT&to=USD&amount=1&year=2012>

218 <https://www.tele2.com/globalassets/documents/sustainability/tele2-kz-exit-report---final.pdf>, p16



Why did Telia not also use the frequency held by Kazakhtelecom JSC, which was at that time a co-shareholder in Kcell with Telia? If this was not possible, it should have paid a similar fee of around \$33.2 million for access to the frequency. Instead, Telia paid KazNet Media a \$64 million “shareholder contribution” – almost double the fee that Kazakhtelecom paid for its licence. The main reason why the allocation for 4G was so opaque was because the Kazakh government itself had decided not to hold a tender through an auction – a much more transparent process – as it had done with 2G in 1998. Indeed, the allocation process regarding 4G has been widely criticized²¹⁹ and led to the opaque, dubious dealings of Telia.

And in actual fact, for Telia and Kcell, the deal to buy KazNet Media – ostensibly to acquire 4G frequencies – was an awful one. Telia recognized a \$76 million non-cash impairment charge in December 2013 in its 2013 annual report.²²⁰ Telia reported that it would take longer than expected to achieve full use of its frequencies since it did not have a 4G license.²²¹ In summary, Telia could have signed an agreement with its fellow Kcell shareholder Kazakhtelecom for a 4G licence, yet instead purchased a company for twice the price, and still did not acquire a 4G licence. Muddy Waters summary of this situation was that, “according to Telia's new management, which completely wrote off this acquisition between 2013 and 2014, the assets were worthless.”²²² Ultimately, Kcell had to pay a further fee of KZT 26 billion (\$74.348 million) in 2016 in order to acquire 4G and other frequencies.²²³

It is possible that Telia simply made an unwise or misguided decision. However, there is a possibility that the deal was used to extract cash – wittingly or otherwise – from Telia by the beneficiary of the deal – Midas Telecom, which was owned by Nuriyeva, a politically exposed person who had links to a key political figure in Kazakhstan, Karim Masimov.

219 <https://informburo.kz/stati/pochemu-otkrytyy-aukcion-na-chastoty-5g-nuzhen-telekomrynku-i-kazahstancam.html>

220 December 2013 exchange rate: 0.152765 SEK to US\$1. See <https://www.x-rates.com/average/?from=SEK&to=USD&amount=1&year=2013>

221 https://www.teliacompany.com/globalassets/telia-company/documents/reports/2013/annual-report/teliasonera_ar2013_eng.pdf, p79

222 https://ftalphaville-cdn.ft.com/wp-content/uploads/2015/10/MW_TLSN_OpenLetter_10152015.pdf, p30

223 https://forbes.kz/process/technologies/skolko_zarabotaet_pravitelstvo_kazahstana_na_prodaje_chastot_dlya_4g, According to this article, Kcell had to pay KZT 4 billion (\$11.1 million, using Jan 2016 rate of 0.002774 = \$1) by February 2016, KZT 10 billion by March 2016 (\$27.92 million using Feb 2016 rate of 0.002782 = \$1) and KZT 12 billion by December 2016. (\$35.33 million using Nov 2016 rate of 0.002944 = \$1) Exchange rates from <https://x-rates.com/average/?from=KZT&to=USD&amount=1&year=2016>

4. More Masimov proxies? The KazTransCom deal

In December 2012, Telia bought a minority stake in KazTransCom JSC (KTC) for \$22 million in consideration,²²⁴ a company that operates a fibre network and provides other telecom services for the corporate sector in Kazakhstan. Option rights related to the KazTransCom transaction cost around US\$13 million more.²²⁵ Muddy Waters took issue with the option rights, saying they were “of very questionable value and the seller might be a problematic party”²²⁶ – in other words, a politically-exposed person.

Who owned KazTransCom? KTC’s auditor’s report (prepared by PriceWaterhouse Coopers) for the period ending 31 December 2011 says that “based on the foundation agreements, the Group is ultimately owned and jointly controlled by Mr. Nalibayev A.Z. and Mrs. Sagdiyeva R.M. who are the owners of Rodnik LLP (the “Parent company”).”²²⁷

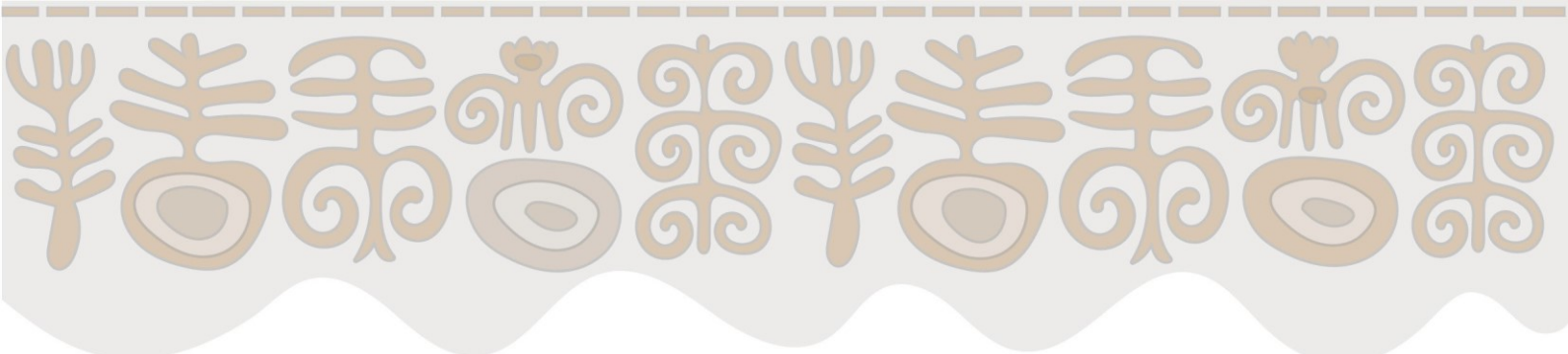


224 https://www.teliacompany.com/globalassets/telia-company/documents/reports/2013/annual-report/teliasonera_ar2013_eng.pdf

225 <https://www.commsupdate.com/articles/2013/01/02/teliasonera-completes-alem-deal-wimax-firm-to-be-merged-with-kcell-unit/>

226 https://ftalphaville-cdn.ft.com/wp-content/uploads/2015/10/MW_TLSN_OpenLetter_10152015.pdf, p29

227 http://kase.kz/files/emitters/KZTC/kztcf6_2011_cons_e.pdf, p5 (p10 of the PDF)



Raushan Sagdiyeva²²⁸ is the daughter of Maktai Sagdiyev, a former speaker of the Supreme Soviet of the Kazakh Socialist Republic before Kazakhstan gained its independence. A 2018 article in *The Diplomat* said that Sagdiyeva was “allegedly close to ex-Prime Minister Karim Masimov.”²²⁹ According to one news article from Kazakhstan, Sagdieva worked with Aigul Nuriyeva in the late 1990s at Halyk Bank²³⁰ at the time when its chairman was Karim Masimov.²³¹ As mentioned above, since its inception, Halyk Bank has been owned by Timur Kulibayev and his wife, Dinara.²³²

It is worth noting that Sagdiyeva also has professional ties also to Kulibayev: Sagdiyeva worked from 2004-2005 as the deputy general director of a company called KazStroiServis, and then at another Kazakh company, Mercury LLP, in 2005,²³³ both of which are owned by Kulibayev.²³⁴

An online biography indicates that the other owner of KTC, Abdukalyk Zakrovich Nalibayev, worked until 2006 almost entirely as an official in either the Kazakh government or in state owned enterprises, including stints as the Deputy Chairman of the Board of the National Bank of Kazakhstan (1998-2000) and the First Deputy Minister of Transport and Communications (2000-2002). A government decree from March 1999 indicates that Nalibayev became a board member of Kazakhtelecom acting in his role as a Deputy Minister.²³⁵

228 <https://www.investigate.co.uk/teliasonera-ab--tec-/bus/teliasonera-completes-transactions-for-mobile-d---/20121228165500Z7571/>

229 <https://thediplomat.com/2018/02/telias-exit-consolidates-state-ownership-in-kazakhstan-telecoms-sector/>

230 https://www.cnews.ru/news/top/teliasonera_zapltila_200 mln_lyudyam, An online biography of Sagdieva confirms her position at the People’s Bank (Halyk) from 1998 to 2004 (see <https://centrasia.org/person2.php?st=1257500732>)

231 <https://carnegieendowment.org/2012/03/26/background-on-karim-massimov-pub-47645>

232 <https://www.forbes.com/profile/timur-kulibaev/#30ac549c329f> ; https://www.inform.kz/ru/12-marta-kalendar-kazinforma-daty-sobytiya-imena_a2880133


233 <https://centrasia.org/person2.php?st=1257500732>. The company’s name in Russian is TOO Merkury, TOO being the equivalent of an LLP.

234 <https://forbes.kz/ranking/object/40>,

<https://www.telegraph.co.uk/finance/newsbysector/energy/8488210/Lakshmi-Mittal-to-take-300m-stake-in-Kazakh-oil-services-firm.html>

235

https://tengrinews.kz/zakon/pravitelstvo_respubliki_kazahstan_premier_ministr_rk/hozyaystvennaya_deyatelnost/id-P000001261_/



Nalibayev then went on to become Deputy Head of the Office of the Prime Minister of Kazakhstan (2002-2006) and Director of the Government Procurement Agency of the Republic of Kazakhstan (2003-2006²³⁶).²³⁷

One notable position Nalibayev held outside of state work is the Deputy Chairman of Halyk Bank from 1997-1998, chaired at the time by Karim Masimov, who left in 2000 to become Kazakh Minister of Transport and Communications.²³⁸ This means that Nalibayev acted as Masimov's deputy on two occasions, in this ministry and at Halyk Bank.

One article suggests that Nalibayev became head of the government procurement agency on the recommendation of Masimov.²³⁹ Nalibayev appears to have left government work in 2006.²⁴⁰

This information is a strong indication that Nalibayev may have been acting as a “trusted representative” of Masimov in the KTC deal, given the close professional ties between the two men.

Although Telia mentions Sagdiyeva in its reporting, it omits any mention of Nalibayev, and does not explain the KTC deal in its entirety. This information is available from KTC and Kcell reports which outline how in 2012, prior to Telia's purchase of a minority stake, KTC's shareholding changed.


236 <http://nomad.su/?a=2-200701110123>. This article suggests Nalibayev stepped down / was dismissed in 2006.

237 <http://www.mlm-people.net/novosti/item/15192-novym-direktorom-agentstva-kazahstana-pogozakupkam-stal-a-nalibaev>

238 https://online.zakon.kz/Document/?doc_id=30095276

239 <http://nomad.su/?a=2-200701110123>

240 <http://nomad.su/?a=2-200701110123>



KTC's 2013 financial statement says that from January 2013 Rodnik Inc no longer held the entire shareholding of KTC. At this point it owned 79.92 percent, along with a company called Telekom Asia LLP, which held 9.91 percent.²⁴¹

Information from Kazakhstan suggests that Telekom Asia LLP was registered in Kazakhstan in December 2012 several weeks before buying into KTC. Its sole shareholder, according to a source in Kazakhstan, was at this time a company registered in the British Virgin Islands, called Bleston Finance Ltd,²⁴² whose beneficial ownership was unknown.

Once again Telia was going into business with partners whose ultimate ownership was not revealed. Telekom Asia sold its shares sometime in 2014 as it was no longer listed as a shareholder in KTC's 2015 annual report.²⁴³

The remainder of KTC (10.17 percent) was held by "other shareholders",²⁴⁴ including "KTC management and public shareholders."²⁴⁵

241 http://kase.kz/files/emitters/KZTC/kztcf6_2013_cons_eng.pdf, p5 (8 of the PDF)

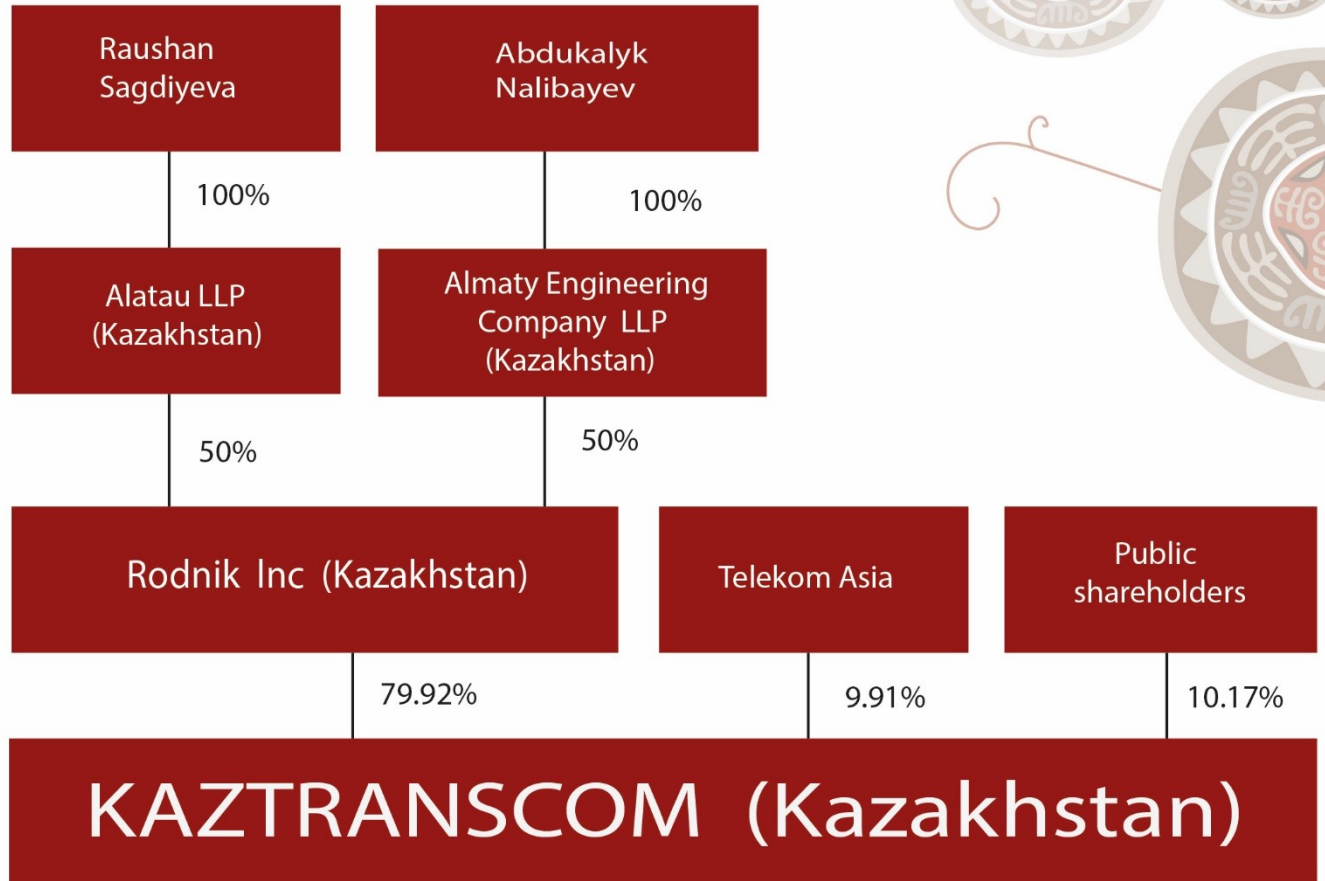
242 http://kase.kz/files/emitters/KZTC/kztcf6_2015_cons_eng.pdf, p8 (10 of the PDF)

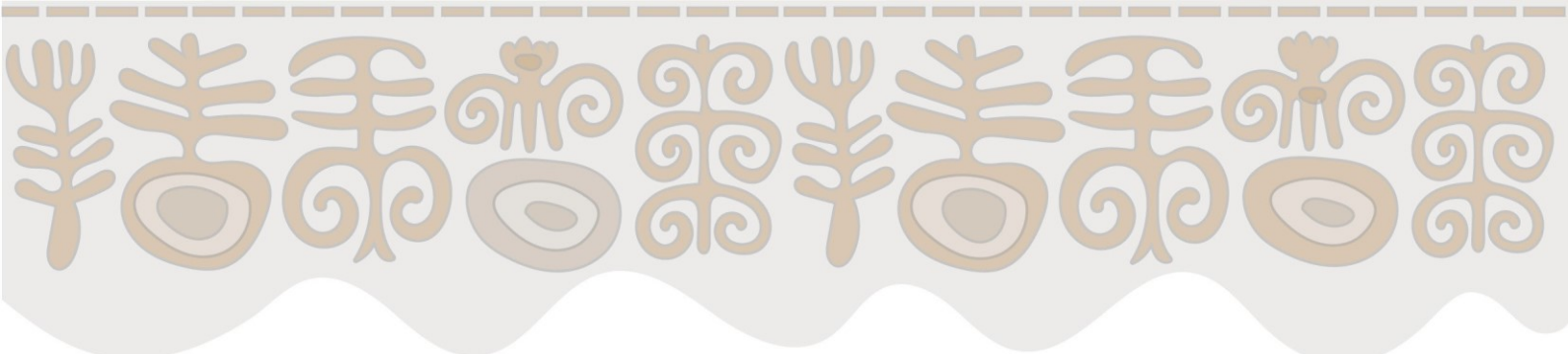
243 http://kase.kz/files/emitters/KZTC/kztcf6_2015_cons_eng.pdf, p8 (10 of the PDF)

244 http://kase.kz/files/emitters/KZTC/kztcf6_2013_cons_eng.pdf, p5 (8 of the PDF)

245 https://static.kcell.kz/files/investors/Kcell_JSC_Prospectus_en.pdf, p57

Ownership structure of KazTransCom, December 2012, prior to Telia buy in





The company through which Nalibayev owned his shares in KTC is not mentioned by Telia or Kcell in reporting from this time. This was only revealed in KTC 2017's financial report (this time prepared by Deloitte) to be a company called Almaty Engineering Company LLP.²⁴⁶ Information released by the Kazakh stock exchange in 2018 suggests that Almaty Engineering Company LLP became a shareholder in Rodnik Inc back in October 2008.²⁴⁷

Almaty Engineering Company LLP appears to be another company dominated by quasi-state interests acting in a private capacity. Not only was the company controlled at least to the end of 2012 by Abdukalyk Nalibayev, a state official until 2006, but a man called Rakhmyzhan Tungusbayev acted as a director from 2008 to 2013 and again from 2015 to 2017.²⁴⁸

An online biography indicates that Tungusbayev worked between 2003 and 2007 as a public official in Kazakhstan monitoring compliance with the law on public procurement. He returned to state employment in 2017 after leaving Almaty Engineering Company LLP, working in the Ministry of Finance.²⁴⁹

There is little information available about Almaty Engineering Company LLP. Telia only revealed that this was its partner in Rodnik Inc in 2018, after the resolution of a dispute that began in 2016 between Telia and Almaty Engineering Company LLP.²⁵⁰ The Kazakh company had initiated arbitration proceedings in London against Telia, requesting damages for alleged breach of contract and mismanagement.²⁵¹ The dispute ended when Telia exited KTC (and Kazakhstan as a whole) in 2018.

246 http://kase.kz/files/emitters/KZTC/kztcf6_2017_cons_eng.pdf, p10 (12 of PDF)

247 http://kase.kz/files/emitters/KZTC/kztcfa3_2018.pdf, p3

248 <https://www.sk.kz/ru/leadership/tungusbaev-rahymzan-konusbekovic/>

249 <https://www.sk.kz/ru/leadership/tungusbaev-rahymzan-konusbekovic/>

250 <https://www.teliacompany.com/globalassets/telia-company/documents/reports/2018/annual-report/telia-company--annual-and-sustainability-report-2018.pdf>, p177;

<https://www.teliacompany.com/en/news/news-articles/2018/closing-kaztranscom/>

251 <https://www.teliacompany.com/globalassets/telia-company/documents/reports/2018/annual-report/telia-company--annual-and-sustainability-report-2018.pdf>, p162



Who stood behind Lovou BV?

As stated above, Telia bought its shares in KTC (using its subsidiary, Sonera Holding) from an entity, Rodnik Inc, owned by Raushan Sagdiyeva, whose family is part of the Kazakh political elite. A closer examination of the deal shows that Sagdiyeva actually sold her shares in Rodnik Inc to two different parties: Sonera Holding, and a second company called Lovou BV.

Kcell's reporting indicates that Lovou BV is part of a Kazakh investment company, Visor Group, referring to it throughout as the "Visor Entity".²⁵² When Kcell offered shares on the London Stock Exchange in the form of Global Depository Receipts in December 2012, Visor Capital acted as Joint Global Coordinators and Joint Bookrunners.²⁵³

The Visor Group is another company with close ties to the Kazakh elite. In leaked emails from intelligence firm Stratfor, controversial Kazakh dissident and former banker Mukhtar Ablyazov – himself accused of embezzling funds from the Kazakh bank he chaired – alleges that Kulibayev secretly owns Visor Capital.²⁵⁴

By looking at the shareholding structure of Lovou BV we again see the involvement of the Kazakh political elite. According to KTC's 2013 financial report, the ultimate owners of Lovou BV "are individuals, each of them holds less than 10%."²⁵⁵ Their names are not given. However, according to the 2017 financial report, Lovou's shareholding structure had changed at that point, with "60 percent owned by Karibzhanov A. and others each of them holds [*sic*] less than 10%."²⁵⁶

252 https://static.kcell.kz/files/investors/Kcell_JSC_Prospectus_en.pdf, p58

253 <https://investors.kcell.kz/en/article/show/1571?navipageId=1191>

254 https://wikileaks.org/gifiles/docs/54/5476234_re-fw-fwd-timur-articles-.html

255 http://kase.kz/files/emitters/KZTC/kztcf6_2013_cons_eng.pdf, p5 (10 of the PDF)

256 http://kase.kz/files/emitters/KZTC/kztcf6_2017_cons_eng.pdf,

Aidan Karibzhanov is Chairman of the board of Visor Capital.²⁵⁷ He was named in Kazakhtelecom JSC's Annual Report of 2009 as the Chairman of its Board of Directors, as a representative of the state company Samruk-Kazyna.²⁵⁸

Although Karibzhanov no longer held this position as of 2012 when the KTC deal took place it once again underlines the fluid nature of state and private property within Kazakhstan. Karibzhanov's own career is a striking example of this, with the businessman flitting in and out of state business: according to an online biography, from 2001 to 2004 he served as the Managing Director of Visor Holding LLP (a private company which is part of the Visor Group), then moved to state employ, appointed as managing director of state oil and gas company KazMunaiGaz in 2004.



Aidan Karibzhanov. Photo forbes.kz

He then moving back to the private sphere from 2005 to 2007 as the president and chairman of the board of directors at Visor Holding LLP, and then yet again returned to state work, serving first as the managing director of Samruk-Kazyna JSC in 2008, then also as a member of its management board in 2009.²⁵⁹

The conflict of interest here is clear, and raises the possibility that Karibzhanov abused his position as a state official to benefit a private company that he had close links with.²⁶⁰

²⁵⁷ <https://www.startupgrind.com/events/details/startup-grind-almaty-presents-aidan-karibzhanov-visor-capital/>

²⁵⁸ http://telecom.kz/storage/files/_8f/e0/1c/a7/8d/8fe01ca78da103f0128d3b4826a33927.pdf p23

²⁵⁹ <https://www.startupgrind.com/events/details/startup-grind-almaty-presents-aidan-karibzhanov-visor-capital/>

²⁶⁰ Indeed, Ablaev alleges that Karibzhanov did abuse his role as a state official when Karibzhanov moved to KazMunaiGaz at the end of 2003. According to Ablaev, Karibzhanov worked with then Vice President of KazMunaiGaz and Timur Kulibayev to dispose of state held oil and gas assets that were supposedly unprofitable, but were actually potentially lucrative. These assets, according to Ablaev, were then sold to private entities controlled by Kulibayev, where they grew into billion dollar companies. The only issue here is that Ablaev says that Karibzhanov moved to KMG in December 2003 although Karibzhanov's biography says he only moved to KMG in 2004. See <https://publications.parliament.uk/pa/cm200910/cmselect/cmfaif/memo/human/m21702.htm>

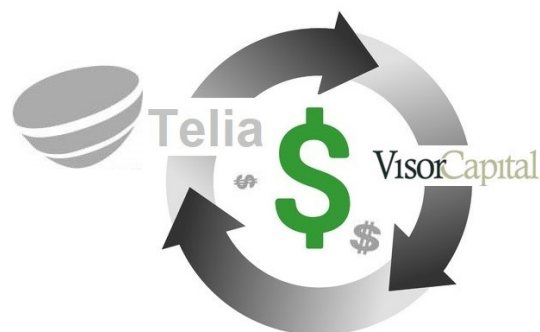
One of the most curious parts of the story is the fact that in order for Visor’s Lovou BV to buy its 25 percent stake in Rodnik, Telia’s Sonera loaned Lovou BV the required funds.

According to Muddy Waters, the loan totaled SEK 182.5 (\$22.5 million) and was “undisclosed in press releases and other corporate filings” by Telia.

Telia’s loan to Visor Capital – a large private investment company favoured by the Kazakh state – is strange.

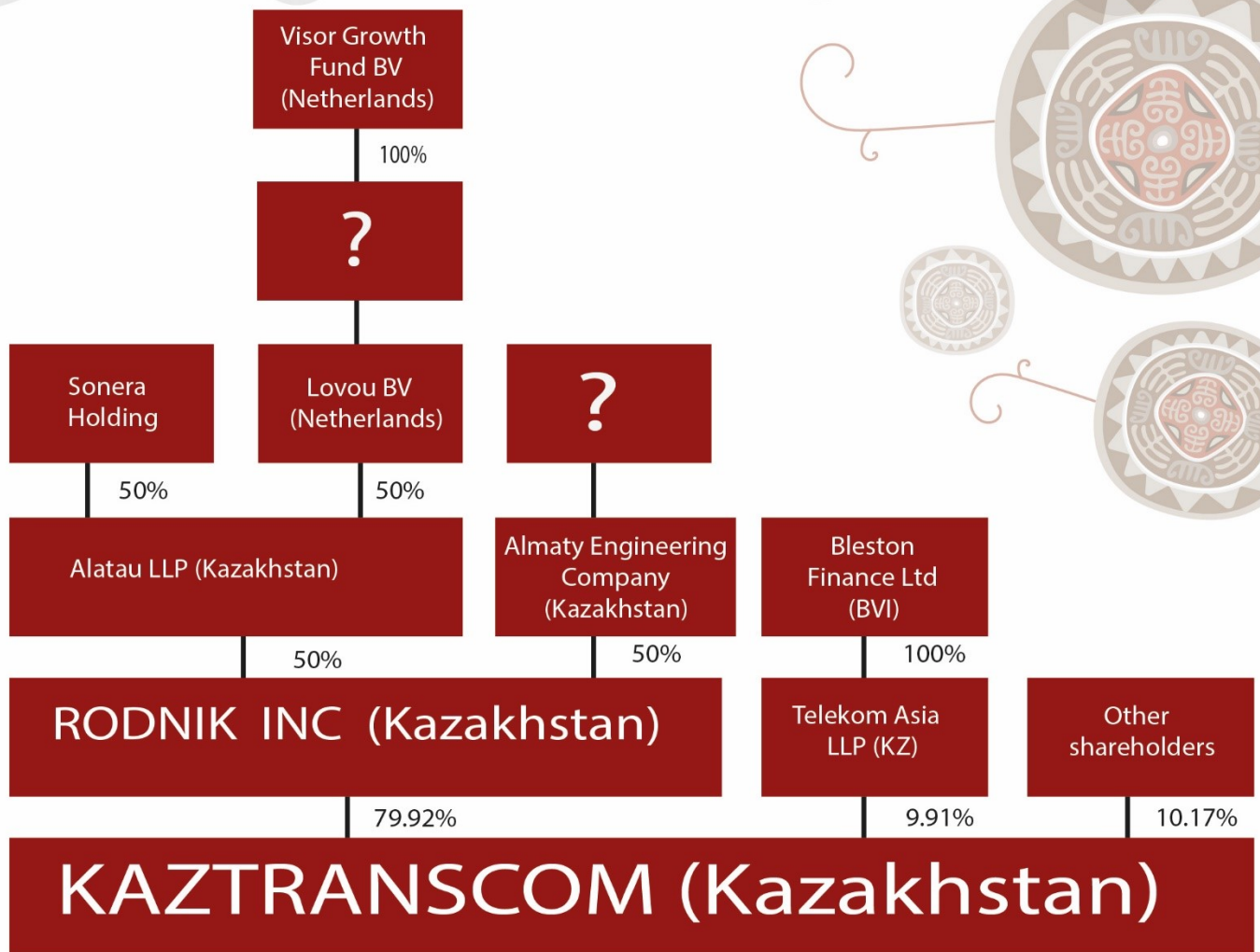
Muddy Waters research says that, according to Visor’s financials, three years later, \$24.5 million was still due to Telia, *strongly suggesting that the loan is non-performing, and Telia has not foreclosed on the collateral, suggesting that the deal might not have been entered into on normal commercial terms and that the beneficiary, incidentally, could have been a problematic party.*²⁶¹

In other words, the loan could have been a bribe to politically exposed people in Kazakhstan.



²⁶¹ https://ftalphaville-cdn.ft.com/wp-content/uploads/2015/10/MW_TLSN_OpenLetter_10152015.pdf, p18, citing Lovou B.V. 2014 Annual Report, and p29.

Ownership structure of KazTransCom, January 2013, after Telia buy in



Who controlled KTC after Telia bought in?

The 2013 KTC financial report contains a curious omission. It says that, as of the end of both 2012 and 2013, the owners of KTC were Rodnik Inc, Telekom Asia LLP and other shareholders in the percentages indicated in the chart above. It says that at 31 December 2012 Nalibayev and Sagdiyeva “jointly controlled the Group’s operations”²⁶² but it gives no mention of who controlled the company at the end of 2013, by which point we know that at least Sagdiyeva had sold all of her shares to Lovou BV and Telia’s Sonera Holding. The financial reports from 2014-2016 continue to repeat this line about control of the company “at 31 December 2012” without updating the date.

The 2017 report then indicated that Nalibayev was the ultimate owner of Almaty Engineering Company at this time.²⁶³ It is thus unclear whether Nalibayev continued to control KTC through Almaty Engineering Company from 2013 to 2017. One source from Kazakhstan alleges that he did not, that he sold his shares in Almaty Engineering Company to structures controlled by Aigul Nuriyeva. Although this has not been verified, the lack of transparency yet again highlights how hidden – and potentially political – interests control key assets in Kazakhstan.

One further change to KTC’s shareholding structure occurred in 2015 – Telekom Asia LLP exited the structure. A new shareholder, KTC’s chairman of the board, M.A. Abdrakhmanov, is listed as a 9.99 percent owner at the end of 2015.²⁶⁴ It is unclear whether Abdrakhmanov bought his shares from Telekom Asia LLP or other shareholders.

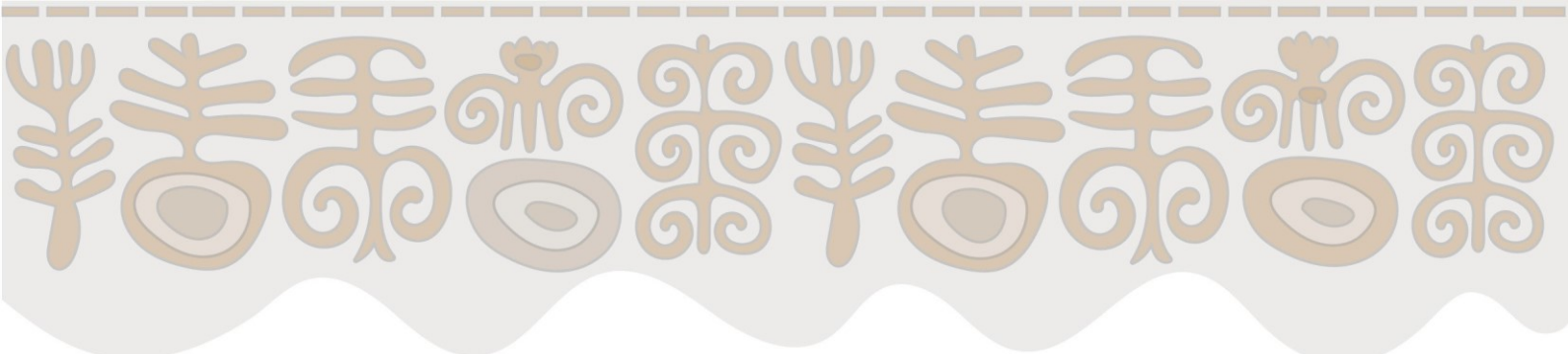
Abdrakhmanov is another example of Kazakhstan’s public-private entrepreneurs, with positions in a mix of private and state companies, including state oil and gas company KazMunaiGas (2003-2004 and 2005-2008). Abdrakhmanov became chairman of KTC’s board in 2001, a position he held until 2018 at which point he stepped down as chairman but still retained a position on the board.²⁶⁵

262 http://kase.kz/files/emitters/KZTC/kztcf6_2013_cons_eng.pdf, p5 (8 of the PDF)

263 http://kase.kz/files/emitters/KZTC/kztcf6_2017_cons_eng.pdf, p10

264 http://kase.kz/files/emitters/KZTC/kztcf6_2015_cons_eng.pdf

265 https://online.zakon.kz/Document/?doc_id=30104597



Ultimately, Telia made a write-down of SEK 330 million (around \$34 million²⁶⁶) in the second quarter 2017 of its holding in Rodnik Inc as “based on the development in the ongoing negotiations, the associate was no longer deemed having a recoverable value.”

In February 2018, Telia signed an agreement to sell Rodnik Inc,²⁶⁷ which ended the arbitration proceedings with Almaty Engineering Company, with the transfer finally completed in November 2018.²⁶⁸ Telia argued that the divestment had a limited financial effect,²⁶⁹ as though the transaction resulted in a capital loss of SEK 271 million, the accumulated foreign exchange losses were reclassified from equity to net income from discontinued operations of SEK 259 million.

Rodnik was sold to Amun Services.²⁷⁰ According to Telia, Amun Services is a company incorporated in the Dubai Multi Commodities Centre freezone in the UAE, and part of the Amun Group, “an international emerging markets focussed private investment and advisory group.”

In a rare acknowledgement following its troubles in Uzbekistan, Telia said it had “conducted due diligence and background checks of the parties in this transaction.”

As mentioned above, according to Tele2, Amun Capital is a Kazakh-British investment group backed by Aigul Nuriyeva.²⁷¹

266 <https://www.x-rates.com/average/?from=SEK&to=EUR&amount=1&year=2017> 0.103064 SEK = US\$1 as of May 2017

267 <https://www.teliacompany.com/globalassets/telia-company/documents/reports/2017/annual-report/annual-and-sustainability-report-2017---telia-company.pdf>, p171

268 <https://www.teliacompany.com/globalassets/telia-company/documents/reports/2018/annual-report/telia-company--annual-and-sustainability-report-2018.pdf>, p177

269 <https://www.teliacompany.com/en/news/news-articles/2018/closing-kaztranscom/>

270 <https://www.teliacompany.com/globalassets/telia-company/documents/reports/2018/annual-report/telia-company--annual-and-sustainability-report-2018.pdf>, p177;

<https://www.telegeography.com/products/commsupdate/articles/2018/02/08/telia-sells-stake-in-kazakh-corporate-fibre-operator/>

271 <https://www.commsupdate.com/articles/2014/10/21/tele2-denies-corruption-at-kazakh-operation/>

Comparison of Telia's actions in Uzbekistan and Kazakhstan

This section aims to compare and contrast Telia's behaviour in Uzbekistan – which led to criminal sanctions – and Kazakhstan – which, as of 2021, have yet to lead to any criminal proceedings.

Uzbekistan

Telia enter the Uzbek market through the purchase of an Uzbek firm, Coscom, in August 2008. Karimov's Takilant later acquired 26% of TeliaSonera Uzbekistan, the parent company of Coscom. Telia later bought back 20% of Takilant's holding, for a price of US\$220m. This was US\$100m in excess of the price set in the original 2007 shareholder agreement, which only obliged TeliaSonera to pay US\$112.5 for the entire 26% holding.

Karimova linked companies are alleged to have sold telecommunications providers certain frequencies, which these companies could lawfully acquire free of charge from the Uzbek regulator UzAC

Telia paid US\$80 million to a subsidiary of Karimova's Takilant for the 'purchase' of a formal waiver to the telecoms regulator repudiating its rights to certain 3G frequencies and a numbering block, which would then be apportioned to Coscom.

Kazakhstan

Telia bought a 49% stake in Kcell from Kazakhtelecom for \$1.52 billion in 2012, which was majority owned by the Kazakh government but had over 20% of the company owned by opaque companies with possible ties to Kazakh government officials. A few months later, a share offering valued the company at up to 75% less than the price Telia bought for its shares. In 2018, Telia sold its 75% stake in Kcell for \$446 million -- \$1 billion less than what it paid for just 49% of the company six years ago.

In 2008, Kcell (in which Telia was a shareholder) bought one company and in 2009 Telia bought a second for a combined \$27 million in order to acquire WiMAX licenses. However, these companies were dormant, and their ownership unclear, and in other instances, telecoms companies bought licences for frequencies directly from the government.

In 2012, Telia made a \$64 million shareholder contribution to a company that owned entities holding frequencies possibly eligible for 4G. Other telecoms companies received the licence from the government or through operating agreements with other companies holding the licence. Ultimately, Telia made no use of the companies holding possible 4G frequencies and recorded a non-cash impairment charge of \$50 million.



Uzbekistan

The DoJ alleged that the payments to Karimova's Takilant were in fact made for the "corrupt purpose" of obtaining Karimova's influence with Uzbek government officials

In Uzbekistan, Telia dealt with two intermediaries of Karimova's who had interests in rival telecoms companies: Bekhzod Akhmetov, then director of Uzdunrobita (operated by Russia's MTS), and Gayane Avakyan, who had interests in rival firm Vimpelcom.

In his resignation statement, Telia CEO Lars Nyberg said that "Telia did not conduct a sufficiently in-depth analysis into the identity of our local partner in Uzbekistan before we invested in the country or into how this partner came to own the assets that were later obtained by TeliaSonera."

Kazakhstan

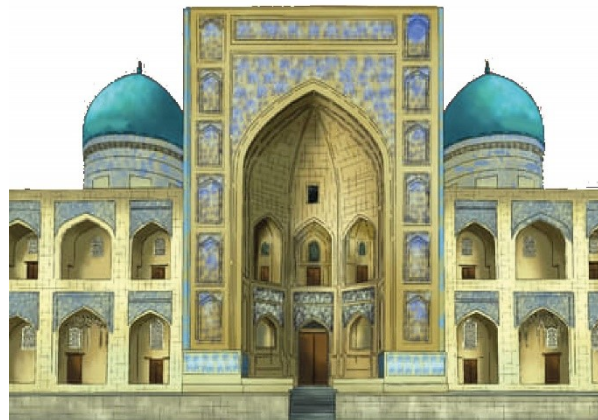
Telia paid US\$22 million for shares in a company called KazTransCom. Telia bought the shares from a company owned by a woman called Raushan Sagdiyeva, daughter of a Soviet politician, who worked in companies owned by Timur Kulibayev, and at a bank chaired at the time by Karim Masimov, who would go on to be Kazakhstan's Prime Minister. Telia's partner in KazTransCom was a company controlled by a former deputy to Masimov when he worked in the Ministry of Transport. The \$64 million shareholder contribution mentioned above went to a company owned by Aigul Nuriyeva, who is alleged to be a proxy for Masimov, having partnered with him in a company in Singapore.

In Kazakhstan, Telia's partner in Kcell was Kazakhtelecom, a director and possible shareholder of which was Aigul Nuriyeva, who in 2010 partnered with another Scandinavian telecoms company, Tele2, in a rival company, MT-S. This meant she had financial ties to two rival companies.

It is unclear what due diligence Telia did in Kazakhstan, but in its reporting it never reported on the ultimate beneficial ownership of such companies it was buying to acquire licences, nor did it ever address in public the allegations surrounding Nuriyeva, or her links to Masimov. Telia concluded deals benefitting Nuriyeva in the months after allegations regarding its relationship with Karimova had been published.

“Telia did not conduct a sufficiently in-depth analysis into the identity of our local partner in Uzbekistan before we invested in the country or into how this partner came to own the assets that were later obtained by TeliaSonera.”²⁷²

Telia CEO Lars Nyberg resignation statement



²⁷² <https://www.capacitymedia.com/articles/3753372/Telias-Uzbekistan-corruption-fine-is-400m-less-than-it-feared>

Bribery of foreign public officials and officials of public international organizations

Each State Party shall adopt such legislative and other measures as may be necessary to establish as a criminal offence, when committed intentionally, the promise, offering or giving to a foreign public official or an official of a public international organization, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties, in order to obtain or retain business or other undue advantage in relation to the conduct of international business.

Article 16. United Nations Convention Against Corruption





Conclusion and Recommendations

This research presents evidence that bribes may have been paid by Telia in Kazakhstan to politically-exposed people, including trusted representatives of Karim Masimov, a former Kazakh prime minister and current head of the KNB, the country's security service.

The admittance from Telia's chair that its actions in Eurasia outside of Uzbekistan may also have been illegal, and the dismissal of company officials responsible for Telia's dealings in Kazakhstan, lends further weight to the claim that Telia's behaviour in Kazakhstan bears similarities to its actions in Uzbekistan, where hundreds of millions of dollars were funnelled to companies controlled by Gulnara Karimova, the then president's daughter.


At the very least, Telia failed to conduct proper due diligence on its partners, and despite allegations regarding Telia's relationship with Karimova first airing in Sweden in September 2012, pressed on with deals that saw multi-million dollar payments made to companies with possible proxy owners which were concluded in January 2013.

Central to nearly all these deals is Aigul Nuriyeva, a Kazakh banker, who in the space of a decade appears to have amassed a fortune of over \$700 million, mainly in Kazakh telecoms and banking, with little explanation as to how she obtained the original capital to acquire these shareholdings.

Telia cannot claim to be unaware of the controversy surrounding her – allegations about her acting as a possible proxy for the Kazakh regime first aired in a national US newspaper in 2008. And yet Telia concluded several deals with her, granting one of her companies a \$64 million shareholder contribution ostensibly for a 4G licence that never materialised.

This is the clearest evidence that Telia was making these suspect payments in order to retain business inside the country by making payments that may have reached Masimov, who had worked with Nuriyeva at Halyk Bank, and even partnered with her around 2008 in a company in Singapore.

Masimov became head of the Presidential Administration in September 2013 and, for a second time, Prime Minister of Kazakhstan in April 2014, making him one of the most powerful politicians in Kazakhstan. As of 2019, no charges have been brought against Telia's regarding its activities in Kazakhstan.



In comparison, Telia’s rival in Kazakhstan Tele2 AB made efforts to mitigate the risk of dealing with Nuriyeva by publishing reports on the due diligence it had performed in Kazakhstan, and getting Nuriyeva to sign various documents confirming she was the ultimate owner and not working on behalf of any Kazakh politicians.


However, questions still remain over the due diligence the company did on its partner MT-S prior to partnering with it in 2010. There is also the open question of whether any business dealing with Nuriyeva is appropriate, given the allegations against her, her unexplained wealth, and position as a politically-exposed person within a kleptocracy.

In all kleptocracies, political elites seek to use Western institutions and their gatekeepers to legitimize their wealth. This is undoubtedly true of Kazakhstan: time and again investigations by international NGOs have demonstrated how the Kazakh elite controls everything from oil trading and mining to the banking sector, and has used wealth generated from such deals to buy hundreds of millions of dollars of real estate.²⁷³

Ultimately, this case underscores the importance of transparency around the actual people who directly or indirectly exercise control over a company or receive economic benefits from it – otherwise known as the “beneficial owner”. To address these issues, some countries have created or have pledged to create a public beneficial ownership register, which aim to record companies’ true, beneficial owners, rather than proxy or nominee shareholders. As of June 2020, 23 out of 27 EU Member States have registers that store information about the actual persons who are owners or managers of companies.²⁷⁴

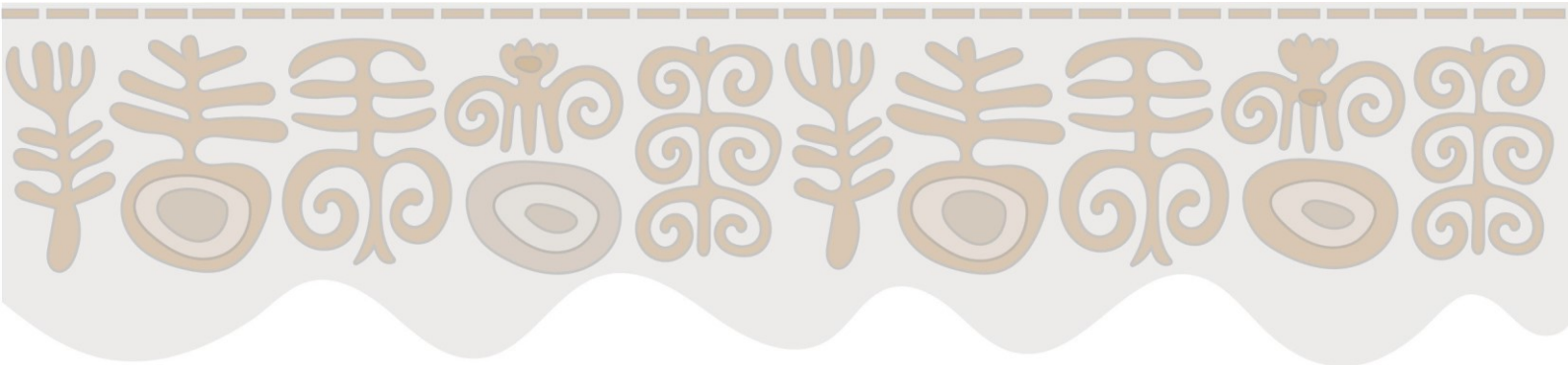
273 <https://www.globalwitness.org/documents/17834/riskybusiness.pdf>, <https://stories.publiceye.ch/vitolinkazakhstan/index.html>, <https://www.rferl.org/a/kazakhstan-nazarbayev-family-wealth/31013097.html>

274 <https://medium.com/transparent-data-eng/ultimate-beneficial-owners-registers-in-the-eu-2020-5a868e3ff0>



However, kleptocracies pose further issues even when beneficial ownership information is available, because such countries will often install trusted figures as the reported owners, yet in reality are acting as proxies for high ranking political figures, with the financial relationship hidden and possibly further removed from the financial operations of that particular company.

- In light of the findings of this report, law enforcement agencies (especially those of Sweden, the United States and the Netherlands) should consider reexamining Telia's actions in Kazakhstan in order to ensure that further bribes (in addition to those paid to Gulnara Karimova in Uzbekistan) were not paid to high ranking Kazakh politicians.
- The United States should consider investigating members of the Kazakh political elite and their networks, including possible proxy owners, with the aim of sanctioning these individuals under the Global Magnitsky Act, which allows the U.S Treasury to censure foreign officials and their associates for acts of corruption.
- The European Union and the United Kingdom have recently enacted their own versions of the U.S. Global Magnitsky Act, although in their current form foreign officials can only be sanctioned for human rights abuses, and not corruption. The EU and the UK should work quickly to pass further legislation that will add the corruption provision so that these nations can better tackle kleptocracies.

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- Kazakhstan should disclose all of the beneficial owners of key telecoms companies, such as Kazakhtelecom JSC and KazTransCom JSC, given their importance to the economy of Kazakhstan, and the allegations given above regarding the involvement of politically exposed persons.
 - Kazakhstan should also ensure that the allocation of frequencies, services and other important telecom assets are decided by an open tender in the form of an auction. This should be done according to international best practice, with information available to the general public on all bidders and their beneficial owners before the auction takes place.
 - All countries should actively investigate those companies and individuals who help enable corrupt foreign officials to launder ill-gotten gains. These ‘enablers’ – bankers, lawyers, accountants, real estate agents – are rarely censured or prosecuted when illegal funds are found to have passed through their hands, which promotes a feeling of impunity within these professions.
 - All companies who are looking to do business within countries where corruption is rife and business known to be centrally controlled by political actors and their associates should perform enhanced due diligence on the individuals and companies they are looking to do business with. This due diligence exercise should be impartial and should not rely on testimony from those in country who will benefit from the deal or who may otherwise be politically motivated.



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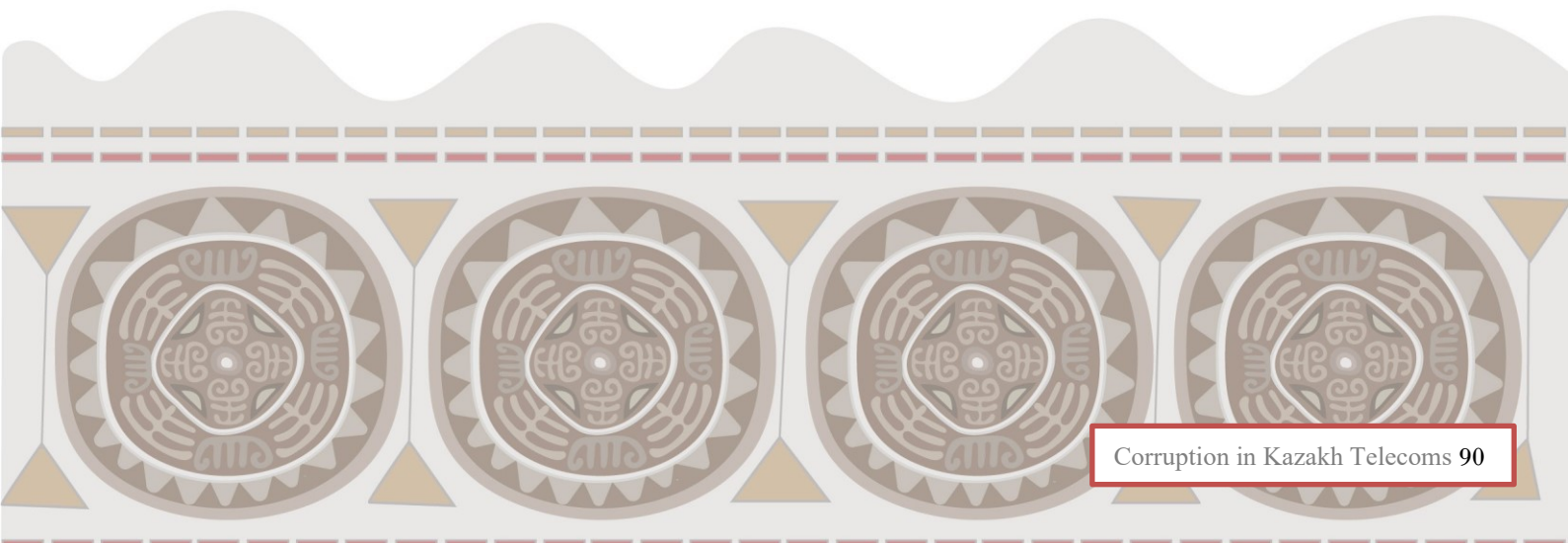
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