



REUTERS/Thomas Peter

Billion-dollar medical project helped fund “Putin’s palace” on the Black Sea

By Stephen Grey, Jason Bush and Roman Anin | Filed May 21, 2014, 11:05 a.m. GMT



THE LEADER: President Vladimir Putin, here in the Kremlin in late March, stabilised Russia's economy and re-established its regional power. But corruption remains widespread. REUTERS/Alexei Druzhinin/RIA Novosti/Kremlin

Part 1: Two associates of President Vladimir Putin profited from a state scheme to buy expensive medical equipment - and sent money to Swiss bank accounts linked to a property known as “Putin’s palace”

Русский язык (Russian translation)

MOSCOW - In 2005, President Vladimir Putin personally ordered up a vast programme to improve Russia's poor healthcare facilities. Five years later, authorities found that suppliers were charging some hospitals two or even three times too much for vital gear such as high-tech medical scanners.

Dmitry Medvedev, serving as Putin's hand-picked successor at the time, went on national television to denounce the alleged scam. The perpetrators, he said, had engaged in “absolutely cynical, loutish theft of state money.” Medvedev instructed Russia's top law enforcement agencies to make sure that “everyone who participated in this is seriously and sternly punished.”

Suspects were rounded up in far-flung places, and in 2012 the police ministry said 104 people had been charged in connection with overpriced scanners. Several local officials and business executives were convicted of fraud and sent to prison.

But a Reuters investigation has found that two wealthy associates of Putin engaged in the same profiteering and suffered no penalty.

They sold medical equipment for at least \$195 million to Russia and sent a total of \$84 million in proceeds to Swiss bank accounts, according to bank records reviewed by Reuters. The records also indicate that at least 35 million euros (\$48 million) from those accounts were funnelled to a company that then helped construct a luxury property near the Black Sea known as “Putin’s palace” - a nickname earned after a businessman alleged that the estate was built for Putin. The Russian leader has denied any connection to the property.

These findings are part of a Reuters investigation into how associates of the Kremlin profit from state contracts in the Putin era. This and a later article examine what became of the president's grand hospital undertaking. Another story, drawing on a confidential database of Russian bank records, will explore billions of dollars in spending on state railway contracts.

The wealth of Putin's comrades has come under global scrutiny amid sanctions imposed by the United States and Europe on the president's associates over the crisis in Ukraine.

Russia has been renowned for graft since the Soviet Union fell a generation ago. Under the first post-Soviet leader, Boris Yeltsin, "oligarchs" gained control of state-owned industries and grew fabulously wealthy. Those wild days are long over.

Yeltsin's successor, Putin, has restored much of the nation's most lucrative industries, such as oil and gas, to state control. Many citizens feel Putin's Russia is a vast improvement from the chaos of the Yeltsin era. Putin, a former KGB officer, has brought order. Rising oil prices have driven growth. Russia's economy has more than doubled on his watch, measured by income per head.

But corruption remains a deep-seated problem. The path to wealth today, say independent economists, lies not in seizing government assets but in tapping the vast flow of business the state does with the private sector.

"The current system in Russia is based not on corruption in the traditional sense, but on a complete merger of public service and private business interests," said economist Vladislav Inozemtsev, director of the Institute for Post-Industrial Studies, a think tank in Moscow.

One reason the well-connected can game the state contracting system: In Russia, doing so may be perfectly legal.

Lax rules, poorly enforced, make it possible for state entities to give contracts to companies that do not disclose their owners or have no presence at their registered address. Russian legislation doesn't expressly forbid collusion or ownership affiliations between competitors in public tenders. It is in this grey zone, more so than in outright theft, that graft flourishes in Putin's Russia.

Faced with widespread suspicion that sleaze remains rampant, Putin has responded by declaring war on corruption. In November, he said: "We will tear out this infection from its roots." In December, he ordered the creation of a "counter-corruption directorate," according to a Kremlin announcement.

Opponents of Putin have been levelling charges of cronyism and favouritism against him for years. What they haven't done is detail how the president's associates actually extract money from the government.

In the hospital project, significant sums ended up in the hands of intermediaries with links to Putin: profits that could have provided additional facilities or badly needed services in Russia.

The two associates of Putin who supplied medical equipment acted as middlemen in deals

with the Russian state worth at least \$195 million. They made profits by buying high-tech medical equipment through a British company they controlled and selling it on to Russia at much higher prices - sometimes double the market rate.

Much of the equipment came from the German multinational Siemens AG. Siemens sold its products to the British company, which then sold the equipment on to Russia – and some of those imports fetched prices at or above those described by Medvedev as “cynical, loutish theft.”

A GRAND PROJECT

Healthcare, Putin himself has said, is one of the most pressing issues facing post-Soviet Russia.

Life expectancy at birth plunged after the fall of the Soviet Union, hitting 65 in 2002 – down from 69 in 1989. Though it recovered to 69 in 2011, according to World Bank figures, it remains well below Western nations such as Britain and the United States, where life expectancies were 81 and 79 that year. Since Putin came to power, Russia's population has declined to 143 million from 147 million.

Putin saw the need for improvements. In 2005, then in his second term as president, he initiated plans to spend \$1 billion to build and equip 15 high-tech hospitals across Russia. His National Project Health was one of several efforts he said were vital to lift the quality of life for ordinary Russians. New clinics for emergency, heart and prosthetic patients were planned from Vladivostok in the east to Kaliningrad on the Baltic.

“It is a guarantee against the sloppy eating up of resources without any discernible results,” Putin said.

What Putin did not announce was that two of his associates became involved in constructing and equipping some of the hospitals.

One was a former dentist called Nikolai Shamalov, a well-built, strong-willed man now in his sixties. He knew Putin from their days in St. Petersburg, where the future president was a powerful city official. One of Shamalov's sons worked for Putin's department in the city's administration.



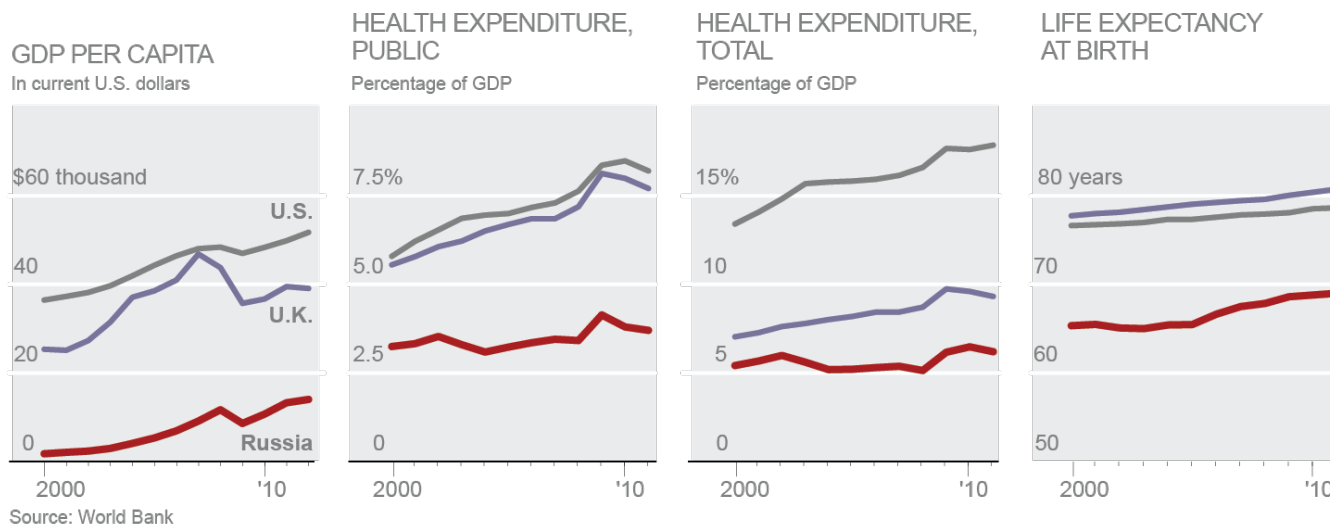
PROJECT HEALTH: Putin visits a new heart hospital in Penza in 2008. The hospital was part of Moscow's push to spend more on health and education.
REUTERS/Sergei Karpukhin

Shamalov and Putin were also among a small group of men who founded an exclusive lakeside development of dachas north of the city known as the Ozero Cooperative. Shamalov grew rich through a stake in Bank Rossiya, a St. Petersburg company that expanded rapidly after Putin moved to Moscow and became president in 2000. He also worked as a top Russian sales executive for Siemens - a major producer of medical equipment.

The other associate in the hospital project was Dmitry Gorelov, who graduated from a military medical academy in 1973. Gorelov, described by one associate as a thoughtful man who is keen on photography, was also a shareholder in Bank Rossiya until June 2013. In 2000, Gorelov was granted the title of "honoured healthcare practitioner of the Russian Federation" in a presidential decree issued by Putin.

Russia under Putin

Longevity and the economy have risen but still lag the West



A third key figure in the tale of the hospital deals and the Black Sea estate is Sergei Kolesnikov, a former business associate of Shamalov and Gorelov. A biologist by training, Kolesnikov said he helped Shamalov manage an investment company; he was also a shareholder with Gorelov in a healthcare company. His roles, he said, gave him deep insight into the two men's association with the president as well as knowledge of the hospital and Black Sea deals.

For instance, Kolesnikov said, the two were guests at the leader's 55th birthday party in 2007. "They were at his birthday; they told me about it," Kolesnikov said in an interview in Estonia, where he now lives. He said Shamalov and Gorelov were also guests at parties held at Valdai, a secluded presidential residence between Moscow and St. Petersburg.

Independently of Kolesnikov, flight details seen by Reuters may underscore the proximity

of Shamalov and Gorelov to Putin.

In 2008, the two businessmen travelled on a small private plane from Prague to the Russian resort of Sochi with Alina Kabayeva, a former Olympic gymnast described by some Russian media as having been Putin's girlfriend. At the time the president, who was then still married, denied he had a relationship with Kabayeva and told journalists to keep their "snotty noses" out of his private life. Kabayeva declined to comment.

Also on the plane, according to the flight information, was Vladimir Kozhin, a senior Kremlin official who was sanctioned by the U.S. Treasury in March. Asked about the flight, Kozhin said he would not respond to speculation.

In 2010 Kolesnikov wrote an open letter to then-President Medvedev, claiming that Shamalov was building a luxury estate for Putin by the Black Sea. Kolesnikov said in his letter that he didn't have a direct role in managing the palace project. The operation, he said, was run by Shamalov, but it drained funds from other projects that Kolesnikov oversaw. The letter said Kolesnikov knew about the project's costs because of "detailed reports and budgets" he reviewed during his work with Shamalov.

Shamalov did not respond to questions for this article. Gorelov, asked about his role in companies involved in Putin's healthcare project, told Reuters: "The achievements of modern medicine until recently were accessible only for inhabitants of the largest megalopolises of Russia, mainly Moscow and St. Petersburg. The aim of the project was to provide an opportunity for inhabitants of other regions of the country, in particular Siberia and the Far East, to receive highly specialised treatment with the use of the latest advances of medical sciences."

A spokesman for Putin did not respond to questions about Kolesnikov's claims. The Kremlin has previously dismissed Kolesnikov as an aggrieved man, saying he left Russia because of business disputes. Kolesnikov said he left Russia because he "decided to do something for my country" by speaking out about corruption.

THE MIDDLEMEN

Gorelov was well placed to arrange a deal to equip Putin's health project. He was a co-founder of a St. Petersburg company called Petromed that was set up in the early 1990s to

"The current system in Russia is based not on corruption in the traditional sense, but on a complete merger of public service and private business interests."

Vladislav Inozemtsev, director of the institute for Post-Industrial Studies, a think tank in Moscow

provide medical equipment for the region. Among the providers of seed capital was the city's external affairs committee - which was then run by Putin.

Kolesnikov became a shareholder in the company with Gorelov, and the two remain shareholders, corporate filings show.

Shamalov, meanwhile, was regional head of sales for the medical equipment division of Siemens, which supplied high-tech systems, such as scanners. He had worked for the company since the 1990s, according to former colleagues.

Asked about Shamalov, a spokesman for Siemens said he left the company "effective October 1st in 2008."

Between 2006 and 2008, the Russian federal agency Technointorg, which was general contractor for the national health project, granted Petromed the right to supply equipment to 14 of Putin's new hospitals. After Technointorg ran into problems, Petromed ended up supplying only eight completed hospitals.

It is not clear exactly how much the state paid Petromed in total. But court documents show the company was awarded \$120 million in relation to five of the hospitals. And records from a person in the Russian Customs Service indicate Petromed imported more than \$205 million worth of medical equipment in 391 consignments from 2005 to 2010.

The data shows most of this equipment, by value, came from Germany (65 percent) and the United States (25 percent). Siemens, which has production facilities in the United States as well as Germany, was the biggest supplier. It sent goods that included computerised X-ray machines and medical scanners.

INDIRECT ROUTE

The equipment was delivered straight from Siemens to Petromed, the importer acting on behalf of the Russian state. But payment did not go straight from Petromed to Siemens.

Instead, the money took a more circuitous route, involving a second intermediary - one controlled by Shamalov and Gorelov, according to Kolesnikov.

According to the customs data, Petromed paid \$195 million to a British company called Greathill Ltd. Greathill acted as an intermediary in buying equipment from Siemens and



GATHERING: Businessman Sergei Kolesnikov (far right) says two associates of Putin, Nikolai Shamalov and Dmitry Gorelov (centre left and centre right), used profits from state projects to help build a mansion later dubbed "Putin's palace." Kolesnikov verified the people in this photo, which appeared on a Russian website. Reuters is unable to independently verify the location, source or date of the image.

other suppliers.

The arrangement worked like this: The Russian state paid Petromed to supply medical equipment. Meanwhile, Greathill bought equipment from Siemens and other suppliers, according to Kolesnikov. In turn, Petromed bought the equipment from Greathill at much higher prices, up to double the going rate, according to customs documents. Bank records seen by Reuters support that account.

Kolesnikov said he helped set up Greathill on behalf of Shamalov and Gorelov. A trail of documents reviewed for this article suggests that Greathill was an equipment supplier only on paper. According to Kolesnikov, Greathill's real function was to act as an intermediary "where profits could be made."

Gorelov said it was normal practice to use such a company for big projects and that it had a "highly positive effect for the realisation of the project." He said Greathill's business was "absolutely transparent."

Corporate documents list Greathill as having a headquarters office in the town of Rochdale in northern England. At the address is a firm of accountants. The firm said Greathill was a client for which it provides a registered office. A spokeswoman for the accountants said she knew nothing more about Greathill's business.

Greathill doesn't disclose who really runs and owns the company. It uses so-called nominee directors - people appointed by shareholders to represent their interests on a corporate board - from another firm of accountants in the southern English county of Essex. And it lists companies managed by the same firm of accountants as its shareholders.

A manager at the Essex accounting firm confirmed to Reuters that it administered Greathill. He said the companies listed as Greathill's shareholders were, most likely, nominees - in other words, entities acting on behalf of others. "A nominee company is just acting as a front," he said. "So they are holding shares on behalf of a third party. But they are not the legal owners of the shares."

According to Kolesnikov and documents reviewed by Reuters, Greathill was owned by Shamalov and Gorelov.

The equipment was delivered straight from Siemens to Petromed, the importer acting on behalf of the Russian state. But payment did not go straight from Petromed to Siemens. Instead, the money took a more circuitous route.

Copies of agreements seen by Reuters indicate that Shamalov and Gorelov each hired a Swiss trust company called Interis to acquire stakes in Greathill on their behalf – 50 percent each. Interis and Shamalov declined to comment.

A spokesman for Siemens said the German manufacturer was unaware of Shamalov having any involvement in Greathill.

“The company Greathill was a business partner of Siemens Healthcare until 2010. Siemens has no information to the effect that a Siemens employee was invested either in Greathill or Petromed,” the spokesman said.

Evidence that Greathill sold Siemens products to Petromed at large mark-ups appears in customs records reviewed by Reuters.

They show that between September 2007 and August 2008, Greathill acquired at least four Siemens Somatom Sensation 64 CT scanners. Greathill then sold the machines to Petromed for 1.9 million euros to 2 million euros each, which customs documents recorded as the equivalent of \$2.7 million to \$3 million at the prevailing exchange rates.

The prices are nearly double the typical price charged by suppliers for CT scanners in the same technological class, including those made by Siemens, according to a 2010 investigation by the Kremlin into sales of medical equipment.

Several people involved in the sale of medical gear in Germany told Reuters that hospitals in Germany and elsewhere could buy the same Siemens scanners in 2007-2008 for between 1 million and 1.2 million euros, depending on the extras included.

Customs records also show that Greathill sold Petromed a Siemens Avanto MRI scanner for more than 3 million euros, which the records say was the equivalent of 130 million roubles. Greathill sold Petromed another seven of the machines, all for more than 2.6 million euros each. German experts said the typical price of such equipment was 1.2 million to 1.7 million euros apiece.

“One hundred and thirty million roubles is a clearly inflated price,” said Alexei Popov, a Russian surgeon who has researched the pricing of medical scanners. “The approximate price for this is up to 80 million to 85 million roubles – that’s with all the bells and whistles.”



NEW BUILD: In 2010, Kolesnikov claimed that a luxurious estate near the Black Sea was for Putin. A Russian website published pictures, including the one above, which it said were of the mansion. The Kremlin denied Putin had anything to do with the building. Reuters is unable to independently verify the authenticity, content, location, source or date of this photograph.

Petromed made no comment on the deals. Its general director, Enver Useinov, said he had only been in his post a year and knew nothing of Greathill. "I can't say anything," he said. "I don't know."

In a written response to Reuters, Gorelov said Petromed had secured equipment at competitive prices, and that those supplies and prices were approved by government experts.

TO RUSSIA, WITH MONEY

Not far from the Black Sea coast of southern Russia stands an imposing property, built in neo-classical style with formal gardens. The sprawling estate, near the resort of Gelendzhik, looks fit for a tsar and includes a theatre and helicopter landing pad. This is the property popularly known as "Putin's palace."

How did money from Putin's project to buy scanners for Russian hospitals end up in a property that has nothing to do with medical care?

There were three key steps. First, Petromed paid money to Greathill. Then, Greathill sent at least \$56 million to the Swiss bank accounts of a Belize company. Finally, the Belize company sent funds to a firm registered in Washington, DC.

That firm, Medea Investment, received at least \$48 million for supplying building materials for the "Putin palace" property. According to Kolesnikov, Medea's owner was an Italian architect, Lanfranco Cirillo, who designed the building. (For details on how Reuters traced the money trail, see related story below.)

THE FALLOUT

Through his spokesman, Putin has denied having any connection to the Black Sea property. Far from enjoying a luxurious mansion, he has limited wealth, according to an official report of his assets.

In December 2011, an official statement of his income showed that he had earned 17.73 million roubles (\$539,000) in four years – an average of \$135,000 a year. He owned only one home, a modest apartment, according to the statement.

That same year, following Medvedev's orders to punish people responsible for overpricing medical scanners, Russia's prosecutor general said 68 criminal cases had been launched in 45 regions of the country.

"One hundred and thirty million roubles is a clearly inflated price."

Alexei Popov, a Russian surgeon who has researched the pricing of medical scanners

In the Volga River city of Ulyanovsk, for example, the regional health minister, two businessmen and a senior doctor were prosecuted in a case concerning the purchase of a Siemens Emotion 6 scanner in 2008. The minister was sentenced to 8.5 years in prison. The businessmen got seven years. The doctor received a suspended sentence of three years.

The price paid for the scanner was 44 million roubles (equal to \$1.7 million at the time). The court's ruling, signed by the judge, described this price as "deliberately inflated."

Even so, it was a bargain compared to what the president's associates charged.

According to customs records, Greathill reaped 61 percent more - 71 million roubles - for selling Petromed the very same model.

Additional reporting by Elizabeth Piper, Maria Tsvetkova in Moscow, Brian Grow in Atlanta, and Jens Hack in Munich. Editing by Richard Woods and Simon Robinson.

Unless otherwise indicated, currency conversions at \$0.0304 per rouble, and \$1.374 per euro, the rates at the end of 2013

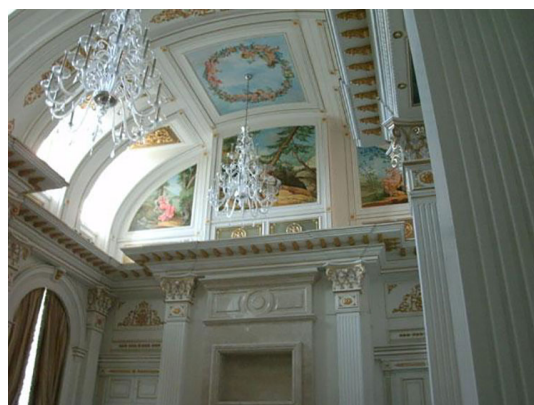
The palace on the Black Sea

By Jason Bush

In 2010, a St. Petersburg businessman called Sergei Kolesnikov published an open letter to Dmitry Medvedev, who was then president of Russia while Vladimir Putin held the post of prime minister. Among other things, Kolesnikov claimed that a luxurious estate was being built near the Black Sea for the benefit of Putin.

This extravagant Italianate mansion had a helicopter landing pad, summer theatre and underground tunnels. Located near Gelendzhik, close to the Black Sea coast, the mansion was quickly dubbed "Putin's palace" and covered by Russian and international media. The Kremlin denied Putin had any connection to it.

But curiosity persisted. Kolesnikov's claims sparked interest partly because he was a former business associate of Nikolai Shamalov and Dmitry Gorelov, two



GRAND DESIGNS: One of the pictures described by a Russian website as showing the mansion dubbed "Putin's palace." The Kremlin has denied Putin has anything to do with the building. Reuters is unable to independently verify the authenticity, content, location, source or date of this photograph.



businessmen with links to Putin. Shamalov is, and Gorelov was until last year, a shareholder in Bank Rossiya, a bank whose shareholders “include members of Putin’s inner circle,” according to the U.S. Treasury. The two men were guests at Putin’s 55th birthday party, according to Kolesnikov.



The company that originally oversaw the building of the estate was called Rirus. According to a document previously published by Kolesnikov, the founders of Rirus were Shamalov and Gorelov. Rirus shared the same address as other companies in which the two men had stakes.

In 2011 the Russian newspaper Vedomosti, citing official corporate records, reported that the owner of Rirus as of 2010 was Shamalov alone.

In February 2011, Novaya Gazeta, an independent newspaper in Russia, published documents indicating that senior officials in the presidential administration had approved plans for the Black Sea estate. The officials did so on two separate occasions, once during Putin’s second presidential term and again in 2008 when Putin was prime minister, said the paper.

A group of journalists and activists who tried to visit the estate in February 2011 said it was being protected by the Federal Guard Service, a government agency whose role is to provide security for high-ranking officials.

The Kremlin made no comment at the time. Two months later Vladimir Kozhin, head of the Kremlin’s Department of Presidential Affairs, said in an interview with the newspaper Kommersant that his department had been involved in the initial phase of the Black Sea estate, years earlier - but only as part of a project to encourage investors into real estate developments.

Soon after the Novaya Gazeta reports, Russian billionaire Alexander Ponomarenko announced he had bought the unfinished estate from Shamalov for an undisclosed sum. Ponomarenko has said he views the property as an investment project and would rent parts of it out.

The latest corporate records show Rirus is now owned by a Cypriot company.

In an interview with Rossiyskaya Gazeta in 2012, Kozhin denied the property was for Putin. “There is no dacha of Putin in Gelendzhik,” he said. “What sort of estate is there? I don’t know ... I can officially, for the hundredth time, state: The President has three residences outside Moscow: Ogarevo in Moscow region, Bocharov Ruchei in Sochi, and in Valdai.”

Kolesnikov left Russia in September 2010 and now lives in Estonia.

How Russian money flowed through banks in Europe

By Stephen Grey, Jason Bush and Roman Anin

Two Putin associates, Nikolai Shamalov and Dmitry Gorelov, struck lucrative deals to supply medical scanners and other gear for Russia's state health programme. Some of the proceeds from those deals, Reuters found, ultimately wound up helping to finance the luxurious mansion on the Black Sea popularly known as "Putin's palace."

The money trail is a convoluted one.

A UK-registered company owned by the two men, Greathill, received at least \$195 million from sales of medical equipment to Russia.

In total, Greathill sent some \$84 million to accounts at the former Dresdner Bank in Zurich. According to bank statements reviewed by Reuters, more than \$56 million went from Greathill to the Swiss accounts after 2006, when Putin's national health project began.

Those Swiss accounts were controlled by a Belize-registered company called Lanaval - a firm that was also owned by Shamalov and Gorelov, according to Sergei Kolesnikov, a former business associate of the two men.

The claim that Shamalov and Gorelov own Lanaval is supported, in part, by documents reviewed by Reuters. The documents set out an arrangement under which Greathill agreed to act as an agent for Lanaval, remitting profits to Lanaval from business conducted by Greathill. Shamalov did not respond to written questions.

No one from Lanaval could be reached for comment. A spokesman for LGT Group, the successor bank to Dresdner, said that under Swiss and Liechtenstein laws the bank was unable to respond to Reuters' questions.

Reuters reviewed more than 140 pages of Lanaval bank statements, covering 2003 to 2010. The statements indicate that between June and October 2009, Lanaval sent at least \$48 million from its Zurich accounts to an account in Liechtenstein. The Liechtenstein account was controlled by a firm called Medea Investment, which is registered in Washington, DC, according to contract documents and corporate records.

Medea supplied Italian building materials to the property known as "Putin's palace,"



EMIGRE: Sergei Kolesnikov, who left Russia to speak out about alleged corruption there, photographed in Antibes, France. Kolesnikov now lives in Estonia. REUTERS/Jean-Pierre Amet

according to an agreement dated June 2009 between Lanaval and Medea Investment.

Under that agreement, which was reviewed by Reuters, Lanaval agreed to buy goods from Medea worth 37.5 million euros (about \$52 million at the time). The contract says the goods were for a “big building project (resort)” in the region of Novorossiysk, on the Black Sea. Novorossiysk is a town near the palace, about 40 km (25 miles) away. The “big building project” and the “Putin palace” estate are one and the same, said Kolesnikov.

The owner of Medea Investment is Lanfranco Cirillo, an Italian architect, Kolesnikov said. It was Cirillo, who has often worked in Russia, who designed the “Putin palace” property, Kolesnikov said.

Reuters asked Cirillo, through Medea's lawyer in Switzerland, about the contract, his ownership of Medea and his role as architect in the Black Sea development. Cirillo replied with a brief statement in which he confirmed his role as architect in the project. He said a Russian company had “assigned me the work” because of his skills. “I am specialised and focused in the creation of high standing objects in many countries of the world,” he said. He declined to go into detail.

The Russian company Cirillo identified as his client is named Stroygazconsulting. Corporate records indicate no tie to Shamalov and Gorelov. Asked whether it had hired Cirillo to work on the Black Sea estate known as “Putin's palace,” a spokeswoman for Stroygazconsulting said: “The story in question is an invention.” She added that the “only thing we can confirm” was that Stroygazconsulting and Cirillo had had a joint company “many years ago.”

In any case, the contract documents reviewed by Reuters show that Cirillo's firm Medea was paid by Lanaval, the company owned by Shamalov and Gorelov.

Kolesnikov possesses a tape recording of what he describes as a 2009 meeting in St. Petersburg. There, he says, Shamalov, Gorelov and Cirillo - as well as Kolesnikov himself - discussed details of the Black Sea property and Medea's involvement.

On the tape, which was reviewed by Reuters, a man addressed by the others as “Lanfranco” talks in Russian about importing materials for the luxury estate via Medea Investment.

The man says: “If I need to import through Medea Investment, then I need to open an official representative office for Medea Investment in Russia to receive permission for customs clearance, to receive money here for investment programmes and to pay roubles and to pay here.”

When Kolesnikov talks of paying for the goods, “Lanfranco” asks whether paying “with black money to an American company” would be problematical. It is not clear what was

meant by the reference to “black” money.

Cirillo, who speaks Russian, declined to answer questions about Kolesnikov's tape and did not say who the Black Sea property belonged to. He said in his written statement: “Every meeting held with my counterparty and any act connected thereto, that you may be aware of, was exclusively directed to define the construction work, its status and development, as well as payments to me for the services rendered.”

The tape also includes a man identified as Shamalov by Kolesnikov - and referred to by others as “Nikolai Terentievich,” Shamalov's first and patronymic names. On the tape, this man refers to Lanaval as “our company.”

Shamalov did not respond to questions about the tape. Reuters was unable to confirm the identities of people speaking on the tape, and there is no reference on the tape to who owns the property being discussed.

Comrade Capitalism: Read the other stories in the series

Other Reuters investigations and long-form narratives



Passport to Riches

DR Congo has introduced biometric passports costing \$185 apiece. Much of that money goes not to the state but to an offshore company. Who owns it?



Cleaning Up

Industry-backed research has made chlorhexidine products popular in fighting superbugs in hospitals, raising concerns about their safety and effectiveness.



Cotton Crunch

A little-known seed company has defied Monsanto with the aid of a Hindu group in India. The dispute could upend the world's largest cotton-producing market.



Banks on notice

Bankers expected special treatment from the government after Britain voted to leave the EU. They aren't getting it.