

Bulgartabac and illicit trade

Synthesis report on the “Bulgartabac System”

Summary:

Executive summary.....	4
1. Bulgartabac Holding AD is the dominant tobacco firm in Bulgaria.....	7
2. Key persons involved in the “Bulgartabac System”.....	9
Ahmed Dogan, political figure and former State Security agent.....	9
Delyan Peevski, controversial media mogul and politician.....	10
Irena Krasteva, mafia oligarch and mother of Delyan Peevski.....	12
Ventsislav Zlatkov Cholakov: the operational mastermind in Bulgaria and in United Arab Emirates.....	14
Some other branches of the Dogan-Peevski-Krasteva alliance.....	15
The issue of public tenders.....	15
3. Opaque privatisation process in favour of a Peevski-Krasteva-Vassilev alliance.....	18
Privatisation process confiscated in favour of mafia oligarchs.....	18
Russian bank and Liechtenstein-based entities used as a vehicle to hide real buyers of Bulgartabac.....	18
Real owners of Bulgartabac are in fact oligarchs Delyan Peevski, Irena Krasteva, and their ex-banker Tsvetan Vassilev.....	19
Origins of the funds used to buy Bulgartabac bring suspicions of money-laundering.....	22
4. Tsvetan Vassilev’s bank eliminated by Delyan Peevski.....	23
5. The “Bulgartabac System” for cigarette trafficking.....	25
Most cigarettes are produced in Blagoevgrad, Bulgaria.....	25
Smuggled cigarettes arrive in Turkey by road.....	25
Shipments sent to Black Sea and Eastern Mediterranean Sea: abnormal destinations, unless the real hidden destination is Turkey.....	26
In March-April 2014, Turkish authorities sent back 1000 tons of cigarettes to Bulgaria:.....	27
2016: The divorce between Turkey and Bulgaria over the cigarettes issue.....	28
The current situation: the shutdown of Sofia factory.....	28
Dubai-based companies that resell Bulgartabac cigarettes are located in a vacant building, to be demolished or rehabilitated.....	29
Cigarette smuggling in Kurdish areas with connexion to terrorist organisation PKK.....	30
Terrorist connexions other than PKK: the ISIS hypothesis.....	31
The new acquisition of Bulgartabac Holding: the factory of Banja Luka	33
6. Other European issues around the “Bulgartabac System”.....	34
Very significant EU financial report to Bulgaria, but lack of Bulgarian will to fight corruption and organized crime:.....	34
Bulgartabac with mandatory information disclosure:.....	34
European ambassadors took public stand in 2013 against Deylan Peevski nomination.....	35
7. Appendices.....	36
Appendix I: Data collected from the Port of Varna.....	36
Appendix II: Exports of cigarettes in Bulgaria (source: UN Comtrade)	39
Appendix III: Andalus Alsharq and Beirut Shipping LLC corporate records.....	40
Appendix IV: Press review	45

Executive summary

Bulgartabac Holding AD is the dominant actor on Bulgarian tobacco market, and a very significant cigarette exporter on the international market. It is a former State-owned monopoly from the time of Socialist Bulgaria. Due to European regulations, Bulgarian authorities had to privatise this company. However, several attempts from foreign investors to acquire it failed because of imbricated organized crime and political networks in the country.

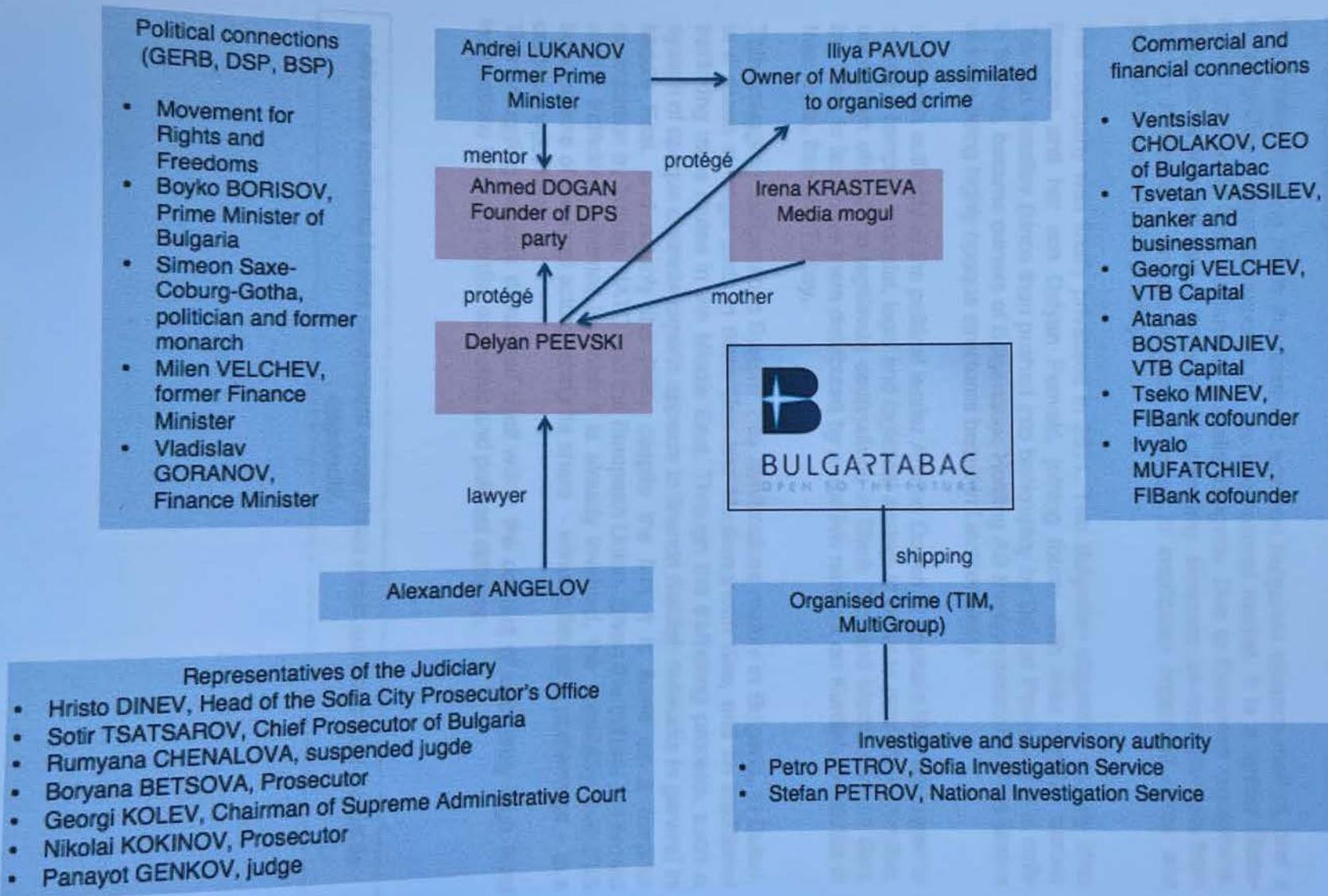
The company was finally privatised in 2011. Two Bulgarian oligarchs, namely Irina Krasteva and her son Delyan Peevski, joining forces with their regular banker Tsvetan Vassilev (since then pushed into bankruptcy by Delyan Peevski and in exile in Serbia), became owners of Bulgartabac Holding AD through several entities (some of them being highly opaque structures based in Liechtenstein).

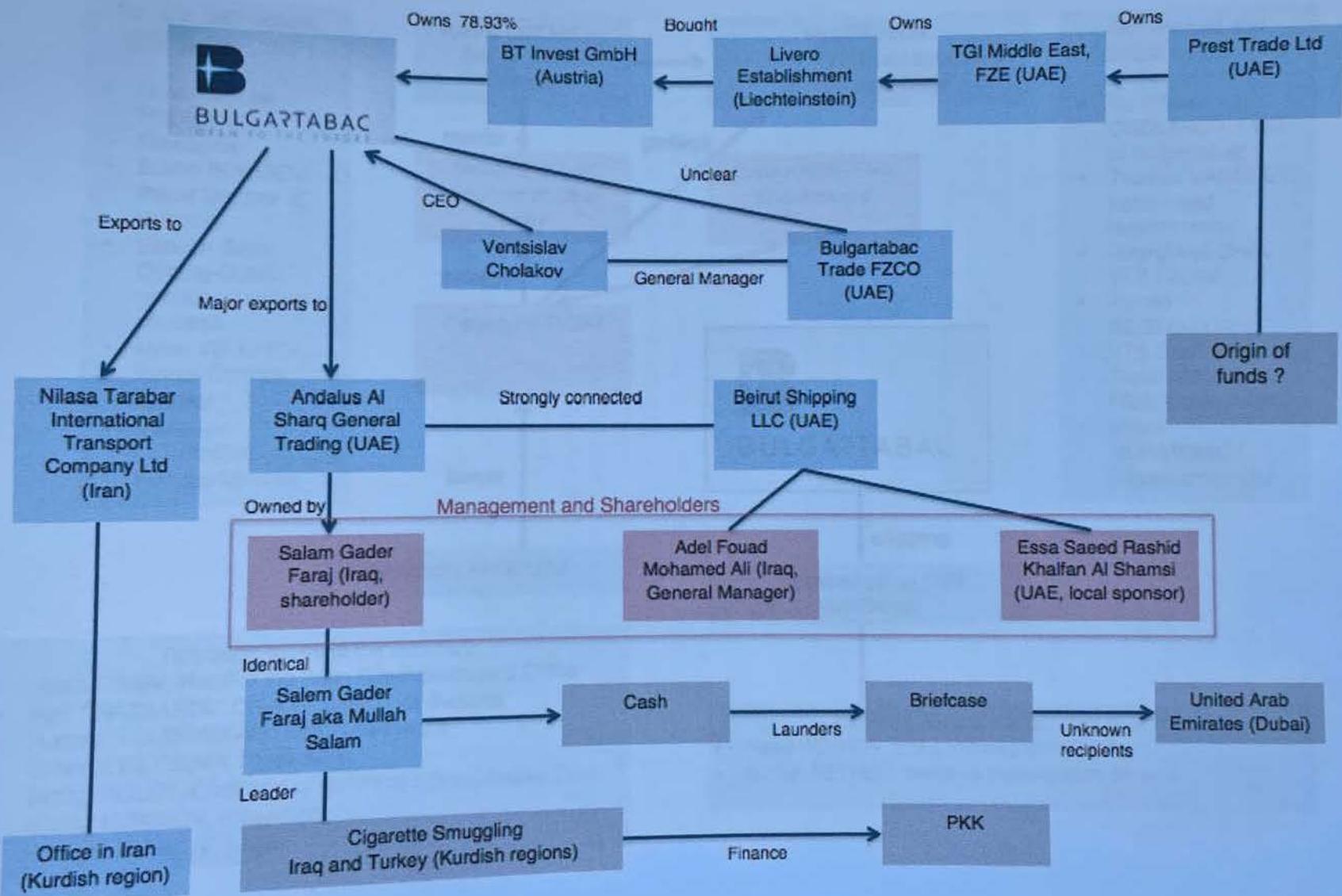
Under the authority of the political leader Ahmed Dogan, it appears they managed to create a complex financial, legal and logistical system in order to produce cigarettes, send them officially to legitimate destinations in Black Sea and Mediterranean Sea, but then, in fact, have them distributed by a Kurdish network on Kurdish territories in Iraq, Syria, Iran and Turkey.

This smuggling “Bulgartabac System” has ramifications mainly in Bulgaria, in Dubai, in a dozen strategic ports in Black Sea and Mediterranean Sea, and on traditional trafficking trade routes in the Middle East. Through the trafficking process, such a system of opaque cigarette exports appears to finance Kurdish networks in general in Middle East, and notably the PKK, despite the fact it is listed as a terrorist organisation by Turkey, NATO and the European Union. Given the current confirmed similar trafficking schemes in which it is already involved, the possibility that ISIS became one of the local actors taking its share - either a fee or a percentage – is a credible hypothesis.

This smuggling network developed itself within the context of extremely high level imbrications between mafia, economic and political spheres.

All data included in this document come from open sources and listed in appendix.





This synthesis report makes use of public sources, in order to reach a clear picture of Bulgartabac Holding AD and its environment in Bulgaria.

1. Bulgartabac Holding AD is the dominant tobacco firm in Bulgaria



The state tobacco manufacturer Bulgartabac was founded in 1947 by the Bulgarian Communist Party, which became the owner and controller of the tobacco business in People's Republic of Bulgaria. Starting in 1947, Bulgartabac enjoyed a monopoly of tobacco production in the country. During the 1970s and the 1980s, the firm was one of the largest exporters in the world with 160 000 tons of tobacco and up to 95 000 tons of cigarettes.

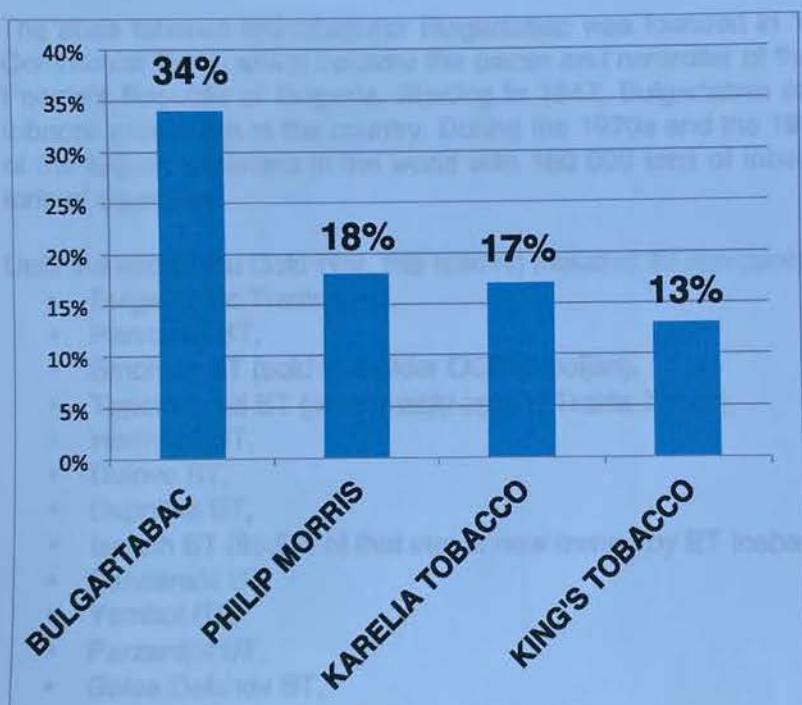
Until the end of the Cold War, this holding included 23 companies:

- Bulgartabac Trading AD,
- Parvomai BT,
- Smolyan BT (sold to Builder OOD-Smoljan),
- Topolovgrad BT (presumably sold to Trakia Tabac),
- Harmanli BT,
- Dulovo BT,
- Dupnitsa BT,
- Isperih BT (85.9% of that one is now owned by ET Iceberg-Beyhan Sopen),
- Sandanski BT,
- Yambol BT,
- Parzardjik BT,
- Gotse Delchev BT,
- Kardjali BT,
- Sofia BT,
- Cigarette Plant Plovdiv BT AD,
- Blagoevgrad BT,
- Slance-Stara Zagora BT,
- Vidin BT,
- Asenovgrad BT,
- Pleven BT,
- Haskovo BT,
- Shumen BT,
- Plovdiv-Yuri Gagarin BT AD.

In 2014, Bulgartabac controlled 34% of the Bulgarian national market thanks to 5 brands (Victory, EVA Slims, MM, Prestige, GD Blue) and a total of 4,59 billion cigarettes. Philip Morris and Karelia Tobacco follow with respectively 18 and 17%.



Dominant actors on Bulgarian tobacco market:



Source: Euromonitor Intl

In addition to that, according to KPMG, smuggled cigarettes weight 18,5% of domestic consumption with around 2,5 billion cigarettes.

According to Bulgartabac Annual Report of the Board of directors for year 2014:

- 2014 net profit is 31,1 million BGN (around 15,9 million euros). 2013 net profit is 70,1 million BGN (around 35,8 million euros).
- Market capitalization is stable.
- In 2014 the Board decided not to distribute any dividend. In 2013 it distributed 69,7 million BGN (around 35,6 million euros) to its shareholders.

2. Key persons involved in the “Bulgartabac System”.

Ahmed Dogan, political figure and former State Security agent.



Ahmed Dogan was born in 1954. He is a Bulgarian oligarch. He worked as an agent for the Bulgarian State Security from 1974 to 1985. There are very strong indications he still collaborates unofficially. In 1985-1986, he was arrested and sentenced to a 10-year prison sentence for having created an unauthorized organization defending the cultural identity of the Turkish minority in Bulgaria. In 1989, he was released after an intervention by NGO Amnesty International. Strangely, since then he kept a very close relationship with the investigator Angel Alexandrov who got him arrested: in 2005 the same Angel Alexandrov appointed Delyan Peevski as an investigator in the Sofia Economic Crime Investigation Department.

According to several well informed intelligence and financial sources, at the end of the Cold War funds accumulated in foreign currencies trade – among other firms by Bulgartabac – were “stashed” in tax havens and then used in order to build commercial empires in Bulgaria. Such operations involved Foreign trade Minister Hristo Hristov and the former Prime Minister Andrei Lukanov; organised crime conglomerates like TIM (Chimimpot, Balkan Air, etc.) and Multigroup; and a political party created by Ahmed Dogan and called the DPS.

Indeed, in 1990, in the new context of post-Socialist Bulgaria, he founded a political party called the Movement for Rights and Freedom (DPS) to defend the interests of the Turkish minority. Several political analysts describe the DPS as also being a community of politicians with similar or complementary business interests:

- Members of the DPS are mostly business owners, who have to give part of their profits to the party treasury.
- In return, DPS members of the Parliament act as lobbyists for DPS-related businesses, among which tobacco growers and major tobacco firm **Bulgartabac**.
- All companies that obtain public contracts or State funds through DPS-lobbying have to pay a 20-30% commission to the DPS.
- All DPS MPs own companies and assets that are officially registered as property of their family members and relatives.

Also, Ahmed Dogan is regularly mentioned in Bulgarian media as using his financial clout and incentives in order to buy votes in crucial elections, which seems credible. On the contrary, allegations about his links with Islamist terrorism appear to be either exaggerated or fabricated.

The most visible part of businesses controlled by Ahmed Dogan is in the media industry. Through Irena Krasteva and her son Delyan Peevski, the DPS controls 22 national and regional media outlets, the largest Bulgarian printing company IPK Rodina, and 5 distribution companies. In addition to that, Ahmed Dogan is the owner of numerous hotels and real estate assets in Bulgaria. According to media research that could not be verified but appears credible, he also took control through various companies Bulgarian oil company Petrol: indeed, its new dominant shareholders, companies Yulinor EOOD and VIP Properties EOOD, have a close relationship to Ahmed Dogan as well as Tsvetan Vassilev.

To achieve his business operations, Ahmed Dogan relies mostly on 2 banks: Corporate Commercial Bank (CCB) DBank, and First Investment Bank (FIBANK).

Delyan Peevski, controversial media mogul and politician.



Delyan Peevski is a Bulgarian controversial media mogul and politician. He was born in 1980. In 2001, he joined a royalist political party called the new National Movement for Stability and Progress (NDSW) created by former King Simeon Saxe-Coburg-Gotha. The party gained half the seats in the 2001 elections and formed a coalition with parties including Ahmed Dogan's DPS. The then Minister of Transport Plamen Petrov, said to be close to organized crime firm Multigroup, appointed Delyan Peevski as Parliamentary Secretary of State and Chairman of the Board of the Port of Varna. Yet he was quickly dismissed because he missed educational qualifications.

In 2003, Delyan Peevski passed the exam to become a lawyer. Two years later, he became a member of the Lawyers College in Blagoevgrad. This college was led until 2001 by Vasil Petrov, who is also a member of the Supreme Council of the Bar. Vasil Petrov is now a member of Supreme Legal Council of Dogan's party DPS. In addition to that, Vasil Petrov's daughter is the mother of a child with Delyan Peevski.

In 2005, the Supreme Judicial Council appointed Delyan Peevski, at the age of 25, as State Prosecutor at the Economic Department of the Sofia Prosecutor's Office. The head of this office, Angel Alexandrov, is a close friend of Ahmed Dogan. In 2005 as well, Prime Minister Sergey Stanichev (BPS, former Communist Party) appointed Delyan Peevski as Deputy Minister in the Ministry of State Policy for Disasters and Accidents. He then became repeatedly involved in scandals due to illegal enrichment. To be noted that as a Deputy Minister, he then became member of an international department Commission in charge of issuing licenses for arms trade.

In 2007, a major corruption scandal involved Delyan Peevski, the Minister of Economy Rumen Ovcharov, his deputy Kornelia Ninova, the head of Sofia Public Prosecution Angel Alexandrov, and the head of Bulgartabac Hristo Lachev.

In effect, the latter accused Delyan Peevski of extortion by demanding him to sign contracts with companies that would benefit Peevski himself. Minister Rumen Ovcharov was then forced to resign, prosecutor Angel Alexandrov took a long vacation leave, and both Kornelia Ninova and Delyan Peevski were dismissed from the Bulgarian government. Yet judicial charges against the latter were dropped by the Prosecutor's Office due to "lack of evidence": on the contrary, it launched an investigation against Hristo Lachev, who had made the scandal public, under the accusation of tax frauds. Eventually Hristo Lachev and his wife were convicted to a 9-year prison sentence but then acquitted in appeal court.

At the end of 2007, in spite of that corruption scandal, Delyan Peevski was re-appointed as State Prosecutor by the Supreme Judicial Council and then re-appointed as Deputy Minister by Prime Minister Sergey Stanichev. In 2009 he was elected member of the Bulgarian Parliament as a DPS representative, without having Turkish origins. In 2010 he failed becoming chairman of the parliamentary committee to combat corruption despite the full support of the DPS and several key members of the BSP (former Communist Party).

In 2013 the Parliament elected him new head of the Bulgarian intelligence and security service (State Agency for National Security, DANS). But immediately after this election, thousands of protesters march on the street and numerous online media campaigns oppose Delyan Peevski's nomination. This nomination had then to be cancelled by the Parliament.

In 2015, as a new MP, Delyan Peevski submitted his mandatory asset declaration, including following shareholdings:

- NSN Investment Ltd (Sofia, Bulgaria), 90% (the remaining 10% are owned by his mother Irena Krasteva).
- Bio Water Ltd, 50%.
- Bio Water Investment Ltd, 50%.
- Balkan Media Company JSC, 50%.
- Al Intisar General Enterprises Co LLC (United Arab Emirates), 49%.

In addition to that, NSN Investment Ltd bought in 2015 the firm Tabaco Investment EOOD, previously controlled by Bulgarian oligarch Peter Mandzhukov, which is a 5% shareholder of Bulgartabac Holding AD. Through this move, Delyan Peevski is

officially, indirectly, a shareholder of Bulgartabac Holding AD (without even taking into account his other indirect shareholdings).

Irena Krasteva, mafia oligarch and mother of Delyan Peevski.



Irena Krasteva was born in 1955. She is a Bulgarian oligarch and the mother of Delyan Peevski. She started in the mid-1980s as a proof-reader in the Bulgarian Academy of Science. She moved to the private sector during the early 1990s, initially in the sector of marketing and advertisement. She and her son came under the protection of Konstantinos Livadas, a Greek businessman and former governor of the Northern Greek province that borders to Bulgaria. Thanks to his networks, Irena Krasteva began a very active social life within the Bulgarian and resident Greek business elite. She started using such contacts for business ventures, in particular in the sports betting and State lottery sector, which are major hotspots for corruption and fraud in Bulgaria.

In 2001, when former King Simeon Saxe-Coburg-Gotha created a new party, Greek businessman Sokratis Kokkalis, head of Intracom and investor in betting companies in Romania and Bulgaria, is rumoured to have funded his successful electoral campaign of that year. Sokratis Kokkalis being one of her numerous Greek resident business close contacts, Irena Krasteva was appointed that same year as President of the Board of Directors of Olympic JSC, which is one of the companies of the State Agency for Youth and Sports. Yet she had to withdraw only a few months later because of a series of irregularities, undersold sports facilities and real estate, illegitimate contracts and business deals approved orally at disadvantageous conditions without supporting documentation, and so on. In 2002, Irena Krasteva was appointed by Minister of Sports Vasil Ivanov as Director of Sports Totalizators, the Bulgarian sports lottery and betting agency. She stayed until 2005.

In 2007, Irena Krasteva began investing massively in Bulgarian media by acquiring New Bulgarian Media Group through her fully owned Balkan Media Company EOOD, thus controlling:

- television channels like TV7;
- print media "Monitor", "Telegraph" and "Politika";
- advertisement distribution companies like Presmarket and Prestrafik.

- Also, both companies "Monitor" and Presmarket hold a participation in the printing and publishing company Rodina, via United Bulgarian Newspaper AD.

Irena Krasteva and her son Delyan Peevski are believed to control over 60% of the market of the distribution of newspapers in Bulgaria.

She could only do so thanks to loans guaranteed by Tsvetan Vassilev's Corporate Commercial Bank (CCB). Based on public and confidential sources, the following business ventures and participations are owned or strongly believed to be controlled by her:

Telecommunications:

- BTC, 1.4 billion BGN.
- NURTS Bulgaria, 213 million BGN.

Cigarettes and drinks:

- Bulgartabac Holding, 616 million BGN.
- Telish, 70 million BGN.

Trading:

- K&K Electronics ("Technomarket"), 290 million BGN.
- Beach Burgas (only minority interest).

Finance:

- Insurance corporation "Victoria", 86 million BGN.

Media and marketing:

- New Bulgarian Media Group Holding.
- Nation Distribution Agency, 9.3 million BGN.
- Newspapers: Telegraph, Monitor, Weekend, Meridian Match, Politika, Vseki den, Borba, Chernomorski flag, Minaha godini, Vtora Mladost.
- TV: TVSeven, 26 million BGN; BBT.
- Websites: 3Bey.bg, 6.6 million BGN; BNNews.

Cars:

- Litex Motors (minority interest), 65 million BGN.
- KIA Bulgaria, 32 million BGN.
- Subaru Motors.

Infrastructure and road construction:

- Integrated Transport Systems, 211 million BGN.
- Hydropont-M, 46 million BGN.
- Euro Build Project, 98.7 million BGN.

Production and engineering:

- Rubin, 215 million BGN.
- Shipbuilding Rus, 97 million BGN.
- Dunarit, 77 million BGN.
- Terem – Georgi Benkovski, 28.4 million BGN.

AgroLand:

Agro Finance REIT, 73 million BGN.

Tourism and hotels:

- Health and Wellness – REIT, 147 million BGN.
- Sana Space Hotel Hissar.
- Pirin Golf Propartiz.

Ventsislav Zlatkov Cholakov: the operational mastermind in Bulgaria and in United Arab Emirates.



Ventsislav Zlatkov Cholakov was born in 1971. He holds several degrees in finance, banking and management. He is the Chief Executive Officer of Bulgartabac since its privatisation in 2011. He is described to be very close to Delyan Peevski. From 1998 to 2006 he worked in "Metro Cash & Carry Bulgaria" as a tax and financial expert, and then as finance and project manager. From 2006 to 2011 he worked as a financial director and head of the supermarket chain Billa Bulgaria EOOD, part of the German REWE group. Since 2011 he is the Managing Director of Bulgartabac Holding AD and his mandate was extended in 2014 for 3 additional years. In addition to that, from 2011 to 2015 he was also Director of subsidiaries Bulgartabac Sofia and Blagoevgrad BT.

He is the senior executive whose name appears the most on the board of the different subsidiaries of Bulgartabac. More surprisingly, he also appears as Director with signatory powers in foreign structures that are part of the shareholder structure of Bulgartabac: for instance BT Invest GmbH in Austria, as well as several companies in United Arab Emirates and Dubai which are believed to be shell companies used to hide real owners like the company TGI Middle East.

Ventsislav Zlatkov Cholakov is also a former shareholder (24%) in an Austrian trading company called Tobe Trade International GmbH, the other shareholder being a regular business partner of Delyan Peevski named Dimitar Ivanov Petkov. Tobe Trade International GmbH is allowed to trade in all types of services and goods: it has regularly been mentioned as a trade facilitation company for business in the Middle East and in Asia. In addition to that, Ventsislav Zlatkov Cholakov is the Managing Director for Dubai-based Bulgartabac Trade FZCO, which is the exclusive Bulgartabac trade representative for Asia, Middle East and Africa.

Such elements indicate Ventsislav Zlatkov Cholakov is an integral and crucial part of the decision-making process, from the ultimate beneficial owners to the management and operations of the company. This is in line with reports that he is the mastermind of the "Bulgartabac System" as a whole, under the authority of its key owners.

More striking is the allegation that Ventsislav Zlatkov Cholakov is the head of a money-laundering scheme, by potentially using proceeds of a crime, i.e. cigarette smuggling in the Middle East, for financial transactions: this would make him subject to the European Union anti-money-laundering legislation. As a consequence, any European Union and Western banks dealing with him would be required by law to adopt enhanced due diligence measures.

Some other branches of the Dogan-Peevski-Krasteva alliance.

Apart from Bulgartabac Holding AD, Delyan Peevski, his mother Irena Krasteva, Ahmed Dogan, and by extension his DPS network, are involved in other highly opaque business ventures that depend on State subsidies and government contracts. Among such activities are apparently companies such as Tabac Market, Sibole Services Inc. Bulgaria, and Industrial Construction Holding:

- Tabac Market is the sole owner of the company Tabac Traffic, which runs the kiosks and cigarette distribution chain Lafka.
- Sibole Services Inc. Bulgaria is the majority owner of the international construction firm Technoexportstroy. The latter was privatised in 2012 through a dubious process and sold via a bank loan to company AT Engineering 2000 which immediately resold its shares to Sibole, owned by a Panama foundation allegedly owned by Delyan Peevski.
- Industrial Construction Holding was owned by Delyan Peevski's company Vodstroj 98 before it was sold to Story Invest, property of PR professional Ivaylo Nikolov with no track record in construction. Some subsidiaries of this holding are reported to get preferential access to government contracts thanks to the lobbying of the political party DPS, controlled by Ahmed Dogan, in exchange for kickbacks.

The issue of public tenders.

In February, Bulgaria's Prime Minister Boyko Borisov ordered personally the end of several public tenders, over doubts that the respective winners had ties to certain companies and people such as Lukoil Bulgaria head Valentin Zlatev and controversial politician and alleged media mogul Delyan Peevski.

In fact, since the beginning of 2016, a list of public tenders have been halted for suspected irregularities and lack of transparency among them: the Bulgarian Ports Infrastructure Company and the National Railway Infrastructure Company. Among the halted procedures, is the 6 million BGN tender for the construction of WiFi network on the territory of the ports in Varna and Burgas or the tender for the construction of lots 1 and 2 of Hemus motorway (for a value of 88 million BGN).

According to one media, the public tenders from 2007 until 2015 demonstrated an abnormal winning rate of companies linked with oligarchs. Following the Public Procurement Act (PPA), the Public Procurement Agency provides access to

information on all expenditures of the State for a period of nine years – since the beginning of 2007 till the end of 2015. Information on 163,722 contracts, totaling 59 818 543 584 levs (fifty-nine billion and eight hundred and eighteen million levs) of which 15.99 billion levs in European funding are revealed.

Source: www.bulgariainfo.com/2016/02/15/163722-contracts-totaling-59-818-543-584-levs-revealed/

Some other branches of Rus Ogran-Peshev's business interests.

Apart from Bulgaria, Delyan Peshev, his brother Ivan Kostov, Ahmed Ogran, and in association with Delyan Peshev, are involved in other North-Caucasian business interests that depend on their influence and government contracts. Among such interests are cigarette companies such as Tabac Market, Tabac Services Inc. Bulgaria, and Industrial Construction Holding.

Tabac Market is the sole owner of the company Tabac Trade, which runs the tobacco and cigarette distribution chain Lutus.

Tabac Services Inc. Bulgaria is the majority owner of the international construction firm Techinweststroy. The latter was purchased by TPSA through a dubious process and sold via a bank loan to company AF Engineering 2000 which immediately sold its shares to Sibina, owned by a Paracita foundation allegedly owned by Delyan Peshev.

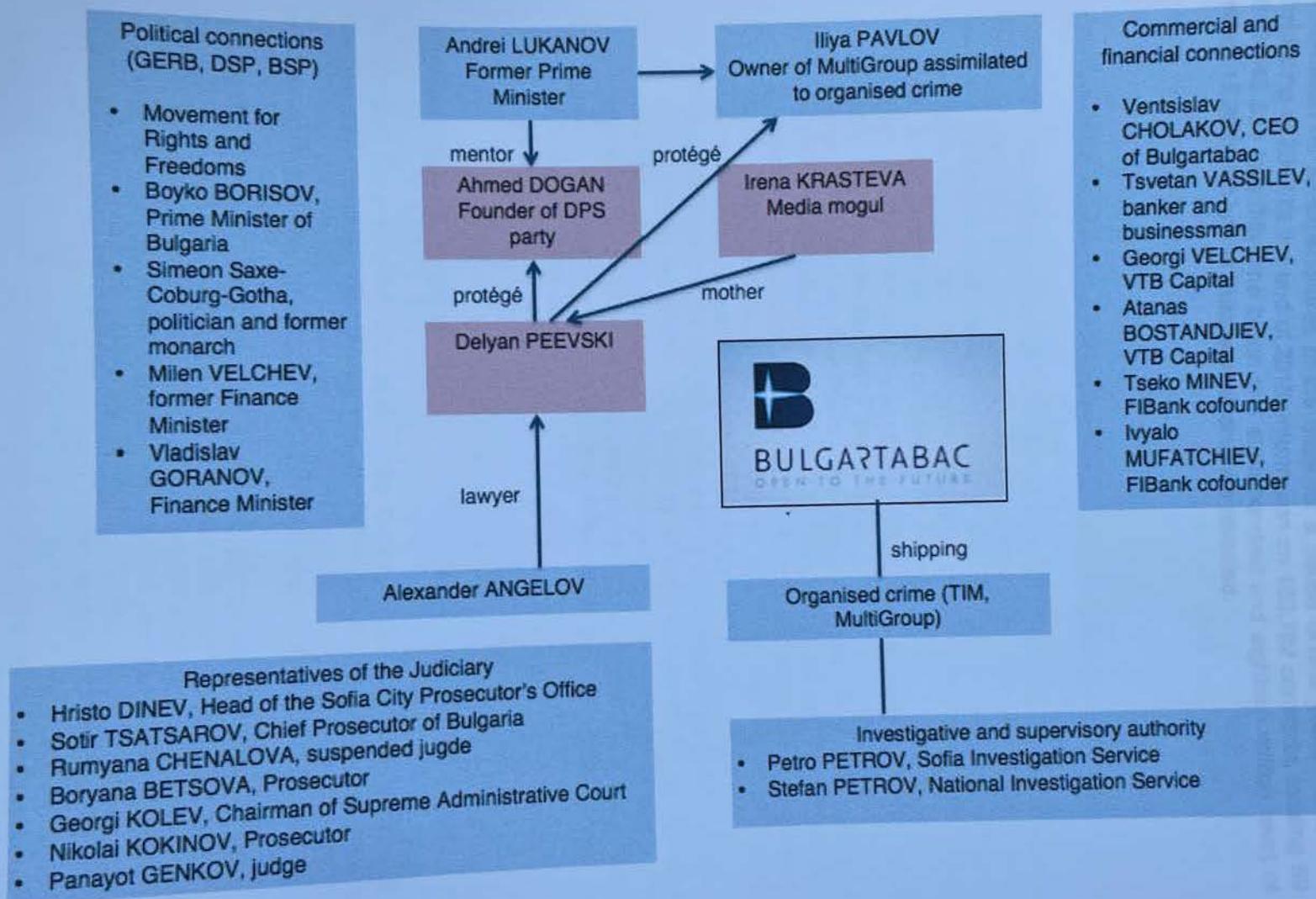
Industrial Construction Holding was owned by Delyan Peshev's company Vektor 5h before it was sold to Stroy Inwest, property of PPR chairman Nencho Nenchev who has no track record in construction. Some subsidiaries of this holding are reported to get preferential access to government contracts thanks to the lobbying of the political party DPS, controlled by Ahmed Ogran, in exchange for kickbacks.

The issue of public tenders.

In February, Bulgarian Press Media Bulgaria detailed centrally the end of several public tenders, and claimed that the respective winners had been in certain companies and places such as which Bulgaria based Minister Zdravko Zhivkov himself visited and where media alleged Delyan Peshev.

In fact, since the beginning of 2016, a lot of public tenders have been called for suspicious irregularities and lack of transparency among them, the Bulgarian Rail Infrastructure Company and the National Railway Infrastructure Company. Among the most prominent is the 6 million euro tender for the construction of Wien station on the territory of the ports in Varna and Burgas at the tender for the construction of the 1 and 2 of Halkidiki motorway (for a value of 80 million Euro).

According to our media, the public tenders from 2007 until 2016 demonstrated an external winning rate of companies linked with oligarchs. Following the Public Procurement Act (PPA), the Public Procurement Agency provides access to



3. Opaque privatisation process in favour of a Peevski-Krasteva-Vassilev alliance.

Privatisation process confiscated in favour of mafia oligarchs.

In the course of the negotiations for its access to EU membership in 2004, Bulgaria agreed to abolish its State monopoly in tobacco industry. Yet political power plays made it impossible for major foreign investors to take part in the subsequent privatisation:

- In 2002 a consortium of investors led by Deutsche Bank failed to buy Bulgartabac as a whole.
- Similarly, in 2004, it failed to buy the 4 most profitable companies within the holding (Blagoevgrad BT, Slance-Stara Zagora BT, Sofia BT, Plovdiv BT) when the Bulgarian Ministry of Economy launched their privatisation process. Globally, during the past decade, 4 privatisation attempts failed despite a continuous interest of international industry leaders and institutional or private investors.

Just before its privatisation that finally occurred, the shareholding configuration of Bulgartabac was as follows:

- Bulgarian Ministry of Economy and Energy 79.83%,
- Swiss bank UBS AG 7.99%,
- Corporate Commercial Bank AD 4.03%,
- minor shareholders 12.18%.

Privatisation succeeded in 2011 with the sale of the 79.83% State-owned shares of Bulgartabac to BT Invest GmbH, an Austrian-based investment vehicle controlled by the Russian State-owned VTB Bank. According to independent observers, the sales process was marred by inconsistencies in the requirements, selling Bulgartabac for a price just 100 000 euros above the minimum fixed price. The deliberate lack of information about the real buyers provided by the Bulgarian authorities fuelled the assumption that local political interests were involved. Numerous speculations about the banker Tsvetan Vassilev and the controversial Delyan Peevski being hidden owners were denied by Emil Karanikolov, head of the Bulgarian Agency for Privatisation and Post-Privatisation Control.

Russian bank and Liechtenstein-based entities used as a vehicle to hide real buyers of Bulgartabac.

Both Tsvetan Vassilev and Delyan Peevski have a close direct or indirect relationship with Russian elites. According to a former State security agent specialized in ex-Warsaw Pact countries, Delyan Peevski's mentor Ahmed Dogan, who is a former agent of Bulgarian secret service, kept close contacts with Russian ex-KGB agents that became businessmen and political actors in Russia. On the other hand, until Tsvetan Vassilev lost control of it in 2014, Corporate Commercial Bank also enjoyed a close relationship with Russia: it was created in 1998 as Bulgarsovinvest, a joint

venture between the Bulgarian Foreign Trade Bank and the Russian State-owned Vneshekonombank (now VEB Bank).

Among mandatory conditions in the privatisation agreement of Bulgartabac, the buyer BT Invest could not resell its stake for a fixed period of 3 years. However, documents recently divulged by Bulgarian investigative journalists prove an agreement was signed on August 22nd, 2011, one week before the privatisation was finalized, between:

- on the one side, Cyprus-based VTB Capital PE, fully controlled by VTB Bank;
- on the other side, Livero Establishment, Belom Foundation, and Sedona Foundation.

The agreement planned the selling of VTB Bank's shares in BT Invest, at the exact end of the 3-year period of time. Thus, in 2014, it was announced VTB Bank planned to sell its share in BT Invest to a Liechtenstein foundation named Livero Establishment. No end-buyers were divulged but unnamed media sources indicated investors were in fact Tsvetan Vassilev, Delyan Peevski, Petar Mandzhukov and Italian investor Edoardo Miroglio. When the Commission for Protection of Competition approved the sales process, it said there was no domestic competition issue because Livero Establishment was controlled by Middle Eastern company TGI Middle East FZE, which was itself controlled by Middle Eastern company Prest Trade Ltd, with an end-owner being an unnamed individual not involved directly or indirectly in any economic activity. However, both companies are shell companies based in a free trade zone in Dubai, and the alleged beneficial owner may be merely a straw man.

On the 15th of March, the Sophia Stock Exchange published that a total of 531,950 shares of Bulgartabac Holding changed hands in a single deal, worth 26.6 million levs (\$15 million/13.6 million euro). According to the bulgarian media *Kapital*, these stakes clearly correspond to the Italian Edoardo Miroglio's stakes.

TGI Middle East seems to get the 7.22% of Miroglio's stakes and 5% Peevski's stakes.

Real owners of Bulgartabac are in fact oligarchs Delyan Peevski, Irena Krasteva, and their ex-banker Tsvetan Vassilev.

Livero Establishment sold 50% of its shares to another Liechtenstein foundation called Stiga Anstalt: it is a shell company domiciled at the same address as Livero Establishment. The other 50% are held by Woodford Establishment, an investment vehicle also based in Liechtenstein. Despite numerous speculations on the fact owners are Delyan Peevski for Livero/Stiga and Tsvetan Vassilev for Woodford, accessing such information from Liechtenstein is virtually impossible.

In 2015, investigative journalist Miroslav Ivanov published on his blog several confidential documents confirming real owners behind various shell companies and foundations are in fact Delyan Peevski, his mother Irena Krasteva, and their ex-banker Tsvetan Vassilev. These documents also show 2 of these entities, namely Panim Foundation and Sedona Foundation, paid kickbacks to different BVI structures

allegedly owned by Prime Minister Boyko Borisov (GERB party), Ahmed DOGAN (DPS party), and Alexander Staliyski, a businessman close to Prime Minister Borisov and the son of a former Minister close to DPS, which would indicate political corruption.

recently disclosed by Bulgarian investigative journalists prove an agreement was signed on August 27th, 2013, and who were the parties involved, however,

On the one side, Cyprus-based VTB Capital Pte, also controlled by VTB Bank; on the other side, Union Establishment, Palma Foundation, and Sedona Foundation.

The agreement planned the setting of VTB Bank's assets in BT Group, at the end of the 5-year period of time. Then, in 2014, it was announced VTB Bank planned to sell its share in BT Group to a Luxembourg foundation named Luxco Management. No and details were disclosed but sources state that the shareholders were in fact Teodor Vassilev, Delyan Peevski, Palma Foundation and Union Investor Eduardo Miroglio. When the Committee for Disclosure of Corruption exposed the entire process, it said there was no ultimate beneficiary and Luxco Management was controlled by Middle Eastern company TBC Group. Said TBC, which was itself controlled by Middle Eastern company, Frank Zelvin Ltd, with no end-owner being an unnamed individual not involved directly or indirectly in any corporate activity. However, both companies are shell companies based in a low-risk zone in Dubai, and the alleged beneficial owner may be merely a screen man.

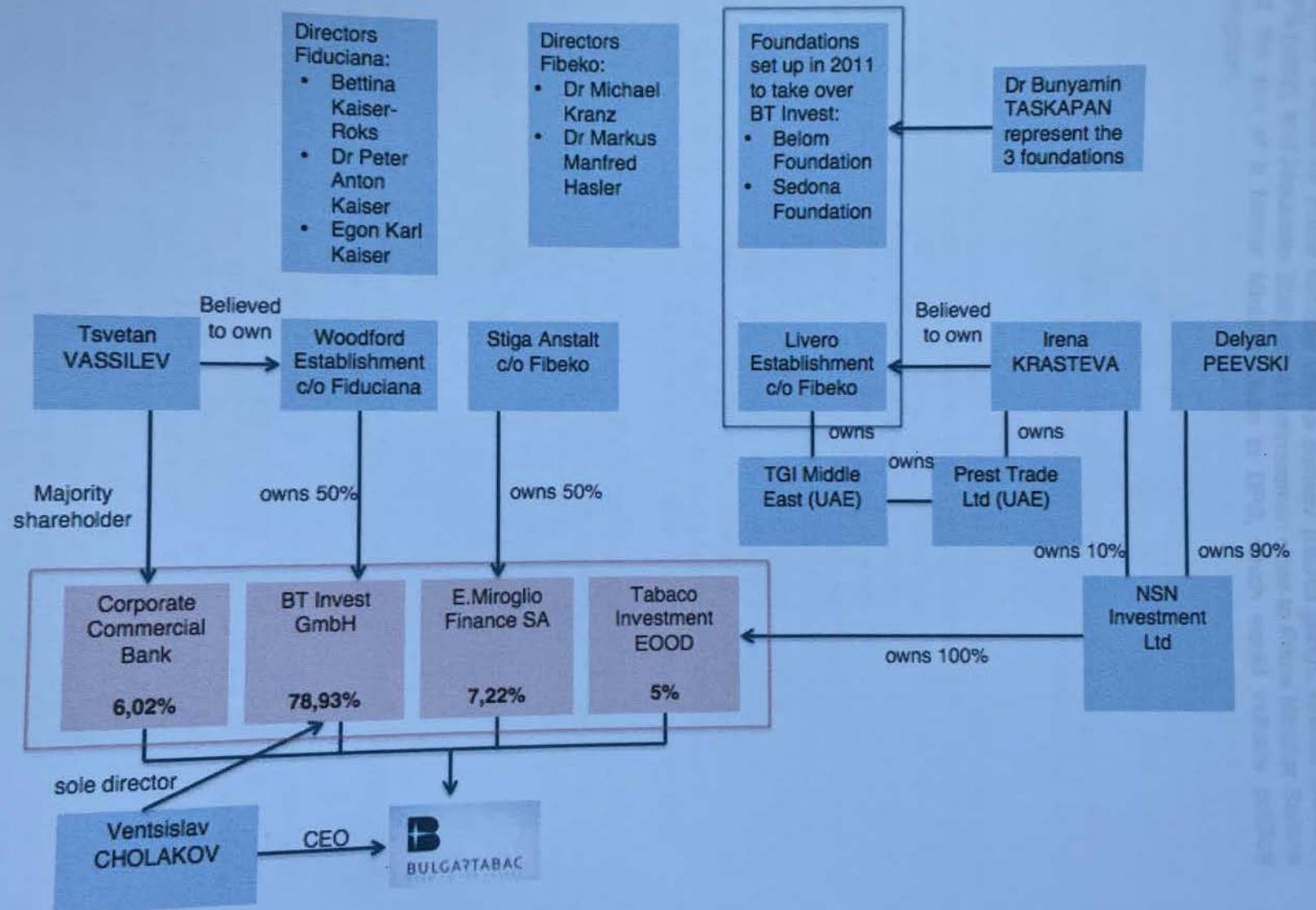
On the 16th of March, the Sofia Stock Exchange published that a total of 854,000 shares of Bulgarian Holding changed hands in a single deal, worth 100 million leva (0.15 billion/150 million euro). According to the Bulgarian media, Kapital, these figures clearly correspond to the Bulgarian stock market's data.

TBC Middle East seems to own the 72.6% of VTBgroup's stakes and 5% Palma's stakes.

Final owners of UnionInvest are in fact oligarchs Delyan Peevski, Irena Grigorova, and their associate Teodor Vassilev.

Union Establishment said 60% of its shares is another Luxembourg foundation, called Fopt Invest; it is a shell company domiciled at the same address as Luxco Management. The other 50% are held by Woodford Investment, an investment vehicle also based in Luxembourg. Despite numerous speculations in the past years and Delyan Peevski for Liverafrica and Teodor Vassilev for Woodford, according such information from Luxembourg is virtually impossible.

In 2015, investigative journalist Ivanov Ivanov published on his blog several confidential documents confirming the owners behind various shell companies and foundations are in fact Delyan Peevski, his mother Irena Grigorova, and their associate Teodor Vassilev. These documents are dated 8 of June 2014, namely Palma Foundation and Sedona Foundation, paid 100,000 to different Bulgarian



The authenticity of collected documents could not be established yet. But while it is not confirmed that the planned intentions were materialized as such, it provides a plausible indication of the post-privatisation acquisition plans.

Origins of the funds used to buy Bulgartabac bring suspicions of money-laundering

In spite of the involvement of VTB Bank as a vehicle to take control of Bulgartabac, there was no Russian end-buyer and no intention for Russian interests to take over.

According to investigations made by Bulgarian journalists like Miroslav Ivanov, funding for the acquisition of the shares held by VTB Bank in BT Invest GmbH was meant to originate from 2 Virgin Islands companies: EFV International Financial Ventures Limited and Ventracor Establishment. The latter is linked to Anton Shterev and Atanas Petrov, owners of the beverage producer Peshtera and suspected owners of King's Tobacco, but many sources state they remained out of the deal. On the other hand, according to the copy of a letter from Delyan Peevski's lawyer Alexander Angelov to banker Tsvetan Vassilev, some sums sent to EFV were wired by a company registered in the Dubai free zone, called Tobacco EMEA Trade Limited, which was an intermediary for the payments: the source of such funds is still unknown. Yet there are suspicions that these funds come from the proceeds of cigarette smuggling, which would make it a predicate offense in a money-laundering scheme.

In addition to that, according to a contract it signed, TGI Middle East FZE (owned by Prest Trade Ltd, owned by Irena Krasteva) takes over the payment of the loan from EFV in order to take ownership of Liechtenstein-based company Livero, which owns BT Invest GmbH, which owns Bulgartabac. However, when the contract was signed by EFV and TGI Middle East, the latter was represented by its Director Ventsislav Zlatkov Cholakov, while he was simultaneously listed as the representative of BT Invest GmbH and the CEO of Bulgartabac. This suggests a potential conflict of interests.

4. Tsvetan Vassilev's bank eliminated by Delyan Peevski.



**КОРПОРАТИВНА
ТЪРГОВСКА БАНКА АД**

Клиентите са ни скъпни

According to collected information, Tsvetan Vassilev's Corporate Commercial Bank (CCB) was used as a preferential vehicle by major Bulgarian mafia oligarchs, before the fallout between Tsvetan Vassilev and Delyan Peevski that occurred in 2014. This explains why CCB had no liquidity problems despite the financial crisis of 2007-2008 and managed in a few years to climb from rank n°16 in 2005 to rank n°4 among Bulgarian banks, before it went bust. In fact, some highly influential mafia oligarchs, including Ahmed Dogan and Delyan Peevski, used their networks to run their day-to-day business and bring business into CCB, in particular State-owned entities and public-private partnerships. In return, they and their entourage got preferential treatment and conditions. This was also the case for Bulgartabac.

While Delyan Peevski, Irena Krasteva and Tsvetan Vassilev were taking control of Bulgartabac, the long-lasting business partnership between them turned into a business conflict, because Tsvetan Vassilev's Corporate Commercial Bank rejected several of Delyan Peevski's investment projects. After numerous mutual death threats, Delyan Peevski moved his assets and banking operations to another bank. Shortly after, Corporate Commercial Bank was forced under administration because of lack of liquidity. Meanwhile, within Bulgartabac, Tsvetan Vassilev's proposition with the support of his Italian ally Edoardo Miroglio for a dividend distribution of all the earnings of the tobacco company was rejected.

Many analysts and commentators pointed out to suspicious circumstances surrounding the crash of Corporate Commercial Bank, which was also the main financer of Bulgartabac. Suspicions have been raised on the fact that the multiplication of unsecured and even dubious loans that Delyan Peevski enjoyed, were eventually the reason of the downfall of the bank, in particular when he started to default on the loans. Tsvetan Vassilev fled the country and is currently hiding in Serbia. While currently under liquidation, Corporate Commercial Bank still owns 6.02% of Bulgartabac.

Some commentators share the impression the liquidation of CCB followed a premeditated plan by Ahmed Dogan, executed via Delyan Peevski's various media outlets that destabilised the bank. In addition to that, sources in the financial sector assess that the bank could have been saved by the government, which chose not to, because it would have required EU approval and consequent audit or investigation by international experts. Thus Bulgarian authorities took the opportunity of the collapse of CCB to close doors on any serious scrutiny of dubious deals, potential embezzlement and money laundering.

The Bulgarian authorities mandated a London-based company, AlixPartners, to complete a report about the bankrupt Corporate Commercial Bank. This confidential report had been submitted to the Bulgarian Finance Minister and to the Bulgarian Parliament in March 2016. Its public release is controversial and not occurred yet.



Fibank

Първа инвестиционна банка

First Investment Corporate Commercial Bank
от първия български инвестиционен банк
Delyan Peevski had disbursed in 2014. This

While CCB was collapsing, Ahmed Dogan, Delyan Peevski, their networks and their entourages moved altogether into another bank for their daily business, called First Investment Bank (FIBANK). Bulgartabac did the same.

FIBANK has a rather negative reputation due to suspected business with organised crime structures. FIBANK got under serious attack from investigative media accusing it of complicity in EU fraud schemes. Delyan Peevski's business operations using FIBANK have also attracted a lot of derogatory content in the media. Thus FIBANK might experience a bank run in the future because of its growing public image of a "mafia bank".

In any case, this bank is currently under a stress test according to the European financial requirements. The result of this stress test should be known by this summer.

Shortly after Corporate Commercial Bank was closed down, some new accusations of illegal activity emerged, which suggested Ahmed Dogan's proximity with the suspect of the major US Elmerio Slavchev for a dubious acquisition of all the assets of the failed company was rejected.

Many analysts and commentators pointed out to suspicious circumstances surrounding the crash of Corporate Commercial Bank, which was after the State Inspector of Bulgaria. Disputes have been raised up, but not just the multiplication of unsecured and even dubious loans that Delyan Peevski arranged, were apparently the reason of the downfall of the bank. In particular when he started to default on the loans. Tsvetomir Vasilev fled the country and is currently living in Berlin. While currently under liquidation, Corporate Commercial Bank still owns 6,000% of Bulgartabac.

Some experts believe the imposition the liquidation of OCB followed a predetermined plan by Ahmed Dogan, executed via Delyan Peevski's various means outside the constituency the bank. In addition to that, because in the financial sector grows and the bank could have been saved by the government, which chose not to, because it would have required EU approval and consequent audit or investigation by international experts. Thus Bulgarian authorities took the opportunity of the collapse of OCB to close doors on any serious scrutiny of dubious deals, potential embezzlement and money laundering.

5. The “Bulgartabac System” for cigarette trafficking.

Most cigarettes are produced in Blagoevgrad, Bulgaria.

Bulgartabac Holding AD has 3 major cigarette production sites: 2 in Bulgaria, the one in Blagoevgrad having almost 2 times the capacity of the one in Sofia; a third site in Banja Luka, Bosnia-Herzegovina, in the autonomous region of Republika Srpska. The production site of Blagoevgrad is the most strategic one, because it is located nearer to the most widespread tobacco growing sites in Bulgaria, along the Southern borders. To be noted that such tobacco growing sites are also the core business of businessmen whose political lobbying entity is Ahmed Dogan's DPS party. The production site of Blagoevgrad is able to produce 27 billion sticks a year, compared to 16 for the Sofia site.

Bulgartabac does not have an integrated logistics, distribution and supply-chain department. The company has been outsourcing these services for a while. However it took the habit to buy shares in regular logistical partners and to place managers from its own group. Until March 2014, logistics and distribution services were outsourced to Tabac Logistic Group, where Bulgartabac has been periodically a stakeholder. Starting in March 2014, Bulgartabac signed an exclusivity agreement with the Sofia-based company Express Logistic and Distribution EOOD (ELD) just a couple of months after its creation at the end of 2013. Bulgartabac now holds a significant part of this company (at least 20%).

Smuggled cigarettes arrive in Turkey by road.

ELD boasts to run 13 distribution centres and 5 cross-dock stations and to have almost 1000 employees and over 350 vehicles without counting outsourced independent drivers. Its main clients appear to be Bulgartabac, King's Tobacco (KT International), the Greek tobacco producer Karelia Tobacco and Tabak Market AD.

The vast majority of the merchandise is transported on trucks or containers via the ELD logistics or its subcontractors, mostly independent truck drivers, to the Port of Varna where it is dispatched via ship to other destinations. Those destinations are mostly intermediary ones, where merchandise is transferred to other ships. A very limited part is shipped via the Port of Burgas. An even smaller but unquantified part is transported via freight forwarders to destinations such as Iraq and Iran via road route in Turkey.

The latter take the usual transit route via the main border post between Bulgaria and Turkey, a village called Kapitan Andreevo, which is frequently and thoroughly controlled for smuggling and counterfeit cigarettes coming among other countries from Ukraine, Moldova and China. There are regular arrests of customs agents for taking bribes, despite the fact the problem is described as marginal.

Road transport shipments from Bulgartabac factories are usually considered as legitimate, they carry documentation saying the freight is destined to be exported to Iraq or Iran, and so they pass the border without any problem. Whether these trucks

really head to the declared direction could not be confirmed as it is said that once on the Turkish territory, the transport of the containers is taken over by local drivers.

According to unconfirmed statements published in Turkish media, Turkish intelligence MIT has repeatedly informed the Bulgarian counterparts about the issue of smuggled cigarettes stemming from Bulgartabac: yet no action appears to have been taken so far.

Shipments sent to Black Sea and Eastern Mediterranean Sea: abnormal destinations, unless the real hidden destination is Turkey.

The Port of Varna has a strategic importance for large-scale international trade and smuggling.



Bulgartabac being the biggest Bulgarian exporter of cigarettes, these exports take place through direct sales by subsidiaries Sofia BT AD and Blagoevgrad BT AD. Main destinations appear to be Middle Eastern countries: United Arab Emirates, Iran, Iraq, Syria, and Egypt. Other export destinations are or were, among others: the Philippines, Russia, Georgia.

The majority of the containers are transported on ships that do not go directly to such destinations. Instead, Bulgartabac uses ships that operate mostly in the Black Sea and the Eastern Mediterranean region. This means that freight is meant to be offloaded from the vessel at some port and then be reloaded on another ship to continue its route. Thus the journey takes considerably more time. The hidden advantage is probably the fact that out of the Port of Varna the real destination cannot be confirmed with certainty as the trail may be lost.

In the Black Sea, the following ports are direct but not necessarily final destinations for the ships leaving Varna with tobacco containers on board:

- Burgas, Bulgaria;
- Constanta, Romania;
- Odessa, Ukraine;
- Novorossiysk, Russia;
- Poti, Georgia;
- Istanbul, Trabzon and Samsun, Turkey.

In the Mediterranean Sea, main direct destinations are as follows:

- Istanbul, Ambarlı, Izmir and Mersin, Turkey;
- Larnaca, Cyprus;
- Latakia, Syria;
- Beirut, Lebanon;
- Alexandria, Port Said and Damietta, Egypt;
- Piraeus and Thessaloniki, Greece;
- Durres, Albania;
- Valencia, Spain.

Some direct destinations, where freight transhipments were done with certainty and paper trail was very likely changed in order to carry freight to different destinations, are:

- Izmir and Ambarlı in Turkey;
- Piraeus in Greece;
- International container port of Masaxlokk in Malta.

To be noted the fact that none of the listed direct destinations are located in the geographical area of the largest export destinations of Bulgartabac: Dubai, Iran and Syria. Also noteworthy is the fact that destinations which would have been suitable for access to Iran and Iraq, and even as transit for smuggling in direction of Turkey, for instance the Port of Umm Qasr, are not being travelled to.

Numerous direct destinations are conveniently in the Eastern Mediterranean Sea and in the Black Sea, from where the assumed real end market – Turkey – is easily reachable by road. This is a very strong indicator that smuggling activities are underway. Accumulated abnormalities in choosing direct destinations for shipments then becomes coherent: via this “shipment ballet”, the aim would be to disconnect the legitimate origin of the production in Bulgaria and the presumed criminal trafficking use in Turkey and in the Middle East.

See Annex I: Exports of cigarettes in Bulgaria (source: UN Comtrade).

In March-April 2014, Turkish authorities sent back 1000 tons of cigarettes to Bulgaria:

In March and April 2014, several containers of cigarette exports were returned to Varna, coming back from several ports in Turkey. The total volume of returned cigarettes was around 933 tons. Enquiries revealed that the freight was not returned by the clients, but most likely by the Turkish authorities. There were allegedly

irregularities regarding the paperwork: we are not able to confirm due to a lack of details. However, according to eyewitnesses, the freight was moved to the port, controlled and provided with new papers before being sent again: the new destination ports appeared to be the same as before in Turkey.

2016: The divorce between Turkey and Bulgaria over the cigarettes issue

Bulgaria's neighbor Turkey has been increasingly affected by the smuggling of Bulgartabac cigarettes (mainly the Prestige brand) since 2010, although cigarette exports from Bulgaria to Turkey are officially very low (only 31 kilos of cigarettes reported on the UN Comtrade database).

According to a Turkish police report on anti-smuggling and organized crime, 106,431,665 packages of illicit cigarettes were seized in 2014 and approximately 50% of the contraband cigarettes seized were Bulgarian (Prestige, Victory and M & M).

In May 2015, Turkish authorities seized a large volume of cigarettes smuggled from northern Iraq, Georgia and Bulgaria to the southern province of Mersin as well as several eastern, Black Sea and southeastern provinces. The PKK's involvement in the smuggling routes was confirmed. In August 2015, Turkish customs seized 3.5 million packs of cigarettes. For the Daily Sabah, cigarette smuggling is the PKK's biggest source of income and directly involves Bulgarian products.

The current situation: the shutdown of Sofia factory

Following the media releases, the stop of the exports to the Middle East, which affects 80% of the activity of Bulgartabac, directly impacts the company's production.

First, the loss of these markets causes both a reduction in the production of cigarettes, but also a reduction of quantities of raw tobacco purchase by the company, especially to the Bulgarian tobacco, by 80%. This will also involve the closure of a major production sites (SOFIA-BT) and the loss of 400 jobs (or 8% of its employees), according to the Group' announcement.

In addition, the suspension of exports and production slowdown generates social tensions: Bulgartabac former employees and the tobacco producers organized themselves and protested to defend the company against a "smear campaign". Thus, the "National Association of Tobacco Growers - 2010" and "The Union of Oriental Tobacco Producers in Bulgaria» called on the various political parties in a joint statement to end the political debate targeting Bulgartabac and affecting over 200 000 tobacco growers. Moreover, they asked for the resignation of the Minister of Economy Bozhidar Lukarski for its passive behavior regarding the situation.

To reassure its former employees and ease social tensions caused by the unions, Bulgartabac through its CEO V. Cholakov, found an agreement compensate the employees' loss of

revenues, according to law: the Sofia-BT employees' compensation varying between 15 000 and 35 000 leva, which is nearly 7 times more than the average compensation for the country. In an official statement published on April 5th 2016, Bulgartabac announced it had reached an agreement with 307 employees (out of 312 proposals) regarding the termination of their contracts. Once these proposals been accepted, Bulgartabac began the dismantling of certain production lines in Sofia-BT, which were moved to Blagoevgrad-BT factory.

Dubai-based companies that resell Bulgartabac cigarettes are located in a vacant building, to be demolished or rehabilitated

Based on data collected in Bulgaria from the Port of Varna, Dubai-based company Adalus Al Sharq General Trading Ltd (Al Sharq) is by far the largest recipient and reseller of cigarettes produced by Bulgartabac Holding AD:

- Emirati investor Essa Saeed Rashid Khalfan Al Shamsi owns 51% of the shares. Al Shamsi is a large tribe present in the whole Arabian peninsula, in particular in southern United Arab Emirates and northern Oman.
- Iraqi investor Adel Fouad Mohamed Ali is the General Manager and holds 24% of the shares.
- Iraqi investor from Kurdistan Salam Gader Faraj owns the remaining 25%.

Based on enquiries conducted around the company, the two Iraqi investors are the active owners of the business with the Emirati one acting as a silent partner (a "local sponsor" as it is customary in many Middle Eastern countries). The company is known to operate very closely with Dubai-based company Beirut Shipping LLC, which is also owned by Essa Saeed Rashid Khalfan Al Shamsi (51%) and Adel Fouad Mohamed Ali (49%). It is alleged that Al Sharq moves merchandise through Beirut Shipping LLC.

Strangely, the building in Dubai in which these 2 companies are located is in fact vacant in view of rehabilitation or demolition.



It seems that Beirut Shipping LLC does not ship for third parties but only for its own company's needs. While this company is little known, on the contrary, Al Sharq has a reputation for being a major trader in illicit white cigarettes for several years, with a very strong connection to Iraq in Iraqi Kurdistan, and also smuggling activities in Iran. Al Sharq probably managed to escape investigation so far, because it was never caught distributing counterfeit cigarettes outright.

See Appendix I: Data collected from the Port of Varna
 Appendix III: Andalus Alsharq and Beirut Shipping LLC corporate records..

Cigarette smuggling in Kurdish areas with connexion to terrorist organisation PKK.

The Bulgartabac' brand "Prestige" is the most frequently illegally used and sold cigarette brand in Kurdish areas, including Northern Syria, Northern Iraq, Western Iran, and South-Eastern Turkey. The "Prestige" brand seems to be synonymous with the defenders of the Kurdish cause – including their fighters, the YPG in Syria and Peshmerga in Iraq –, controlling the trade and cross-border smuggling of such cigarettes. Around 90% of the Kurdish smokers smoke "Prestige" cigarettes, citing as main reasons the price, the available volume, and the fact that the trade is controlled by Kurdish businessmen.

Out of Northern Iraq, cigarettes are smuggled via trucks and in some instances on the back of donkeys and horses (to avoid paying taxes to the border police and to the military) to reach Iran and Turkey, with the Turkish city of Van being one of the central distribution places. Proceeds from cigarette trade are either transported in person to Dubai or laundered through local currency exchange offices controlled by major cigarette traders.

The favourite routes are those controlled by the PKK (Kurdistan Workers' Party), which is listed as a terrorist organisation by several States and organisations including Turkey, NATO and the European Union. PKK receives at its check-points 2500 USD per master case of cigarettes, while in areas where PKK has no control of the borders, the military get around 8300 USD per truck, which carries some 250-280 master cases within or hidden by legitimate freight.

The central figure of the Kurdish "Prestige" cigarette trade is nicknamed "Mullah Salam", out of respect. His real name is Salam Qader Faraj, minority partner in Dubai-based company Adalus Al Sharq General Trading Ltd (Al Sharq). Other brands that appear to be traded, apart from "Prestige", are "MM", "Esse" and "Victory".

According to investigative journalists, a similar Salam Qader Faraj, also appeared during the 2007 scandal of Bulgartabac with a company name Caledon Invest. Following the City Prosecutor's Office in Sofia and based on copies of the relevant contracts, Caledon Invest Inc was a buyer of large amounts of cigarettes from Bulgartabac Holding Ltd, which were scheduled for distribution in Middle Eastern and African countries.

The Bulgarian authorities suspected Caledon, a company registered in Delaware in 2004, of smuggling and money laundering. Thanks to the cooperation with US judiciary agencies, investigations were thorough, the scheme was uncovered, and

the final beneficial owners of Caledon (citizens of the United Arab Emirates) were identified. Caledon Invest Inc seems to have stopped its activities since.

Terrorist connexions other than PKK: the ISIS hypothesis.

There is no indication of a direct connexion between Islamist terrorist organisations (Al Qaida, Al Nusrah, ISIS) and the central figure "Mullah Salam": however, this information might just be limited to areas controlled by the Kurds and needs to be checked. In particular, if we take into account existing intelligence about current forms of ISI financial revenues (customs, racketeering, Islamic taxes, etc.), and given the commercial and political interests at stake (Kurdo-Turkish rivalry), financial connexion with ISIS is possible. Also, examples of this organisation getting involved in other types of illegal trade, such as oil and gas smuggling, trade of stolen goods, kidnapping and racketeering, indicate that ISIS tolerates business activities on its territory if it receives a fee or a certain percentage.

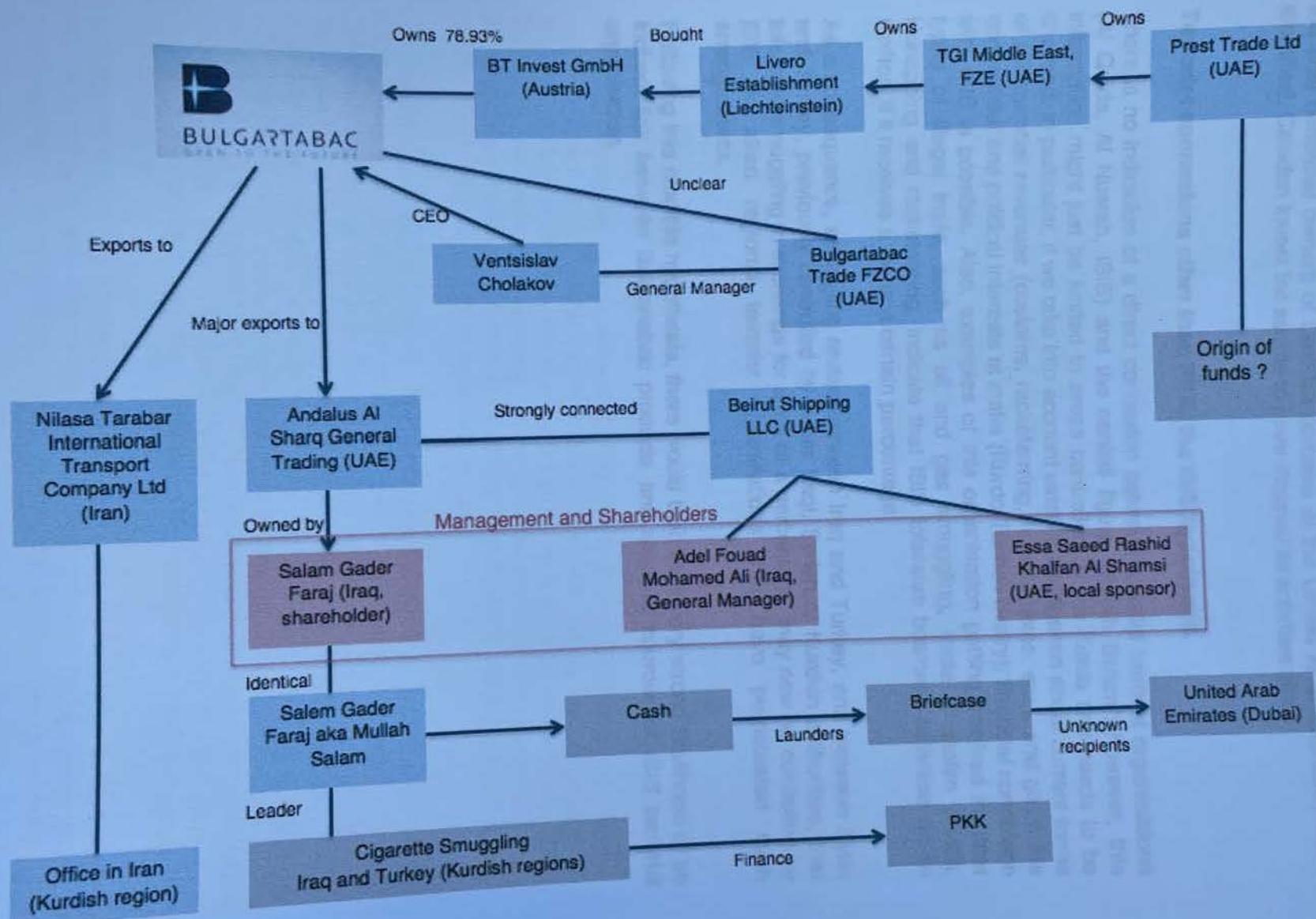
As a consequence, smuggling routes between Iraq and Turkey, and between Syria and Turkey, previously controlled by either Iraqi, Syrian or Kurdish authorities, that tolerated smuggling in exchange for a fee or a percentage, may now be controlled by ISIS or allied regional terrorist organisations that have perpetuated such arrangements.

Following this credible hypothesis, there would then be a very strong likelihood of an indirect link between Bulgartabac products and revenue sources of ISIS terrorist organisation.

The central figure of the Kurdish "Prestige" dynasty, the so-called "Mullah Salam" has, as reported, the most ruling by Oilmen Gökhan Fırat, a security partner in Caledon's bankability holding Pl. Shari, General Trading Ltd (Pl. Shari), former business that appears to be related, apart from "Prestige", also to "Shak" and "Vilayet". According to investigative journalism, a senior Gökhan Gökhan Fırat, also appeared during this 2011 / 2012 period of collaboration with a company from Turkmenistan.

Following the City Prestige's entry in Syria and based on terms of its relevant contracts, Caledon Invest Inc was a buyer of large amounts of equipment from Bulgartabac Holding Ltd, which were scheduled for distribution to Middle East, among African countries.

On the other side, according to the US Justice Department, in December 2004, of smuggling and money laundering. Thanks to the connection with the military assistance, negotiations were through the contacts with uninvited and



The new acquisition of Bulgartabac Holding: the factory of Banja Luka

According to the Bulgartabac annual report (2014), the group acquired 70.60% of the voting shares of the Fabrika Duvana AD, located in Naja Luka, Bosnia-Herzegovina, in the autonomous region of Republika Srpska. On December 31, 2014, Bulgartabac owned 89.87% of the capital of the Banja Luka factory through its subsidiary Blagoevgrad.

This is the third production site of Bulgartabac Holding.

The financial plan to acquire the factory and its incorporation into the group could not be clearly elucidated from a financial standpoint (i.e. debt integration and debt cancellation within a year, overvaluation of the face value of the factory, perhaps to reach an agreement with the local elite, and in 2013, the former owner of FDBL was charged for serious criminal offences, such as customs fraud and multimillion tax evasions). Bulgartabac justifies the purchase of the factory because of the importance of accessing the Central European Free Trade Agreement Zone (CEFTA). However, media points out the ongoing investments on the area (The FDBL factory occupies 25.000 square meters) and suspect a real estate operation financed by money laundering and cigarettes smuggling.

6. Other European issues around the “Bulgartabac System”.

Very significant EU financial report to Bulgaria, but lack of Bulgarian will to fight corruption and organized crime:

With around 2 billion euros spent by the European Union in Bulgaria and a total contribution to the European budget worth 0.4 billion euros, Bulgaria remains a net beneficiary of European funds since it got membership in 2007.

In addition to that, Bulgaria shall be allocated 15.1 billion euros from structural and investment European funds for the period 2014-2020. This envelop is growing: in 2007-2013, Bulgaria had received 14.1 billion euros. The absorption capacity of European funds in Bulgaria is clearly growing as well: its rate was 3% in 2009; it is currently around 65.5%.

However, the European 2014 report on Bulgaria ascertains the slow implementation of reforms; the lack of will and lack of consensus to reform the criminal code; the lack of will to fight either organized crime or endemic corruption. Also, for 2014 NGO Transparency International positioned Bulgaria at the 69th rank of its world corruption perception index. Thereby this country gets the lowest European rank.

Bulgartabac with mandatory information disclosure:

Bulgartabac only discloses minimal information, in particular in terms of:

- ultimate ownership and control,
- real volume of production and export,
- market conditions and operational risks in the main exporting area in the Middle East, on paper United Arab Emirates but in reality most of Iraq, Iran, Syria and Turkey.

This appears possible only thanks to passive tolerance or even support by the Bulgarian government and relevant senior civil service officials.

Also, Bulgartabac appears to follow the guidelines of EU Transparency Directive 2004/109/EC on periodic information, such as reports on shareholders' meetings, annual reports, quarterly financial statements, and notifications of changes in the supervisory and management boards. It does not, however, consistently report changes in the shareholder structure. For instance:

- major changes of ownership of Austrian BT Invest, which owns around 80% of Bulgartabac, remained unknown to the public and institutions for more than half a year according to investigative journalists;
- the Bulgarian Commission for Protection of Competition answered an inquiry of the investigative website Bivol it had no information about a change of ownership;
- the Financial Supervision Commission showed a complete lack of interest in the new shareholders of Bulgartabac, despite the legal obligation to declare changed ownership.

European ambassadors took public stand in 2013 against Delyan Peevski nomination

Since its adhesion to the European Union in 2007, Bulgaria asks for its integration to Schengen, initially scheduled for 2014 but postponed to 2017 at best. Even before the migrants crisis and recent terrorist attacks in France, Germany and Netherlands always opposed Bulgarian membership, mostly due to the lack of Bulgarian will to fight organized crime and corruption in the country.

In 2013, following the election of Delyan Peevski as the head of the State security services by the Bulgarian Parliament, Matthias Hopfner, German ambassador in Bulgaria, and Philippe Autie, his French counterpart, overpassed diplomatic reserve. In Bulgarian media 24 Yaca, they publicly denounced the “crisis of confidence in the management of the country” and the regular appointment of highly controversial personalities to top public positions.

The screenshot shows the header of the website '24 часа.bg' with various menu options like НОВИНИ, МНЕНИЯ, СПОРТ, РЕГИОНАЛНИ, СПРАВОЧНИК, and ОЖИВЛЕНИЕ. Below the menu, there's a navigation bar with links to Анализи, Интервюта, Анкети, and Малкият Иванчо. A small sidebar on the right features a portrait of a man with the text: 'Борисов: Без жените трудно ще се справим с ежедневието и'.

Съвместна позиция на посланиците на Франция и Германия

05.07.2013 10:19; 24 часа 27788; 22:

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Матиас Хьопфнер, посланик на Германия (вляво) и Филип Отие, посланик на Франция

Доброто държавно управление
е в интерес на всички

Филип Отие, посланик на
Франция

Матиас Хьопфнер, посланик на
Германия

Германия и Франция, както всички
свои европейски партньори,
наблюдават с изключително
внимание настоящата криза в
България, втората за по-малко от
шест месеца: криза на доверие в
начина на управление на
страната, както показват
протестите.

In addition to that, they pointed out the growing concentration of ownership in media under opaque conditions and the resulting risks for freedom of speech. They asked Bulgarian authorities to cut down their links with oligarchs and concluded that “being within the European Union is a choice of civilization”. After public protests, Delyan Peevski then had to resign.

7. Appendices

Appendix I: Data collected from the Port of Varna

1. Raw tobacco imports

Year	Global Imports		Distribution by unit		
	Origin	Quantity	Sofia AD	Blagoevgrad BT AD	Pleven BT AD
2015 (January – october)	Brazil	1.304,75 t	358,72 t	474,09 t	507,94 t
	Africa (no details)	946,86 t			
	India	430,61 t	180,00 t	250,61 t	
	Mexico	308,34 t	143,79 t	164,55 t	
	UAE	295,0 t		295,00 t	
	Turkey	84,98 t			
	Others		104,62 t (Tanzania)	63,46 t (Tanzania)	655,52 t (South Africa) 123,26 t (Kenya)
	Not identified			84,98 t via Turkey, Ambarli	
	TOTAL	3.406,54 t	787,13 t	1.332,69 t	1.286,72 t
2014	Lebanon	1.208,22 t	747,30 t	460,92 t	
	India	782,15 t	457,22 t	228,41 t	96,53 t
	Pakistan	745,89 t	745,89 t		
	Brazil	487,51 t	189,85 t	297,66 t	
	UAE	295,00 t		295,00 t	
	Africa (no details)	224,70 t	203,60 t		21,11 t
	Mexico	207,58 t	103,79 t	103,79 t	
	Turkey	169,90 t	106,55 t	63,35 t	
	Guatemala	161,30 t	161,30 t		
	China	103,20 t			103,20 t
	Indonesia	84,29 t	84,29 t		
	TOTAL	4.469,73 t	2.799,77 t	1.449,13 t	220,83 t

2. Raw tobacco exports

Year	Global Exports		Distribution by unit		
	Origin	Quantity	Sofia BT AD	Blagoevgrad BT AD	Pleven BT AD
2015 jan-oct	Egypt	446,44 t	159,34 t	297,10 t	
	Iran	40,00 t		40,00 t	
	Not identified	20,00 t	20,00 t		
	TOTAL	516,44 t	179,34 t	337,10 t	
2014	Syria	199,19 t	61,29 t	137,90 t	
	UAE	149,40 t		149,40 t	
	Russia	76,22 t		76,22 t	
	Iraq	52,99 t		52,99 t	
	Saudi-Arabia	30,49 t	30,49 t		
	TOTAL	508,29 t	91,78 t	416,51 t	

3. Cigarettes exports and recipients

Year	Global Exports		Distribution by unit			Recipients
	Origin	Quantity	Sofia BT AD	Blagoevgrad BT AD	Unit not identified	
2015 (January – October)	UAE	14.780,98 t	5.408,78 t	9.000,20 t + 372,00 t		Andalus Al Sharq General Trading LLC
	Iran	4.871,60 t	2.100,00 t	2.771,60 t		Nilasa Tarabar International Ltd
	Iraq	1.502,75 t	292,10 t	1.210,65 t		
	Syria	615,00 t	210,00 t	405,00 t		Al Shahab Company
	Egypt	15,00 t	15,00 t			Misr Foreign Trade Co
	Philippines	15,00 t		15,00 t		Hydrox Forwarding Corporation
	Vietnam	14,42 t	7,15 t	7,27 t		DEVYT Trading & Logistics
2014	TOTAL	21.814,75 t	8.033,03 t	13.781,72 t		
	UAE	12.607,20 t	6.987,28 t	4.518,90 t	1.101,02 t	Andalus Al Sharq General Trading LLC
	Syria	5.701,29 t	2.651,18 t	3.050,10 t		Al Shahab Company
	Iraq	5.527,61 t	2.468,74 t	2.955,49 t	103,38 t	
	Iran	510,00 t		510,00 t		Nilasa Tarabar International Ltd
	Philippines	11,20 t	11,20 t			
	Georgia	6,12 t	6,12 t			
	TOTAL	24.363,41 t	12.124,52 t	11.034,49 t	1.204,40 t	

Appendix II: Exports of cigarettes in Bulgaria (source: UN Comtrade)

Year	Quantity (cigarettes)
2005	2 744 612 000
2006	2 446 294 000
2007	4 492 314 000
2008	5 155 785 000
2009	8 188 445 000
2010	13 336 547 000
2011	16 207 049 000
2012	19 913 179 000
2013	22 330 264 000
2014	23 786 000 000

Appendix III: Andalus Alsharq and Beirut Shipping LLC corporate records

Andalus Alsharq Corporate Records

IDENTIFICATION

بيانات الشركة

Company Name	Andalus Alsharq General Trading LLC	andalus الشرق للتجارة العامة ذم	اسم الشركة
Legal Form	Limited Liability Company - LLC -	شركة ذات مسؤولية محدودة	نوع الشركة
License Number	549234		رقم الرخصة
Date of Establishment	23 Sep 2003		تاريخ التأسيس
Place of Registration	Dubai	دبي	مركز الشركة
Chief Executive Officer	Adel Fouad Mohamed Ali	عادل فؤاد محمد على	الرئيس التنفيذي
Sector	Other	آخر	الأنشطة الرئيسية
Employees	3		عدد الموظفين
Status	Active	قائمة	حالة الشركة

ADDRESS

العنوان

Head Office Location	Office No 102 (Owned by Abdulla Mohamed Al Masoud), Sheikh Mohamed Bin Khalid Al Nahyan Building, Al Riqqa Street, Riggat Al Buteen, Deira, Dubai	مكتب) 102 ملك عبدالله محمد المسعود، (بنية الشيخ محمد بن خالد آل نهيان، شارع الرقة، برج البطين، دبي، دبي	المقر الرئيسي
Mailing Address	PO Box 50217, Dubai	صندوق البريد 50217، دبي	العنوان البريدي
Country	United Arab Emirates	الامارات العربية المتحدة	البلد
Telephone	+971 4 228 9111		الهاتف
Fax	+971 4 228 0744		الهاتف
Website	n/a ..		الموقع الإلكتروني
Email	beirut1@emirates.net.ae		البريد الإلكتروني
Register Address	Same as heading address	نفس العنوان أعلاه	المقر الاجتماعي

BOARD OF DIRECTORS

مجلس الإدارة

Name	Nationality	Position	Date of birth	ID Number / الهوية	الصفة	الجنسية	اسم العضو
Adel Fouad Mohamed Ali	Iraqi	Managing Director	08/06/1961		عضو المنتدب		عادل فؤاد محمد علي
Essa Saeed Rashid Khalfan Al Shamsi	Emirati	Director	n/a		عضو مجلس الإدارة		عيسى سعيد رشيد خلفان الشامسي
Salam Gader Faraj	Iraqi	Director	n/a		عضو مجلس الإدارة		سلام قادر فرج

MANAGEMENT

الادارة

Position	Department	Name	قسم	الوظيفة
General Manager		Adel Fouad Mohamed Ali		المدير العام

LEGAL FORM & HISTORY

الشكل القانوني و التعديلات

Legal Form	الشكل القانوني
Andalus Alsharg General Trading LLC was incorporated on 23 September 2003. It is a Limited Liability Company - LLC - (Arabic: شركه ذات مسؤوليه محدوده), registered under Licence Number 549234, Dubai.	

Other Registration Numbers	أرقام التسجيل الأخرى
CRN	64217
Chamber Membership No.	81110

SHAREHOLDERS

الملاك

Capital	معلومات رأس المال
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Authorised Capital	AED 3,000,000	رأس المال المصرح
Paid Up Capital	AED 3,000,000	رأس المال المدفوع

Shareholders		المساهمون			
Name	Country	DOB	ID / CRN	% Held	الاسم
Essa Saeed Rashid Khalfan Al Shamsi	United Arab Emirates	n/a	n/a	51.00	عيسى سعيد رشيد خلفان الشامسي
Salam Gader Faraj	United Arab Emirates	n/a	n/a	25.00	سلام قادر فرج
Adel Fouad Mohamed Ali	United Arab Emirates	08/06/1961	n/a	24.00	عادل فؤاد محمد علي

SUBSIDIARIES & ASSOCIATED COMPANIES**شركات فرعية**

There is no record of Andalus Alsharq General Trading LLC having any subsidiaries or associated businesses in United Arab Emirates.

BUSINESS OPERATIONS**طبيعة النشاط**

Registered Activities		الأنشطة التجارية المسجلة
Code	Description	النشاط
521904	General Trading	تجارة عامة

SUPPLIERS

Suppliers		
Name	Country	Web Url
Marshal Appliances	Korea, Democratic People's Republic of	
McBeth Cigarettes	Brazil	

BANKS**البنوك**

Subject maintains relations with the following bank(s):

Name	City	Country	الاسم
National Bank of Dubai (PSC) (ATM)	Dubai	United Arab Emirates	

Beirut Shipping LLC Records

IDENTIFICATION

بيانات الشركة

Company Name	BEIRUT SHIPPING LLC	بيروت للملاحة ش م م	اسم الشركة
Legal Form	Limited Liability Company - LLC - WLL -LTD	شركة ذات مسؤولية محدودة	نوع الشركة
License Number -Dubai Department for Economic Development (DED)		546583	رقم الرخصة
Date of Establishment		29 Jun 2003	تاريخ التأسيس
Expiry Date		28 Jun 2016	
Dubai Commercial Register number		63222	
Date of Establishment		29 Jun 2003	تاريخ التأسيس
Expiry Date		28 Jun 2016	
Dubai Chamber of Commerce & Industry Registration Number		78896	
Chief Executive Officer	Adel Fouad Mohamed Ali	عادل فؤاد محمد على	رئيس التنفيذي
Status	Active	قائمة	حالة الشركة

ADDRESS

العنوان

Head Office Location	Sheikh Mohamad Bin Khalid Al Nahyan Building
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Area	Muraqqabat
Mailing Address	PO Box 50217, Dubai
Country	United Arab Emirates
Telephone	+971 4 228 9111
Fax	+971 4 228 0744

SHAREHOLDERS**المساهمون**

Capital		معلومات رأس المال
Authorised Capital	AED 3,000,000	رأس المال المصرح
Paid Up Capital	AED 3,000,000	رأس المال المدفوع

Shareholders					المساهمون
Name	Country	DOB	ID / CRN	% Held	الاسم
Essa Saeed Rashid Khalfan Al Shamsi	United Arab Emirates	n/a	n/a	51.00	عيسى سعيد رشيد خلفان الشامسي
Adel Fouad Mohamed Ali	United Arab Emirates	08/06/1961	n/a	49.00	عادل فؤاد محمد علي