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Pavel Durov flees lawsuits, not politics, claims UCP

United Capital Partners, the owner of companies with a 48% stake in VK.com, Russia's leading social media site, claims VK's former chief executive officer and founder, Pavel Durov, is attempting to present himself as a political dissident in order to divert attention from his serious legal challenges.

UCP issued proceedings (through two of its investment vehicles) in the British Virgin Islands on April 4 to protect its economic rights and those of its fellow shareholders following the launch of the Telegram application, claiming, among other things, that Durov embezzled corporate funds, breached his fiduciary duties to shareholders and diverted corporate opportunities to himself. Since that case was filed, Durov has presented himself as a victim of politics, alleging that he has been pressured by the FSB and Prosecution Office of Russia to provide information about VK users in Ukraine and Russia. He also claims that VK is now "controlled by Igor Sechin and Alisher Usmanov".

Victoria Lazareva, partner at UCP, says Durov is not a victim of politics: "The first time we learned of these letters from the Government agencies was when Durov mentioned them online. Durov withheld them for months and, whilst we fully agree that these types of requests present a difficult dilemma for VK, we would expect the company CEO to immediately bring them to the attention of the board. Neither of the two ultimate beneficial owners of VK (UCP and Mail.ru/USM) are controlled, financed or directed by the Russian government or Mr. Sechin, who is the CEO of Rosneft. UCP is a private investment partnership controlled by Ilya Sherbovich, well-known Russian investment professional, and Mail.ru is a public company listed on the London Stock Exchange".

"Durov is attempting to divert attention from his serious legal challenges by creating a political smokescreen. This is pure fantasy and a further example of Durov's increasingly erratic behaviour. He left the company because he was dismissed at the direction of Mail.ru, not for any political reason or with the approval or even knowledge of UCP or its representatives. Durov is not a victim of politics. He is a victim of his own actions, for which we fully intend to hold him to account before a court of law, which in this instance, is located in the BVI and therefore not influenced by Russian politics."

UCP first became aware of the launch of the Telegram instant messenger application last August. In its lawsuit, UCP contends Telegram was founded and developed by Pavel Durov, using VK's resources, while he was a Director of VK.Com Ltd and Chief Executive Officer of its Russian operating subsidiary.

- In March 2012, VK conducted a competition for developers and designers to design and create a mobile messenger for VK. VK paid the winners, P. Yakovlev and I. Rimchikov over RUB 3 mn. They joined Telegram shortly afterwards.

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- In September 2012, VK conducted a competition for developer to create a mobile photography application called Pictograph. The winner, Ilya Laktiushin joined Telegram shortly afterwards.
- Axel Neff, the VK employee responsible for international development, was involved in the legal work to register Telegram in the United States.
- In May 2012, VK's leading developer and leading designer both left. They joined Telegram shortly afterwards.
- In August 2013, key VK developers responsible for server infrastructure left the company. They joined Telegram shortly afterwards.

Pavel Durov's brother, Nikolai Durov, is also connected closely with the development of the Telegram application, despite being an employee and Chief Technology Officer of VK.Com's Russian operating subsidiary until recently.

UCP's claim states that the development of Telegram, a highly valuable business asset, has been pursued by Pavel Durov in breach of his fiduciary duties to VK.Com and its 100% owned subsidiary VKontakte LLC. UCP believes that he has improperly diverted to himself corporate opportunities which he was duty bound to pursue, if at all, within the business of VK.Com.

UCP also says that it has evidence that Pavel Durov has embezzled VK's funds during the construction of the ICVA data centre and its related contracts.

- Pavel Durov beneficially owns ICVA through offshore companies.
- Companies connected with his stepbrother, Mikhail Petrov, carried out its construction. VK lost c. \$5m on investments in its construction, and c.\$175K on the loan it granted to ICVA.
- VK has overpaid ICVA c.2.5\$m for services and related party transactions involving Pavel Durov and his family.
- VKT Rus LLC, a company founded and controlled by Petrov and Pavel Durov's mother, Albina Durova, was paid c.\$4m between 2012 and 2013.
- Petrov also owns Peering LLC, a company that has profited from VK traffic. VK has lost c.\$6m of revenue though a contract with this organisation.

Furthermore, Pavel Durov drew a vastly and illegally inflated salary from VK, totalling \$6m in 2011-2013. This is ten times more than he was permitted to do, and he also failed to obtain any Board approval for his excessive drawings. His travel and accommodation expenses, charged to the company, exceeded RUB \$4.5m.

His behaviour as the company CEO has been also erratic.

- On July 12, 2013 Pavel Durov sent an email where he proposed to vote for Ilya Perekopsky as the new CEO of VK. At the Board meeting on July 25, he withdrew this proposal.

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- On March 25, 2014 the Board of VK received Durov's letter of resignation (dated March 21st) from the position of the CEO of "VKontakte LLC". In the letter Durov said that "To make sure my resignation doesn't affect day-to-day operations of the company, I carefully passed all the affairs to my deputies and instructed the key employees of the company." On April 3rd, Pavel sent an email where he claimed to withdraw his resignation.
- On Jan 28, 2014 on his VK page Pavel Durov stated that he sold his 12% stake in VK to Ivan Tavrín. The deal was structured by the sale of ownership in Bullion, the company, which owned 12% stake in VK.com, the holding company of VK business. Later Bullion was acquired by Mail.ru Group. The deal was structured the same way as UCP's deal of acquisition 48% of VK through acquisition of Blesmir and Palagon companies.
- On April 4th, Durov publicly announced, in breach of confidentiality, that Bullion (now a subsidiary of Mail.ru Group) had filed arbitration proceedings in London against UCP and Mail.ru, claiming that the sale of the VK.com stakes UCP purchased in April 2013 from the co-founders was in breach of the company's shareholders' agreement requiring such stakes to be offered to existing shareholders first. This is notwithstanding, amongst other things, that the sale to UCP happened over a year ago and had since gone unchallenged by any of Bullion, Mail.ru Group and/or Durov, and that Bullion had been sold twice over the same period (once by Pavel himself to Tavrín and then to Mail.ru Group) without any offers being made to VK's other shareholders. Also, the fact that Bullion (which is owned by Mail.ru) is purporting to sue Mail.ru as well as UCP demonstrates that this is a tactical law suit.
- On April 16th Pavel Durov posted on his VKontakte page that, because of the situation in Ukraine, he has been under FSB pressure and so sold his stake in VKontakte to Ivan Tavrín as, otherwise, it could have prevented him from making right decisions about the protection of users' personal data. However, in an article published by Vedomosti on April 18th, sources close to Tavrín and USM refuted Durov's statement, saying that the deal was agreed 2 years before it happened and that Durov had an option to sell his stake.

Now Durov has attempted to divert attention from these serious legal challenges presenting himself as a political dissident.

UCP Partner, Yuri Kachuro, believes this tactic is a further demonstration that Durov is a victim of his own fantasies:

"This desperate tactic changes nothing. Pavel Durov has embezzled company's funds and created Telegram using VK's funds and resources. Telegram belongs

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to VK. We will pursue Pavel Durov and all others involved in Telegram in order to have it returned to its rightful home: as part of VK's portfolio."

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Notes to Editors

Through two of its investment vehicles, UCP is a shareholder in VK.Com Ltd, which owns, via a Russian subsidiary, Russia's leading social media website "VK". The other owner of VK is LSE-listed Mail.ru Group Limited. UCP controls 48% of VK.Com while Mail.ru Group controls almost 52%.

UCP's claim is against, amongst others Pavel Durov and Mail.Ru Group Limited

UCP is happy to provide comment on any aspect of its dispute with Pavel Durov. Media enquiries should be referred to Nafisa Nasyrova of UCP in Moscow on +74956431100/Nasyrova@ucpfund.com or Jonathan Hawker of Slate Campaigns in London on +447979907000/jh@slatecampaigns.com