THE CHAIRMAN: Yes, Mr Davies.

MR DAVIES: Sir, good morning. Today we are going to hear evidence firstly from Mr Reilly, so it's a half step back in the chronology to 16 October and preceding history. We will then continue with events of 17 and 18 October to a conclusion, we hope.

Mr Reilly, please.

MR TIMOTHY REILLY (sworn)

Questions by MR DAVIES

MR DAVIES: Mr Reilly, your full name, please?

A. Timothy Bernard Thomas Reilly.

Q. And your nationality, Mr Reilly?

A. British.

Q. We're going to be covering a number of areas of evidence
in relation to your association with
Alexander Litvinenko and a Mr Lugovoy, but by way of
context I'd just like to review your own professional
and commercial history to make sense of your
introduction to those parties.

In 2006, were you employed by Erinys International
as an energy projects director?
A. Yes.
Q. You had been so employed since March 2006?
A. Yes.
Q. Erinys had an office at 25 Grosvenor Street on the
fourth floor.
A. Yes.
Q. There were at the same time offices in South Africa and
Dubai. Now, more generally, in terms of your personal
history, can you help us with that, starting with your
army background, please?
A. I was commissioned into the parachute regiment in 1984,
served there until 1990, and then I left, I was married
that year, I left, I went into the commercial world.
I went back to university for a one-year crash course in
Russian, which then really led me on to a career in
Russia in and out and the CIS ever since, frankly.
But because of the combination of Russian speaking
and the opening up of the former Soviet Union and
a military background, there were a number of companies
that were interested in the sort of security and the
commercial intelligence side of things.
Q. Can I just ask you to slow down. It's not your fault.
So you were commissioned officer into the parachute
regiment.
A. Yes.
Q. Through Sandhurst?
A. Yes.
Q. You left the army as captain, although actually acting
major?
A. Yes.
Q. You did so in 1990 on your marriage?
A. Correct.
Q. You've indicated you did a crash course in Russian for
a year at -- was that at Surrey University?
A. Firstly at Surrey University, postgraduate diploma, and
then later at the Moscow State Institute of
International Relations where I did a further -- where
they actually gave a degree there, which is about an
eight-month course, which I took on as well.
Q. At the conclusion of those courses, something like
1993/1994, you had reached a reasonable measure of
fluency, had you, in Russian?
A. Yes, a working knowledge, yes.
Q. From a standing start, more or less?
A. Yes.
Q. By 2006, had the degree of fluency increased and to what degree, if so?
A. Conversational. I mean, if it was on a subject that I knew well, pretty much fluent. If somebody starts talking about babies' nappies, I would be struggling, but certainly from the point of view of having a normal conversation like this about a general subject, or a very specific subject, in which I was involved, then, yes, understandable.
Q. In terms of, for example, the conduct of commercial meetings with Russian partners or potential partners, was there any compromise required in terms of the conduct of the meeting to reflect the fact that you were British?
A. In terms of language?
Q. Yes.
A. No, not really, no.
Q. Putting it crudely, any objective person would have regarded you as fluent in Russian by 2006?
A. I think any foreign person would. I don't know if any Russian would.
Q. All right. Having left the Moscow State Institute of International Relations in about 1993/1994, I think you
took a series of jobs, I'm summarising them, for
Defence Systems Limited in Kazakhstan?
A. Yes.
Q. Which was as a joint venture manager for their
equivalent of the special air service?
A. Yes, a group called the Alpha group which was a -- it
was a KGB special forces unit, not a military, and was
unknown to the West at the time until both US and UK
governments discovered that they did in fact exist in
the Soviet Union.
Q. You thereafter took a series of roles with a direct or
at least an indirect association with Russia or the CIS?
A. Correct.
Q. Is that right?
A. Yes.
Q. I'll just rehearse them in summary. You moved to Moscow
for a period, although your wife remained in the UK for
a period. You were security adviser for governmental
affairs for JKX Oil & Gas for 14 or 15 months in about
1996. You returned to education, University of
Cambridge, taking a master of philosophy in
international relations, specialising in geopolitics of
oil and gas in the former Soviet Union, and you
conducted research in the United Kingdom and in the
United States using some contacts you had from security
services until 1997 or 1998.

Can you summarise your basic employment thereafter up to 2006, please?

A. Well, after that, I was picked up by Shell as the regional government affairs adviser on the back of the work I had done on JKKX Oil & Gas, which was Kiev-based, but often a lot of work in Moscow and down at their oil-producing region in the Ukraine called Poltava. So I acted as their government affairs adviser, out of Shell centre here in London.

And then later, I worked -- I set up my own company then, doing very much oil and gas consultancy, and then I was -- from DSL days, from the early days in Russia, Alistair Morrison who headed up DSL had invited me to work for Kroll where they were setting up a physical security department there.

Q. Just pausing there, what is the character of Kroll as a company?

A. Kroll is probably one of the world's leading investigative companies, but it had decided in -- at that time with the activity in Iraq 1 and then later Iraq 2 to diversify into physical security because of the opportunities there. Alistair Morrison was former SAS and had run a successful company, DSL, sold it out earlier, so he was a very experienced guy, and I think
he had a relationship with Jules Kroll who owned the company, and set this company up and I met Alistair and he said, "Come on board, please, as the oil and gas guy".

Q. All right. Did there come a point where you started to work with somebody called John Holmes?
A. Yes.

Q. Can you just describe the context for that, please.
A. Well, the Kroll operation was unsuccessful in the end after the Iraq -- or after the maximum amount of events in Iraq, so that company was eventually liquidated by Kroll. But I saw that coming, so I had already known through other people in the industry that Erinys was looking for a similar role, and so I went to see John Holmes on a number of occasions, who was heading up Erinys here in London, and eventually that led to interviews, and I literally rolled over from Kroll into Erinys and took up a very similar position there.

Q. So Mr Holmes was somebody that was known to you really through the common interests in this area of work, the oil and gas industry, CIS and otherwise?
A. Yes, more from the security point of view and obviously I knew him militarily because of his background in the military.

Q. All right. The year when that happened?
Q. 2004/2005, something like that?
A. Yes.

Q. Yes. So in summary, across the piece, for Shell you had looked at, on their behalf, Ukrainian pipelines and that part of the world?
A. More primarily in the Caspian, it was during the early days of the Caspian development. So it was the relationship really between Russia and the various stans there.

Q. What was your work for Metro Media Telecoms which followed your work for Shell?
A. Metro Media was run by a chap called John Kluge who died a few years ago. He was a billionaire, and at the time of joining Metro Media, they were probably the biggest media TV and mobile operators in the former Soviet Union. I was made vice-president again because of the experience I had, really the cultural experience, the language and understanding, somewhat understanding of how the world works in that part of the world. I was made senior vice-president responsible for central Asia, the Caucasus and later Eastern Europe, based out of Istanbul.

Q. By 2006, to what degree had you travelled to Russia, lived in Russia, knew the place?
A. I had lived in Russia off and on, by that time, a decade, really. I'd been based in Kiev as well where I was essentially weekly boarding, I used to get a flight out of Heathrow on Monday morning, come back Friday night. So I'd been -- I'd given a decade, and I knew central Asia pretty well as well, I'd lived in Kazakhstan on the Chevron operation in Tengiz, and I had been in places like Tbilisi and Azerbaijan, so I had lived and worked in that part for the best part of a decade by then.

Q. By implication, many hundreds of visits, albeit some on a weekly boarding basis?

A. One of the problems I have now trying to get a visa is under the new tough regime they have asked me how many times I have visited Russia and I can't -- frequently.

Q. What was your role for Erinys? How would you describe that in summary?

A. Well, it was a new business development in the former -- in the CIS essentially, with an emphasis on oil and gas and strategic projects that we could acquire if possible.

Q. Those strategic markets in which jurisdictions --

A. Oil and gas, power, extractive industries, those sort of things, but my background was really oil and gas and my view was, which was accepted, based on my experience,
that some of those other industries (a) were either too
dangerous or they were too -- they were closed, really,
to foreigners, or certainly to companies like ours.

Q. Yes. Well, we'll come back to the more specific market
opportunities or potential opportunities that involved
Mr Litvinenko in due course.

Was Erinys associated, at least in terms of business
premises, with a company called Titon?

A. Yes, it was. Erinys -- John Holmes was a director,
I think, of both Erinys and Titon, but, as I understood
it, it was -- and I'm not sure of the facts, but, as
I understood it, it was a separate entity, a separate
legal entity, that was -- Titon was, that was headed up
by John Holmes and Dean Attew, although there was
a link, clearly, to Erinys and we shared an office
through a common door that could be locked, but it's on
the same floor in the same -- obviously in the same
building.

Q. Was any part of your employment or engagement with
Erinys associated with Titon's work, or were they --
A. Officially not, no, none.

Q. The general character of the work undertaken by Titon as
you understood it was what?
A. As I understood it, it was usual commercial and
investigative work, the type that's carried out, as
I say, by Kroll, Control Risks and companies like that, Hakluyt and companies like that.

Q. Did you discuss at any point with -- forgive me. Who introduced you to Alexander Litvinenko and when?

A. Dean Attew. Probably within -- I can't remember the date, but within probably six months of my arrival at Erinys.

Q. You arrived at Erinys when?

A. I can't remember the exact date right now.

Q. You gave a statement, Mr Reilly, your first statement, 29 November 2006. Can I just ask you to look at that, please. Do you have that in front of you?

A. Yes, I do.

Q. Your first statement. Can you just look at the second page of it.

A. Sure.

Q. Page 2 of 8. Just at the very bottom of the page.

A. Yes, that would make sense. Around early --

Q. Just to refresh your memory. It's your statement of November -- 29 November 2006?

A. Yes.

Q. And refreshing your memory by reference to that, no doubt events were somewhat more directly in mind. Can you help as to the date of the first introduction?

A. Well, as I say, I can't give you the exact date, it's
eight years ago, but around early summer 2006 makes sense to me, simply because I just remember it was warm weather in that particular office, and Sasha came in in, you know, short-sleeved shirts, I remember that in terms of the weather, but I can't give you an exact date.

Q. The common feature was effectively you had an interest in and were fluent in Russian; that seemed to be the basis for introduction.

A. I think, yes, I think it was a corridor meeting where Dean was with Sasha and introduced me, and said he was Russian, so I just said hello in Russian to him, and it sort of developed from there, at that stage, it was no more than a corridor meeting.

Q. You go on to describe in subsequent statements that your last meeting with Alexander Litvinenko was at some point in October 2006.

A. Yes.

Q. I'll come on to the precise date in due course. But between your initial introduction, as you put in your statement, around early summer 2006, and your last meeting with him, approximately how many meetings would you estimate that you had with him?

A. Well, first of all, classification of "meeting" would be, you know, too strong a word, but in terms of when I met him and talked to him, probably 20, 25 times.
Initially, it was only as a result of his specific meetings that he was having with Titon, and then he would come down to my office and say hello. So in other words he had no meeting with me, he just wanted to talk to somebody who spoke his language and we got on pretty well together.

Later, when we developed business, as I know you'll come to, then obviously he came to see me specifically, but overall, I would imagine I met him somewhere between 20 and 30 times, maybe more.

Q. Yes.
A. But as I say, not all of those were meetings, they were just bumping into each other as a result of meetings he was having in the same building, but the separated building in Titon.

Q. With Mr Attew?
A. Yes, or others there.

Q. Or others?
A. Yes.

Q. Did you see him other than at the premises of Erinys/Titon?
A. No, never, only ever literally in my office in the boardroom and maybe in Titon's open plan area.

Q. Did your association in this context extend beyond effectively commercial potentiality for business and so
A. No.

Q. Just to revert to and close off the issue of Mr Attew, what was your impression of whether he was working for Mr Attew on the Titon side?

A. He clearly was, yes. The background to this was that Dean and that team in Titon did work for other parts of the world, and they were not Russian specialists and with Litvinenko arriving on the scene and some work coming in, all of a sudden it was a great coincidence for them, they suddenly had a guy who actually had a great source on Russian matters, and they happened to have a client just suddenly come through the door with a Russian investigation. So for Dean it was just an opportune moment where he had the right contract and suddenly he had a guy that could actually fulfil it for him.

So it was certainly a professional relationship, and Dean had been -- I wouldn't say struggling, but his difficulty was he didn't know anything about Russia.

Q. Right.

A. At that time.

Q. Were you shown by Mr Attew any of the reports prepared by Mr Litvinenko for Mr Attew?

A. Yes.
Q. Can you recall the content of any of those reports?
A. I can't recall -- I had done plenty of this in DSL, back in the mid-1990s, there was a lot of that work being done by major Western corporations that wanted to look at joint venture partners, and our joint venture partner then, as I said, was this Alpha Group and at that time it was very sort of glasnost feeling, and so all the reports were coming from the KGB. So I learnt to read a KGB profile of an individual very rapidly from those early days in the 1990s, so when I saw ten years later Sasha's reports, what I was saying to Dean is that as far as I was concerned, I've no idea about the guy, I'm not particularly interested in the target, but that is a KGB or FSB report; and it's the nature of those reports and the sort of things that they put in that you don't normally see in Western-style reports. In other words, they often do psychological profiles which the Russians take very, very seriously.

So the reports were very detailed, clearly had been well triangulated, the target had been looked at by all sorts of people, to get an overall impression. So they were very professional, very detailed, and I think, from Dean's point of view, I said to him: this is very, very good work, you know, serious Western clients should and will pay good money for this, because this is clearly
government-backed intelligence, information.

Q. From your background, you were able to make an informed
assessment --

A. Yes.

Q. -- as to the quality of these reports produced by
Mr Litvinenko?

A. Yes, initially that's really what Dean was looking at.
He's saying: I don't know about Russia, is this any
good, Tim, or is it rubbish; and I was saying: no, this
guy is good, this guy clearly has a link into Moscow,
into FSB or former KGB.

Q. Yes. We are -- just so we're absolutely clear, we are
speaking here as to reports commissioned by Mr Attew of
Mr Litvinenko and written by Mr Litvinenko?

A. And on behalf of clients, which I don't know, whether it
was written by Mr Litvinenko I don't -- the ones I saw,
I would suggest probably not. In other words, but he
knew -- he literally was going to the filing cabinet in
whatever office in KGB and just picking the file, having
it sent over, and topping and tailing it.

Q. So it appeared to you, did it, that he was able to
obtain the sort of information that would not be
publicly available?

A. For sure, which was very much, as I say, how it was in
the mid-1990s. And how a lot of these companies
actually did very well.

Q. And the sort of information that allowed those with commercial questions to make more informed judgments as to whether to follow them up?

A. Exactly.

Q. What was Mr Attew's response to you reviewing these reports for quality and content?

A. I think he was very pleased. He's an astute chap, and certainly didn't -- I'm pretty sure didn't just take my word for it. But from a commercial point of view, he was hugely pleased, and, as time developed, as time progressed, and Sasha was doing more of these reports and on the feedback he was getting obviously from his commercial clients, Dean that is, it was clear that this was first rate material that the client was very pleased with, and therefore his -- you know, what I was doing was simply endorsing, therefore, what the client was eventually saying -- what he was obviously trying to do is get my interpretation of the data before it was sent to the client in order that, you know, he didn't make any mistakes.

Q. Mr Reilly, are you aware what, if any, payment Mr Litvinenko received in relation to his work for Mr Attew?

A. No, all I know is he was obviously paid.
Q. That would be a matter for Mr Attew to address, rather than you?

A. Sure, yes.

Q. All right. Can you help with this: in terms of your dealings with Mr Litvinenko, what is your assessment of his commercial ability, his degree of discretion, matters of that kind, in the conduct of business affairs and more generally?

A. In terms of commercial ability, he was on a very, very steep learning curve, and in terms of --

Q. Can you elaborate as to the meaning of that?

A. Yes, I think he was, and quite understandably, quite naive about how the West worked, that it was throw a report out and you get paid, and we explained, you know, that it's a little bit more to it than that, and especially in this sensitive area of commercial intelligence.

So I think he was understandably, as I say, coming from the background he did, and his age and stage and having the formative years been in the Soviet Union in a closed society, I think he had a slightly naive approach to business generally, and things like what we could achieve as Erinys, I'm not talking about the Titon side, but the Erinys side, what we could achieve in Russia would all be on a handshake and introduction;
and, you know, what I spent a lot of time saying to him is that, you know, that's fine, but it has to be substantiated and there has to be due diligence done and there's huge risk involved and lawyers have to be involved, and, you know, we have to look at an exit strategy, is the first thing you do if you go into that part of the world. It's not the entry, it's the exit strategy, which he clearly wouldn't be familiar with, but he was a fast learner, and he was beginning to get hold of that, that reality, and that, frankly, money was a lot harder to earn in the West than perhaps he had been led to believe. People had to work very hard for their money, and the concept, of course, of competition, which he said: I can go and sell this to somebody else; and we were saying: no, you can't, you sign something with us, you can't do that.

So he had a bit of a freelance mentality, which was perhaps understandable for somebody coming in and not actually working specifically for a UK or European company.

Q. In terms of Erinys, did he articulate the sorts of levels of payment he was expecting from you or not?

A. No, not really. But, again, because there was a lot of, as it were, shorthand with me, because he knew I knew how it worked there so, you know -- and he was quite
a moral man, so if I said: you will be looked after in this, you know, you will get a percentage of the deal that we do with XYZ company if it comes off, and obviously we will pay your expenses up until now. As we progressed, and I know we'll talk about that, but as we progressed, Lugovoy and these various ideas that he had, he was happy as far as I was concerned that I would make -- obviously look after him in the proper commercial sense, you know, of a finder's fee, expenses, and perhaps a percentage of the deal if it went forward.

Q. We'll come on to the commercial basis or potential basis for payment in due course.

Before we get into that, I just want to get back to your relationship and knowledge of him in a more personal sense just to cover that before we go on to the commercial side.

Did you discuss to any degree his personal position, family position?

A. Yes, he is a very gregarious chap and very dynamic, and he was bursting with ideas and energy, and I knew about his wife and his daughter and later he told me about the connection with Mr Berezovsky, and the whole of the oligarch system, and so he would tell me, you know -- he was quite close to me, because, as I say, I don't think there's an awful lot of people in London, outside of the
Russian community, who could speak his language.

So, for example, he ran in one day when he was given his British passport, he just absolutely ran in, and threw it down on the desk and said my name is ... and, you know, wanted to go for a drink. I couldn't --

Q. What name did he give?
A. Can I say that?
Q. Yes.
A. Ed Carter.
Q. Yes. His reaction?
A. He was delighted, he was over the moon, he was ecstatic, he was literally jumping up in my office, I was calming him down, I only had coffee to give him. This is the thing, he knew that in Russia we would already be drinking the vodka and all the rest of it, and this was part of his education, a little bit more boring over here, so, no --

Q. You wait until midday in this country, Mr Reilly.
A. So he was dynamic, but I did -- the one observation I did say to him was that there were two things. He was a bright chap, but he was very undisciplined, mentally undisciplined, and I think that was part of coming into the Western culture, more systematic and logical way of looking at things in deductive ways, so I did say to him that he had to develop that, and --
Q. Just pause, could you elaborate on that, mentally undisciplined?

A. He would be flashing off in so many different directions, and that I know a guy -- for instance, once I think it's in the evidence, you know, we ended up talking to the mayor of some town in the Ukraine about ethanol, you know, but because he knew him, he phoned him, but that's a very sort of Soviet -- it's not just Russian, but Soviet sort of mentality, you survive by knowing people, knowing things, bartering; going through the system, nowhere. So of his generation that was typical, you get things done by knowing people in the right places. We would look at it perhaps differently in a Western economy.

But -- so it was difficult sometimes to say: well, what are we going to say to this mayor, you know, what will he think of a phone call from London, what have we got to offer. So I was always trying to slow him down and say: fine, but let's do this systematically and do some research and see if it's actually worthwhile even phoning Ukraine.

Q. You've mentioned Mr Berezovsky and his relationship with Mr Berezovsky. Is Mr Berezovsky a man you've ever met, you know about?

A. From my point of view, because of my background,
military and, you know, if you went anywhere near Cambridge, you are a spy as far as the KGB is concerned, so I've always made it a rule of mine that I will never meet an oligarch and I never have. I've had lots of opportunities, especially with the people I knew in Russia who would say come along. I would never meet him. The nearest I got, which he didn't know, is I sat beside him in hospital when we were both being tested for poisoning, but he never knew who I was, but I knew who he was.

Q. What if anything did Mr Litvinenko relate to you as to his relationship with Mr Berezovsky?

A. At the time, it was fairly turbid. He was grateful to Mr Berezovsky for -- because of the known history of helping him out of Russia and looking after the family and financially helping as well. But, at that time, he was having quite an up and down relationship with Mr Berezovsky. There had been a big row, Sasha had gone off to Israel, come back, there had been a reconciliation of sorts, but again I didn't really want to, for reasons I've stated, I never really want to get close to an oligarch, because once you're close to an oligarch, you're close to the Russian government, and I would prefer not to be.

Q. Did Mr Litvinenko, in terms of the row, indicate when
that had taken place and what effect it had had?

A. I can't remember the exact dates, but between -- when I said sort of early summer and the autumn, it was in that period, and it had been pretty nasty, a complete blowout, he wanted to tell me about it and I said I didn't want to know.

Q. Just going back to your statement, Mr Reilly, just to help with the date again, looking at page 6 of 8 of your first statement, if you would, if that assists you with the date.

A. Sorry, which page are we on?

Q. It should be page 6 of 8 of your statement of the 29th.

A. Yes.

Q. The context is on the preceding page. (Pause)

A. Yes.

Q. Having refreshed your memory from that, can you be more precise as to when he was reporting some breakdown in the relationship with Mr Berezovsky?

A. Sorry, I'm on this statement of 29th of the 11th 2006 on page?

Q. The top of page 6 of 8 if yours is printed off in the same way. On the bottom right-hand corner, it's 2977.

A. Yes.

Q. So bottom of 2976 and into 2977. (Pause)

A. Ah yes, so it's around October 2006.
Q. So had Mr Litvinenko related what if any personal relationship he had with him in connection with Mr Berezovsky?

A. He was upset, but he was also angry, but, as I say, because of this -- my own rule that I don't want to get involved in anything to do with the oligarchs, I said to him in my office, I remember saying: I don't want to hear about this, Sasha; and he was good, he said okay, fine. But he was very incensed about it. But I learnt subsequently, I think he had gone off to Israel, maybe on related business, he did tell me that much, and then when I saw him, whatever it was, some weeks later, he seemed to -- there had been some sort of reconciliation with Berezovsky.

Q. Let's just cement this in your earlier statement, if we can, please. Your statement says that he told you in around October 2006, they'd fallen out in a fundamental way around late summer 2006.

A. Yes.

Q. Just reading on with your statement:

"The conversation took place in my office during which Sasha explained he had given Berezovsky some advice on something which he had chosen to ignore."

A. Yes.

Q. "They stopped talking for a while. However, Sasha's
advice had subsequently proved correct and they had
started to get on again."

A. Yes, what that advice was, as I say, where he was going
into detail and I didn't want to know.

Q. On the face of your statement, Mr Reilly, does your
statement appear correct, as at the report
in October 2006, they'd started to get on again?

A. Yes, the timings are right, yes.

Q. Was there any indication given that Mr Litvinenko and
Mr Berezovsky had fallen out over money in any way?

A. No, not that I was aware of, no.

Q. Although he started to explain the basis of the fallout,
you didn't take the detail in, but it didn't appear to
relate to money?

A. Well, as I say, I stopped him. He said, you know -- and
I -- especially with Berezovsky, because I knew a little
bit about him from when I lived in Russia and I knew his
background and chairman of the National Security Council
and things like that, and if you have been to Russia as
a foreigner and worked there, you don't want to know
about those sort of things unless you're paid to by
governments.

Q. What were you told by Mr Litvinenko as to any financial
arrangements between Mr Berezovsky and the Litvinenko
family?
A. He did say he'd helped, obviously financed him to come to the West, I think he'd helped with the mortgage, and he'd helped with the education of their son, and I think there may have been a monthly payment or some sort of stipend to help them over. I think he mentioned that, but I can't be sure.

Q. What was your perception across these months of association with Mr Litvinenko of his interest in money, his motivation in those terms?

A. Well, again, this was back to this idea of on the one hand, I don't think naturally as a man he was particularly acquisitive at all, really. I think sufficiency was his -- you know, was the way he was. He didn't -- he was never expressing views about buying Ferraris or Rolex watches or anything like that but I would imagine, though, that that -- not may have altered but may have been affected simply by the Western world, where he was beginning to realise that he had to earn a salary, so he was -- I think the perception would be that he was beginning to understand the value of money, which, in the Soviet Union time, wasn't really a factor in many ways with the state supplying you with everything. He was beginning to understand, unfortunately, the importance of money in a Western economy, but he was not avaricious and he was not
spending money willy-nilly.

Q. Over the period you saw him, and most particularly the last time you saw him, or communicated with him, what was your sense of his mood and attitude to life generally?

A. In the last sort of few weeks, months, I knew him?

Q. Yes.

A. I think the Berezovsky thing had derailed him slightly, but I think that was back on track. I think that he enjoyed the work he did for Titon and was beginning to see a niche for himself. I think financially he felt more secure generally, and then I think the icing on the cake was when he got his British passport, which he was utterly ecstatic about. Rather like, you know, a child at Christmas, he was absolutely over the moon. It was lovely to see, great to see.

So I think generally he was calming, but, as I've said, the observation I had about him, really, was that he needed to slow down, he needed to focus, and one thing I did say to him is that he did need to learn English because he was still, you know, hanging around -- not hanging around, but being with the community in which he felt safe. I said you have to break out, you're in the West now, you must learn English, you must become part of the community. And the
final point I said to him, which included Berezovsky, but it was a general observation, I think he was still -- and that would have changed over time, but I think he was still living a little in the past. He had a lot of grievances, a lot of views about government under Yeltsin and later Putin, which is absolutely understandable, but I said you need to move on, you know, this is your life now, look forward.

So he was a little backward looking, but generally he was calming, he was establishing himself, he knew he had to learn English, getting the value of money, he had a job that would probably have developed more, and maybe gone to other companies. So he was reasonably happy.

Q. Let me ask you something very directly. From what you observed of him, what would be your response to a proposition that his death may be the product of suicide?

A. Nonsense. Utter nonsense.

Q. Your reasons for saying that?

A. Everything to live for, happy marriage, very fond of his son, British citizenship, he'd made the leap from -- essentially for him of the former Soviet Union, although it was the CIS when he left. Opportunities ahead of him. And although he'd had a row with Berezovsky, that seemed to have resolved itself.
I think the state of Russia genuinely upset him, and
the corruption and the rest of it. He did say one
interesting thing to me, and I know that upset him
a lot, he said, "Tim, you don't understand", and even
for me who had been in that area for 20 years, he was
saying, "You do not understand the level of corruption,
it is everywhere and you can buy anything or anybody",
and it really got to him, the corruption. So he was
still quite, I have to say bitter about that, but
I would say quite the opposite of committing suicide; it
was to stay alive long enough to nail some people, if he
could, legitimately.

Q. All right. I just want to turn to the broad nature of
the commercial opportunity that appeared to be
presenting itself as a context for your involvement with
him now, please, before we turn to meetings and
locations and the specific meeting of 16 October.

Can you provide in summary something of the
commercial context here for the potential development of
offshore gas fields that I think provided the context
for your involvement with him? I'm thinking
specifically of Shtokman and liquid and natural gas
contracts generally. Can you deal with the context so
we can understand it?

A. Shtokman was the biggest offshore gas field in the
world. It was developed by Gazprom along with, I think, Total and ENI and maybe Statoil from Norway.

Q. Where is it?
A. It's right out on the Barents Sea.
Q. North of Russia?
A. Yes, is it Barents Sea or is it in the Kara Sea, I can't remember.
Q. Barents, I believe. I'm basing my knowledge on your statement, so I shouldn't claim too much credit.
A. Which is now definitely in the Russian side of the Barents Sea as your professional colleagues have, you know, decided a couple of years ago with the Norwegians.

And at the time, the idea was that that field would be developed for LNG, liquid natural gas, and would be bound for the US eastern seaboard as, you know -- in other words, it would be a major supplier of liquid natural gas to the United States.

Q. For those of us ignorant of such things, the mode of transport for liquid natural gas from a site -- a field such as that to the United States would be what?
A. Sorry, the?
Q. The pipeline, the tankers, what? You are deeply immersed in this industry, we're not.
A. From the commercial point of view, the whole purpose of
LNG is it's not pipeline, in other words a pipeline is a pipeline across land, but if you're trying to go across sea to deliver, then obviously you can't, so one of the ways that -- the engineers have come up with this over the last 30 or 40 years, is you actually liquefy the gas, put it in ships, special ships, send it over to the destination point, where it's regasified, and then put into a pipeline network.

So that's a well-known system in the industry, and, you know, it's a very well-established business which runs in parallel with pipeline gas around the world. So it's an established system, and it was -- what happened essentially was that the US discovered shale or rather began to exploit the shale technology, so overnight the United States did not require gas of any kind from anybody, and so the economics of the Shtokman field completely fell apart and consequently, not now, but consequently that partnership with ENI and Total and Statoil has essentially faded away.

Q. Looking at it at the time, what was the -- just explain to us the relevance of Gazprom, this potentially enormous offshore gas field, I think you said worth USD 30 billion to USD 40 billion -- is that per annum or as an absolute?

A. Well, the development costs, yes. But then it would be
worth hundreds of billions in terms of production over 25, 30 years.

Q. Right, so the USD 30-40 billion you've referred to is the development cost, as distinct from the potential yield which could be measured in hundreds of billions?

A. Yes.

Q. So this is --

A. This is quite typical of major big oil, this is not particularly unusual of major strategic projects in oil and gas.

Q. But by any comparator, those are enormous figures?

A. But they are -- they're still enormous to you and I.

Q. Yes.

A. But in the industry, they are understandable.

Q. So what was the opportunity for you, Mr Reilly, in 2006?

A. The opportunity there is that although these are, you know, in Russia and places like this, and other parts of the world, it's actually this town, this city, that often demands the security of it, because the London financial markets, international financial markets want to have some security of their investment. Lloyd's, in terms of insurance, insists on a security, and you yourselves, the lawyers, as well, want some sort of, you know, cover on the risk.

So it's quite typical that operations like this have
got some security, and it was the early days of
terrorism as well. So for all the usual reasons, as
I say, even Gazprom and companies like that, even today,
have security.

The other reason -- the additional reason is in
places with very harsh environments, the real priority,
frankly, of the oil companies, is health and safety and
environment, but if you think about it, the first thing
you need to do if there is an accident, environmental,
or a chemical -- or explosion is that you need a trained
team of guys to actually cordon off the area before the
specialists can go in to deal with the oil spill or
whatever it is.

That, nine times out of ten, is a security force,
because they're trained, and most are ex-military, so
these guys know exactly what to do in an emergency.

So often the role is one of security, but also
assisting in cordonning off what is frankly the more
important and more dangerous aspect, certainly
financially, of an environmental accident or explosion.

So the purpose of the -- so the purpose of the
meeting, really, was to see if we could work --
you know, work ourselves into position with a contract.
The background to this is quite important, however,
because when I worked in the Chevron operation
with Alpha, the former Russian KGB special forces guys, the whole view in Soviet terms, the security people would be in charge, because they would be KGB.

So I used to be the interlocutor there, trying to explain that in the modern world, what Chevron was interested in was operations. Security was way down the corridor, called in once a year, whereas the Russian mentality, because it was from the Soviet background, was actually the security manager would tell you when you can operate your USD 40 billion investment to Chevron management.

So --

Q. So there were cultural distinctions that you were managing?

A. So there were massive cultural -- people of my age group who were coming through that. In other words, if you go into any major, probably to some extent still true today, if you go into any major Russian corporation, the security guy is probably the most -- certainly in Soviet times, probably the most important person, because in the Soviet time he would be the KGB guy; and that operation, whether it's making cars or making shoes, would be told every day by the security guy whether he could operate or not, which of course is a complete anathema to a Western economy.
Q. If I can take you back more directly to the narrower context, which is Mr Litvinenko, Gazprom, 2006, September/October, and page 3 of 7, Mr Reilly, so you get the context without me leading it of your statement of 8 December this time.

Do you have that one, the bottom of the page, 2982.

A. Yes.

Q. I'm just trying to help you with context here.

A. Yes.

Q. Just the last five or six lines, the economic security department.

A. Yes.

Q. (Pause)

Because in the general context that you've described, we need to establish the narrower commercial motive and Mr Litvinenko's involvement. So what was Gazprom's interest and problem at the time that you potentially could help with?

A. Again, this is why I explained the context. It's never quite as simple and logical as it may well be in the West. There I am talking to security about security matters with Gazprom, and then I'm suddenly invited to the economic security department to discuss LNG exports, you know, I'm not working for Exxon here, a main board director for export.
Q. The economic security department --
A. Yes.
Q. -- of what?
A. Of Gazprom.
Q. Yes.
A. So there I am, talking in Russian to these guys, and all
of a sudden it turns out they're all fluent in English
anyway with Harvard MBAs, but this is very typical, that
even if you're a foreigner and you speak their language,
then all of a sudden -- and they know that you've worked
with KGB, not worked in a joint venture, there's an
inner circle, so you are sponsored. They would have
checked who I was with Alpha, FSB, who I was, and all of
a sudden, in a sense, in those fairly early days,
saying: well, this guy, you know, he knows our
community, he's from the West, maybe he will be able to
advise us.

So all of a sudden Tim Reilly from nowhere is
advising, you know, Gazprom main board about LNG exports
on a USD 40 billion capex operation, which is quite
typical, and it can go to your head sometimes, but if
you've been around a bit, you realise you know your
limitations so you just say -- you know.
Q. In a couple of sentences, can you characterise the scale
and nature of Gazprom?
A. It's the world's biggest gas company. In the Arctic, for example, 95 per cent of all the gas known in the entire Arctic is Russian. It's a behemoth. I think it represents 45 per cent of Russian GDP, even today. It is stuffed full of people that are trusted by the Soviet system and now by the Putin system and by any of them. It's virtually untouchable, and it's a regime on its own.

Q. All right. In any event, you, Tim Reilly, were parachuted in, as you put it, from nowhere?

A. Yes.

Q. The advice they were seeking from you was as to the security of transportation, was it?

A. Well, that was -- I was meant to look at general security for Gazprom, because one of the things again that was happening was they were trying to internationalise and they did understand that to get financing from this city and legal representation and insurance from Lloyd's, one of the things was security, and they understood enough to know that guns and ammo and interrogating people was not the way to sell gas in the EU.

So initially, it was an opportunity for us to say, look, this is how in Western economies we actually provide security to Western or, you know, American oil
industry. Once they trust you, as I say, then very rapidly in Russia sometimes, especially with the background that I was known there for a long time, they then progress you: can you help us with this as well; and that's what happened.

So the purpose of the visit was not to talk about LNG from Shtokman to the American seaboard. It was to talk about Gazprom onshore security in the 21st century, where maybe Erinys could make a contribution on the back of a USD 200 million contract that Erinys had won in Iraq during the war which actually pushed us to the limit and used the latest technology and techniques for providing security. That was our sort of credibility.

Q. All that being understood, your statement says in terms:

"The economic security department wanted to know about sending liquid and natural gas to the US, particularly the security of transportation. This is a growing market."

A. Yes.

Q. "Gazprom do not have the necessary technology to transport non-LNG, so were looking for partners to provide the expertise."

A. Yes.

Q. "Two months ago, Russia withdrew from negotiations with four major oil and gas companies because they discovered
more gas and felt they did not need more partners. This was potentially a huge contract for some major companies."

You're providing expertise on a number of topics, just summarise it that way, for what is clearly potentially a huge contract and undertaking.

What was Mr Litvinenko's value in terms of all that or opinions on it?

A. In that sense, little. He provided contacts there. But I think what's probably more important than a statement at the time in this context is because still, even to this day, the critical appointment of security people within Russia, especially oil and gas industry, it meant that everybody knows everybody. So I saw the head of Gazprom security and his team who were without exception all KGB people, so they would know Litvinenko, and it's an inner circle thing. I had credibility because of my British military background and then working with the Russian special forces KGB. So they in a sense sponsored me in Moscow. They either say you can work with him or not. It's very clear.

So that is really the importance, is that there was a link there between Litvinenko who would have been known and Gazprom security would have checked out me who would have led to Litvinenko which would have led to
London. So in other words, that whole of that KGB community would have known exactly where I had come from in that context, and then they would have double-checked my history with the people that I worked with in the joint venture in the 1990s.

Q. All right. Did Mr Litvinenko express a view to you as to why the negotiations I've just related with Russia withdrawing, this would be, in about September 2006 from negotiations with four major oil and gas companies, did he express a view as to why that had happened?

A. No, I think it was in the public domain, there was oversupply there, and it was how the contracts were being awarded. It was the usual commercial scene of big oil in Russia at that time, and in that sense, Sasha knew nothing about that. He wasn't an oil and gas guy. What he had was contacts everywhere, but what joined the contacts was specialists at either end that could then talk to each other without him being involved.

Q. Mr Reilly, just look at the top of 2983, would you, of your statement. I'm going to come on to the slightly even narrower point as to Mr Litvinenko in this context in a moment. Just the paragraph or the part of the paragraph starting "Sasha's view was that".

A. Yes. (Pause).
Q. I will just read out what you've said in November 2006 and then ask for a comment on it:

"Sasha's view was that negotiations had stopped because the Americans wanted to stop the Russians assisting the Iranian building nuclear facilities and was strategically refusing to take LNG as a bargaining tool. Gazprom would be losing billions of dollars. Sasha may have discussed this view with other people. I did not think he was sufficiently versed to have a detailed discussion."

What's your comment on that now?

A. I think the most important sentence is the last. One aspect of Sasha -- and I sort of alluded to it, really -- was sometimes a lack of discipline, I wouldn't say there was conspiracy theories everywhere, but there was a lot of angst, and frankly in Russia, a lot of those conspiracy theories are right, it turns out, but much later.

But from my point of view, the way I was trained and educated, you know, you had to look at those things in terms of the facts, and the fact was that at that time America was developing shale oil and gas. Everybody knows that. And to this day we've seen this continue. And the fact was that there was no longer a market for Gazprom's LNG out of that particular field. It's as
simple as that.

The Iranian bit came because he had a lot of Muslim connections through the Chechnya side and I think maybe he was hearing things, but whether that was fact or conspiracy theory or just deliberate muddying the water, I don't know, but I discounted it because as far as I was concerned, this project was over simply on the economics of it, which were well known and well understood in the industry and by the politicians on both sides of the Atlantic.

Q. Although shale is a relatively recent, in any scale, area of development in the United Kingdom, in 2006 it was emergent in the United States, was it, as a --

A. It was firmly established. In an entrepreneurial society, people, everybody was setting up a shale business who had any money, they could lend it, borrow it from the banks, in those days, and away they went.

But as I say, this was an aspect of Sasha, he was a bright chap, but sometimes he would bring all these sort of theories together and come out with one wonder theory, which is a very Russian characteristic, and as I say often they're right, but from our point of view, we couldn't actually support it.

Q. I want to try to focus now and continuing with your statement, Mr Reilly, to assist you. Specific potential
areas of commercial interest discussed with
Mr Litvinenko in around September or October of 2006.

Can you start, please, with the question of whether
you discussed acting as a conduit for medium and small
size exploration companies in the UK to get into the
Russian market? Is that something you discussed and if
so, what --

A. Sasha came, I think with an exhibit here in the
evidence, with a letter supposedly from the Russian
government, of what part of it I don't know, suggesting
that there was encouragement of medium-sized companies
exploration and production companies, E&P companies, and
inviting in companies that were maybe interested in
that.

I mean, I looked at it, but from the point of view
of I was working in a security and information company,
risk management company, I wasn't working in an oil
comp any, having worked for Exxon, Shell and people like
that and JKX Oil & Gas, they have streams of people that
do nothing else than do this and sit on top of Moscow.
So I didn't particularly take it seriously. (a) it
wasn't our business, and (b) the likes of the companies
that may be interested, obviously Shell is not
a small/medium company, but they would know -- in the
industry, it would be known, and I didn't really --
Q. Did you see it as a runner in commercial terms?
A. Not for us, not for Erinys. I mean, obviously longer
term, small companies like that would perhaps go into
Russia and they would certainly be the sort of companies
we would like to offer security services to. But it was
far too early, and these contracts took a long time to
come to fruition, put people on the ground.
Q. You said "this discussion", which was September/October,
reflected a document he showed you.
A. Yes.
Q. Could we have on screen INQ015089, please. It should
come up in front of you. Is this the document?
A. Yes.
Q. Which I think you produced, you kept and produced.
A. Yes.
Q. And this is the context for the discussion, is it?
A. Yes.
Q. It's exhibit TBR1. Did he explain to you where he got
this?
A. Not really, as far as I can remember to be honest. But
he'd obviously got it from some source in Russian
government. Again, this is just typical information out
of Russia. This is how the economy certainly worked
then and to some extent still does. Somebody sees an
opportunity in something like that, gets it out to
a friend who's linked to the west, who knows a bank, and
now and then it pays off.

Q. Just so we have a sense of the document, first
paragraph:

"To balance its policy of keeping big international
oil companies away from its richest oilfields, the
Russian government has started offering concessions on
medium size oilfields to medium and small foreign oil
companies.

"We have a power of attorney to represent this
effort outside of Russia."

It speaks of where the oilfields are, not of
interest to Rosneft and Gazprom, and so on.

"They can either remain undeveloped or be offered
for concession to foreign medium-sized companies. The
Russian government has chosen the second path.

"It has composed through packages of documentation
on hundreds of Russian mid-size oilfields and is ready
to present this information to those foreign oil
companies that may be interested in developing them.
Those packages include the state passport on each
oilfield, topographic maps and detailed description of
the offered oilfields."

Then the sizes of packages being offered. Is this
typical as well, a million barrels --
A. It's happening today. Some of that's happening -- I was talking at the International Petroleum Week yesterday as a speaker there and we were talking about a similar -- that the Russians had been encouraging, until sanctions, small and medium-sized companies into Russia on the oil and gas -- actually talking about it in public yesterday.

Q. Yes. One can perhaps see that somebody who hasn't worked in the industry would look at this document and, coupled with your expertise, see a potential opportunity, but what was your assessment based on your what would appear to be more extensive knowledge of the reality at that time?

A. The first thing is you read that, if you know anything about Russia, and you say Gazprom/Rosneft is not involved, that means it's under the radar, that means it's not sanctioned, that probably means that it's somebody in some department who sees an opportunity to make a few dollars, and if you have any brains you walk away because sooner or later Rosneft and Gazprom will know about it and you will be crushed. The Russian will be crushed and you will be pushed out.

Q. Pausing there, you would be pushed out, but what would happen in your investment in infrastructure and everything else?
A. I have seen it happen in Russia to foreign companies. You know when trouble starts, suddenly the accountants come in, and they want to talk to the bookkeeper, not to the chief accountant, to the bookkeeper. Then every day they lock your accounts department up, they put a seal on it, and you can only work those hours. That goes on for six months, and you're trying to convert currency, you need files, you need to pay bills, you can't.

Then people get investigated for tickets on the street, you know, for parking tickets, and this is slowly -- we saw it in TNK-BP and various public cases. This is how the pressure comes on, and that's how, eventually, as I say, the Western partner just leaves. The Russian is probably dealt with -- can be dealt with more brutally, not necessarily violence, I don't mean, but just in terms of his life-style, finds himself in a jail somewhere.

So when you look at that, and I saw that, and said Gazprom/Rosneft not involved, they control the industry. It's not possible, and, if it is possible, it means that it's illegal, and that there's probably somebody trying to make a fast buck.

I think the view of it was correct, the Russian government was trying to do it and has come out, and when I was in Shell we got these sort of things. They
wanted major oil companies to invest in capital projects
in the eastern Siberia -- Exxon, Shell -- not in oil and
gas, but in things like forestry. They said, "But you
use your experience, your knowledge of the markets and
the banking community, as Shell, just to make us
introductions, we'll do the rest, and you get equity in
it". All the oil companies refused it and said, "No,
we'll stick to the knitting, we're not going to get into
forestry or something else". But they came up with
a lot of these schemes at around that time. Some of
them were legitimate at the highest level, but they got
exploited at the lower level by people presumably --
I would suggest by people like who acquired this
document.

Q. Yes. Can we take it, given that answer, that you didn't
see this as a fruitful line of work for you and
Mr Litvinenko?
A. Yes, you can take it.

Q. Yes.
A. But that is reinforcing the point I made that Sasha had
these great contacts and came up with these ideas, but
when you got down to the facts of it, he couldn't see
why we couldn't progress that, something like that, but,
you know, I was seeing, you know, lawyers involved and
bankruptcy and all the rest of it, and it could take ten
years for something like that to be realised, especially in the oil and gas industry.

Q. All right. Was there discussion as to ethanol as a potential source of engagement here?
A. Yes.

Q. Particularly involving Ukraine?
A. Yes.

Q. Can you elaborate on that, if you can, a general context in summary and the more specific discussions with Mr Litvinenko in more detail?
A. Once again the Russian factor is that you know a guy who deals in ethanol so you say, "Let's start an ethanol business", rather than saying, "Let's look at the market", and, "Oh, there's opportunities in ethanol", and then trying to work your way into it and you find somebody. So it's a question of -- he had this wonderful contact list, and anybody who did anything he said, "Can we do this? Can we -- I know a shoemaker. Can we start selling shoes?"

So ethanol -- but ethanol at the time was again -- in the United States, was looked at as part of a -- you know, in terms of environment protection and all the rest of it and the transport industry and car industry, it was being seriously looked at by the US and to some extent Europe, Brussels, as an alternative or an
additional type of fuel for car transportation.

So --

Q. It's a by-product of wheat?

A. Yes, exactly, and so in places like Ukraine there was rather a lot of wheat.

Q. It is used -- for example, you've said in Brazil 80 per cent of vehicles run on ethanol?

A. Yes.

Q. And an increasing number in the United States, and there's a market in the United States for it?

A. There was, yes.

Q. Was. What was the discussion in summary terms and the outcome of the discussion in practical terms with Mr Litvinenko about ethanol and the Ukraine and Russia?

A. I think in this sense, it was -- you know, I got to know him quite well then, it was developing into a reasonably good friendship, and it was an opportunity for him. So I was just trying to structure it, really, for him, and see what could be done, because it wasn't really anything that we were particularly interested in as a security and risk management company.

So it was really just, as I say, structuring the idea for him, to say, well, you know, have you looked at this, and sent him off to read the market and brochures about --
Q. Where was the initiative coming from for this line of enquiry in the first place?
A. From Sasha.

Q. From Sasha?
A. Yes, he knew somebody in Ukraine that could do this, and it was current in the UK as well. There was a lot of discussion in the press and everything about this alternative form of transportation -- fuel.

Q. Insofar as there was any potential outcome to the discussion and his line of investigation, what was it going to be so far as you were concerned?
A. I don't think we would have got anything out of it at all, really.

Q. Why not?
A. Because it wasn't our business. But, as I say, it was part of this saying to him, if you have ideas I can help you, as it were, as a Westerner, who understands capitalism, and away you go. So I think for him it would have been quite beneficial, and it interested him, and he knew a lot of people in Ukraine and he was exploiting his network.

Q. Can you just look again -- I'm sorry to ask you to do this -- at 2983 of your statement. Firstly, was any of this ever put on paper or documented?
A. No, no, and this was quite typical of working with
Sasha, and to some extent with Russia as well. An awful lot is not written down which is half the problem sometimes.

Q. Did you write anything down?
A. No, no.

Q. Why did you not see the need to write anything down about this?
A. Because, to me, it was a fairly ephemeral sort of project, it was not really directed to Erinys. I felt that it was helping Sasha, it was quite interesting, I knew Ukraine, I knew some of the areas that he was talking about, so it was an area of familiarity to me, and it was a project that may have developed into something in due course, and maybe I could have persuaded Erinys to get involved in it in some way or another, because, as you say, it was spreading to America and Brazil and places like that, but from a purely commercial point of view and my responsibility, not really.

Q. Just looking at your -- just refresh your memory, Mr Reilly, from how you analysed this point in your statement somewhat nearer the time, 8 September 2006. It's the second half of 2983 and the first half of 2984. (Pause).

It's just to establish that this wasn't something
you dismissed out of hand as a potential -- I'm just looking at it.

A. Yes.

Q. You indicate, for example, you discussed the prospect of setting up a company --

A. Yes.

Q. -- that brokered a deal between the producer of ethanol and the end buyer:

"We would identify storage facilities in Odessa, Ukraine, so that ethanol could be loaded on to ships for transportation to the UK."

A. Yes.

Q. "We would arrange the insurance, legal and storage and identify a buyer."

Perhaps this could go on screen, actually. There's no reason why not. INQ002983.

I'm not seeking to be intrusive, Mr Reilly. I'm just seeking to drill down into --

A. No, sure.

Q. If you could just highlight, please, starting "Russia and Ukraine" in the lower half of the page. It's easier for others following this to see it on screen.

A. Oh yes.

Q. It does appear that your own thinking had gone beyond: it isn't really in our usual field of activity.
A. Yes, but I don't think at this stage we took it --
I took it to Erinys, didn't talk to John Holmes or
anything about it. But it was -- that's exactly what
I was saying, so insurance, legal, storage, identifying
buyers. This is the sort of thing I was trying to say
to him. He thought we could all fly over to Ukraine and
literally hire a -- he literally thought we could do
that and take a white van and start bringing this sort
of thing -- not absolutely, but that sort of literal
interpretation of how it would work, and I was saying,
hang on, you can't do this sort of thing, this a large
scale operation, you need insurers, you need storage,
you need legal, you need buyers identified.

Q. I'm just looking at the same passage as you. You said
halfway down:
"Initially, I estimate it would have been worth
hundreds of thousands of pounds, although the first deal
would only have netted us a few tens of thousands, maybe
GBP 25,000 to GBP 35,000 each but we did not discuss
figures."

A. Yes.

Q. Then you said:
"There was no limit to the potential earnings."

A. Yes.

Q. You had to impress upon him the necessity of doing this
in the proper way and everything else?

A. Yes.

Q. Correct me if I'm wrong, but is the impression not given
in this statement that there was at least, assuming you
could get the investors, the potential for a very
considerable income from it if it worked out?

A. Yes, but I think there's people, you know, floating
around this city every day who has got ideas like this,
but we all know that, you know, this is the minimum you
have to do, but to actually bring it to fruition --

THE CHAIRMAN: I think, Mr Davies, that Mr Reilly has set
this in its rather broader context.

A. To bring it to fruition, you know, is a lot, lot more
difficult than that, so these numbers are thrown about.
They're probably true at the time, but I don't --
anyway, to actually get on a plane and go to Ukraine and
negotiate that was certainly not what I was going to be
doing, or could do.

MR DAVIES: That being the background -- did Mr Litvinenko
involve anybody else in this line of enquiry, whatever
your respective expectations were of the outcome, from
what you remember, did he involve anybody else?

A. In this context, there was the Yuri Shvets who I didn't
know, but he knew, and I subsequently met later, but
that was the only guy and he phoned from the office.
I think generally he came up with a project like this every other time we met, he'd have a new project, that we would look at, something like this, and I would give him some advice and throw some numbers and put him in touch with people, or direct him in the right direction to go an dread up about this. So this was a very good example of what he would come in with. And, as I say, a lot of it was genuine, but it was just mechanically very difficult to do.

Q. On screen, please, INQ02984, and this is really, I suppose, to round off the point you're making, Mr Reilly. So having made enquiries with -- INQ002984. The passage "Yuri came back to Sasha a week later", please, that paragraph.

You've indicated that Mr Shvets -- and we'll come back to him -- was engaged by Mr Litvinenko to make enquiries in the Ukraine. I think Mr Litvinenko said he knew the governor of an area in the Ukraine?

A. Yes.

Q. He would phone governor. Is this characteristic of his, shall we say, direct approach?

A. Yes, and key people throughout the former Soviet Union would be -- like governors of a port would be absolutely critical, and that would be a person that was part of -- was on board with the government. So these were
important people.

Q. The outcome of all of this, Mr Reilly, is it reflected in substance in this part of your statement of December 2006, which was, although matters were identified potentially, in the end this came to nothing?

A. That's true, yes.

Q. Were any individuals identified as points of contact in the Ukraine business?

A. I really can't remember, other than Yuri Shvets.

Q. Did you commission any business reports in relation to this?

A. No.

Q. And did you discuss this prospective business with Dean Attew or anybody on the Titon side?

A. I don't think I did. I may have, but I don't think so, mainly because a lot of these projects -- he came in with a lot of ideas, I developed them up to a certain point and they would tend to fade away.

Q. So we come back to the areas more specifically that, in your mind at least, were the more direct use and real, long-term assistance from Mr Litvinenko. Just bring us back, then, to the basic subject matter of the meetings in September and October and earlier with Mr Litvinenko in very general terms, the point of it.

A. Well, essentially, through his network, he had contacts
in Russia in the oil and gas industry specifically, he knew what my role was and we talked about it, and he knew I'd worked with these KGB Alpha people, and he knew that I worked in the oil and gas industry over in that part of the world, and he suggested that he had a contact or had means or a conduit by which he could get contacts in a number of Russian oil companies, Gazprom was the critical one, and that's really the context within which we started talking at a sort of proper professional commercial level in terms of my responsibilities as the guy in Erinys.

MR DAVIES: Sir, I'm turning now to the introduction by Mr Litvinenko of Mr Lugovoy. I'm happy to deal with that topic either before or after the short adjournment.

THE CHAIRMAN: Fascinating, but we'll take a short break.

(11.15 am)

(A short break)

(11.28 am)

MR DAVIES: Mr Reilly, before the short adjournment, you were giving evidence that you were impressing upon Mr Litvinenko for whatever idea he was discussing with you or introducing to you, the need for it to be done in a certain way, a certain formality, lawful procedures to be followed and so on.

However many potential areas of work he was bringing
up, did any of those areas of work appear to involve him engaging in illegal activities?

A. Certainly anything he approached me with, as far as I could see at the very early stage, was not illegal, so I'm not aware that he was conducting any illegal activity.

Q. Particularly in terms of potential commercial opportunities, was anything he was raising with you so far as you could tell something that you would have regarded as illegal or potentially illegal?

A. Strictly speaking, no, but his ignorance of how capitalism works, democracies work sometimes would blur the edges and that -- I would remind him that actually we can't do that over here and he would haul that in and understand, but coming from the background he did and the era in which he lived, most of his life, Soviet Union, you know, there was a different approach to what was ethical, what was moral, what was --

Q. Yes.

A. But his moral compass was pretty strong, but just commercially, he thought that it was all dog eat dog in the West and everybody was breaking rules and everybody just made money and nobody paid taxes, et cetera. There was an element of naivety.

Q. So there's the cultural distinction reflected as between
Russian and Western models, to put it very crudely?

A. Yes, that would be fair to say, yes.

Q. However, in terms of the subject matter of potential commercial activity, was the subject matter of any trade illegal that he brought up, the product, the nature of it?

A. Not that I was aware of, certainly not the business that he discussed with me.

Q. Most specifically, did he raise at any time with you the possibility of arranging the transportation of sale of radioactive materials?

A. Not at all, ever.

Q. More specifically still, did he ever bring up the topic of polonium or polonium-210 or variants thereof?

A. Never.

Q. Let's turn, then, as I indicated, to the introduction of Mr Lugovoy to the scene. Where did this fit relative to your introduction to Mr Litvinenko, which you said was somewhere in the summer of 2006?

A. He mentioned he had a friend from his time in Russia who was also ex-KGB who had contacts in the security world and indeed had a security company himself amongst other businesses that he had, and that it would be useful perhaps to meet this guy who may be able to introduce me to Russian oil and gas industry in terms of its security
departments.

Q. Yes.

A. So I agreed.

Q. So the general context is you were seeking to find ways into a potentially lucrative Russian oil and gas industry to provide security services?

A. Exactly, and that was my job in Erinys specifically, the new business development in the former Soviet Union.

Q. What was Mr Litvinenko's initial account of Mr Lugovoy and his relationship with him?

A. He was quite frank, because, by that time, I had read up what -- you know, how he had left Russia and I think Lugovoy was in the -- was in the press for that, but he was very frank and open about what the relationship was, and I think at that time -- I wouldn't say considered him a friend, but certainly a colleague and certainly not hostile towards him.

Q. What did he say the potential value of Mr Lugovoy was to your ambitions?

A. Network. Simply he could put me in touch with the right people in the various Russian oil and gas companies and with his KGB background, as I said before in terms of the general context, very important that you were, as it were, accepted therefore to even discuss these sort of things which are still considered almost, almost,
bordering on state security.

Q. It's the KGB background of who that you're describing there?

A. Yes, that's -- that's what's critical, is that all -- even today, all the major oil and gas companies, or major -- in fact major companies in Russia will have a security department, will be exclusively military, but usually KGB or FSB.

Q. It's my fault. Whose KGB background was important here? You described that Mr Litvinenko had a background there. What was said to you about Mr Lugovoy?

A. Lugovoy had similar, and the people that he knew in the oil companies were also former or perhaps even acting KGB/FSB.

Q. So that was the purpose of the meeting.

A. Yes.

Q. Can you indicate firstly whether you met Mr Lugovoy and when the first meeting was?

A. Yes, I met Lugovoy on a number of occasions, at least three, as far as I recall and it was again in that summer period of 2006 and led on to subsequent meetings in the early autumn of that same year.

Q. Who arranged his attendance at the first meeting?

A. Litvinenko was, as it were, the go between, and always attended, as he knew Lugovoy personally.
Q. Did Mr Lugovoy ever attend meetings at which Mr Litvinenko was not present?

A. I think the last one he did when they arrived and said that Sasha was ill and hadn't been able to make a meeting that they wanted to have, but he had, as it were, come to my meeting which should have been with Sasha as well, and he basically said, as it were: I'm here to honour the meeting, even though Sasha hasn't come to the previous meeting, I'm here to see you on your own, although it was intended to have the three of us there. In fact --

Q. Although this is further on in the chronology --

A. Yes.

Q. -- the meeting where Mr Litvinenko was reported to be ill, and Mr Lugovoy attended on his own, knowing what you know now, is that coincident with Mr Litvinenko's admission to hospital?

A. Around that time, yes. And also I never saw -- I think I saw Lugovoy once on his own, but most of the time he was accompanied by Kovtun, and there may have been a meeting at which there was just Kovtun, Lugovoy and myself and Sasha had other business and couldn't be there, but he already knew that we were established, that he had made the introductions and he knew he would get the result of the meeting, feedback from me, and
obviously I expect from Lugovoy as well.

Q. I'm going to turn to the detail of the meetings and matters such as who sat where, insofar as you can remember, but across the piece at these various meetings where Mr Litvinenko and Mr Lugovoy were present at the same meeting, and as much Mr Litvinenko's discussion with you if any about Mr Lugovoy, what was your impression, your direct impression, of their apparent relationship?

A. Easy colleagues, I wouldn't say friends, but clearly knew each other, and I got the impression perhaps they socialised after their business day, but clearly there was no hostility, there didn't seem to be any, as it were, games going on and they seemed fairly frank and open with each other, very comfortable in each other's presence.

Q. Did they discuss their histories together in your presence?

A. Not in front of me, no.

Q. Did you document in any way the meetings that took place with them on any occasion?

A. No, and I deliberately didn't, because this was Titon business and to me I was essentially helping out Dean and John Holmes from Titon, and I put some notes in, but generally it was a case of meeting with Lugovoy, time,
date, perhaps the subject matter, but the detail I usually kept up here because it was usually very basic at that early stage, you know, we would go to Moscow in a date to meet various people. Well, you know, I could retain that in my head.

Q. So appointments may have been documented in some form of diary?

A. Some of them, but one of the difficulties as we'll probably see is that -- and this was Sasha's way, he would just appear, because he wasn't, as it were, my contact, he was employed in some form or another, consultancy, or whatever, with Titon. If he was there, he would always call in on me, so he may call in before his meeting with Titon or after, or he may have been in the area talking to other people in that Mayfair district and would just call in. As I say, he liked me and we talked Russian, he could let off steam.

So in terms of appointments, there were some fixed ones, especially if Lugovoy and Kovtun were coming over, that was in the diary clearly, but a lot of the meetings with Sasha where he would just turn up, I would say: hi, come in, have a cup of tea; and we'd have a chat for maybe five minutes, maybe an hour, it would depend.

Q. Even in relation to the meetings that were, so to speak, prearranged appointments and possibly in a diary as such
as the fact of an appointment, even for the meetings
with Lugovoy, Litvinenko and on occasion Mr Kovtun, is
there no written record of the subject matter of those
meetings that you retained?

A. I can't remember. It's eight years ago. The police had
the diaries, so, if it is, it's certainly recorded.

Q. Right, you maintained a diary and there's nothing beyond
that?

A. No, and as I said there certainly wouldn't have been
much detail there, because these things were so
preliminary and so skeletal that there was not much to
put down.

Q. You're not maintaining so to speak, as some companies
do, a formal computer-based audit of these meetings and
everything like that?

A. Not in Erinys at that stage, no, we weren't that
sophisticated.

Q. Well, let's deal with the first meeting with Mr Lugovoy,
then, please. Do you have an exact date for when it
took place?

A. I'm not sure.

Q. It may not matter. If you look at your first statement
again at 2974, the foot of the page. 29 November 2006.
You didn't have access to your diary at this point,
Mr Reilly.
A. No.

Q. Bottom right-hand page reference is 2974. It's at the very foot of the page.

A. Yes.

Q. Just to refresh your memory from that as to the likely date. (Pause)

A. Yes, that would make sense, to visit -- Lugovoy was due to visit the UK in June or July 2006 and was willing to meet. I consented to the meeting, so, yes, that would be right.

Q. You go on:

"The first meeting with Lugovoy took place in the conference room. Sasha was present. I do not know the exact date it took place. However, I believe the date was before August when Russia basically shuts down for the holidays."

A. Yes.

Q. Can you describe the nature of that first meeting, your impressions of Mr Lugovoy and the purpose of it?

A. He was professional enough, smartly dressed, quite keen to impress, quite self-assured. He wasn't arrogant, but he was quite self-assured, and was keen to engage. You know, he was keen to tell me what he knew and who he was connected to. When he knew I'd worked in Russia, he was a little bit more relaxed and talking Russian to him.
made it easier for him as well. But he essentially came across -- I had met many similar types over the last 20 years, like him, so it was -- I knew what I was dealing with.

Q. Similar types?

A. Well, there's a Russian expression around that time, it has died out now, Novi Russky, we would call it nouveau riche, so they would have all the accoutrements of the Western world and then there would be an odd, you know, shiny tie or something like that. It was quite funny. It sounds awful, but you could spot this straightaway, and he was on the make, he was capable, he was reasonably intelligent. I think he could deliver, but it was amusing, because, you know, as I say, people who had been in that part of the world, and the Russians had a view of these as well, so it was a certain type that you could bracket quite easily, but he was seeing opportunities -- he was an opportunist, but he was reasonably -- he was pleasant and charming enough, big football fan, he was over here for the football, talked a lot about that.

Q. You were sounding each other out at this meeting, by the sounds of things?

A. Yes, I think it was easier -- he didn't know who I was, and he obviously didn't know much of my background at
first, so he was surprised I spoke Russian, he wasn't expecting that, and then I explained that I'd worked with, who I'd worked with in Russia, he visibly relaxed. But he saw this as an opportunity, and this was serious business, and one of the difficulties they have, I think, at that stage of development, coming out of that part of Russia then was they're never quite sure how big the company was, they had no idea of scale. They couldn't judge whether you were, you know, somebody the size of Shell or a corner shop. So they were always trying to gauge how big an operation you were. So if you had offices in South Africa and Middle East and London, for us, that's -- that doesn't necessarily mean anything in our economy, but for a Russian that was, wow, you must be a really serious business.

Q. You were describing your own qualifications, so to speak, that you colloquially took to the table. What did he tell you as to his own background and qualifications?

A. As I say, he was reasonably open. Sasha had already told me, and again in Russian we said: you were FSB; and I said: I used to work with those guys; and he worked in and lived in a part of Moscow; and I said: yes, I know, and I used to live here; very sort of that general probing of each other that everybody does.
So -- but I thought, as I say, he was a guy that had seen the main opportunity, quite clear-headed, extremely ambitious, he liked the money, he had all the toys and the watches and tie pins and cuff links and all this sort of stuff. He was a man about town, and that sort of thing.

So you could see that that's what he was like. I didn't see much steeliness in him, which is the overall -- which I'm sure we'll get to, I didn't see much steeliness in him.

Q. Steeliness?

A. I worked quite a lot with these guys, and one -- compared to as it were our side and the Americans, very different, their government people, and ours are extremely disciplined and focused and bright, and a lot of the Russian side were quite ordinary and quite ill-disciplined in thinking; you think how do they do that work, because, you know, it's quite difficult stuff that they do. So he was of that type as well, and that was a type I had noticed having worked in Russia, and I put him in that category, you know, some of the KGB were sort of the muscle end, and I had put him in the muscle end as a bodyguard and they were into martial arts and all this sort of stuff, which he -- I put him in that sort of category.
Q. Beyond establishing the fact of his history in the
KGB/FSB, did you discuss with him his attitude to the
FSB/KGB?
A. No.
Q. No?
A. No, of no interest to me and no interest to him, really,
in that sense that this was a specific meeting about
business for Erinys, and I wanted to get straight to the
detail.
Q. All right, what was Mr Litvinenko's contribution to this
initial meeting?
A. Not much. In terms of the technical side not much,
because that wasn't his role and he certainly didn't
know about oil and gas other than, you know, every
Russian knows about Gazprom, people like that, from the
political point of view, but it was specifically, no,
and he didn't know about security or information
gathering and that aspect for a major oil company. He
didn't know what would be required. So his contribution
had been to listen, to introduce and to fill in any gaps
that there may have been between the two of us.
Q. What was the outcome of that initial meeting?
A. As I remember, I think I had -- once again, you know,
this was a great idea and lots of people come to you as
a Westerner, here and in Russia, with these ideas, so
I think my view was really to go back and substantiate things, you know: is there a need in Gazprom, who are you talking to, what sort of security do they do, what is their budget, when did they last do a review of their security, what do they consider their threats. And in a way, that sort of substantiates what I am saying, is that those are quite sensitive questions, actually, of any business; and that's why this inner circle of FSB or a foreigner that's worked with them and there has been a file kept on them in Moscow is quite important, but I could ask those; but I said, you know, I need some indication that if I'm going to fly out to Moscow, I'm going to meet somebody that's important, and it's not just one of these friends of a friend that's got a good idea, and you discover that actually he's got nothing to do with the security department, which often happens in Russia. You're talking to completely the wrong person. He was just trying to wedge himself into the operation.

Q. Mr Reilly, you've told us that Gazprom was heavily controlled by the FSB, and here is Mr Lugovoy in your offices in London presenting himself as somebody who could promote what could have been no doubt a highly lucrative contract with Gazprom for security.

What was he saying as to his ability to promote your interests within an oil company, that your assessment is
was still influenced by the KGB?

A. From my point of view he wasn't there to promote, he
didn't have the skills to do that. He may have thought
he was promoting, but he wouldn't be. As far as I was
cconcerned he was a contact who would put me in touch
with somebody within Gazprom security who was, as it
were, the real thing.

So it may have been his view that he was going to
promote himself. Having said that, what I was willing
to do, if he did have a security company, if there was
some aspect that he would want a small proportion of the
contract, rather like the ethanol thing, I said: well,
of course, you know, if this comes off with Gazprom,
which would be a substantial multimillion-dollar
contract and you have a Russian security company, I'm
sure one way or another within the contract, we will
find some work for you as a consultant to Erinys as the
operator of Russian security for Gazprom in a particular
region or in a particular sector.

So -- but nothing written about that. So I'm sure
that's where (a) he'd get paid for the introduction,
subsequently, if it was successful, and they understood
that, successfully, it's not just opening the door, it
is if something comes of opening of the door; and
secondly down the line, you know, there was very much an
acknowledgement in sort of shorthand Russian style that
of course, yes, you know, there would be some business
value for you if the contract with Gazprom came off.
Q. I'll turn to the potential scale of the contract insofar
as we can in a moment, but I'm interested in what he was
telling you as to his degree of influence, whether or
not you felt he would deliver as a person in terms of
his characteristics and capacity, what he was telling
you as to his degree of influence within Gazprom to
promote your interests.
A. From my -- from what I recall, there wasn't much.
I mean, there was -- in that time, the FSB had put a lot
of people into security, not to secure their operations
actually, but the real purpose was to stop penetration
by the West into their operations.
Q. Can you just break that down, Mr Reilly? You may
want --
A. If you're Gazprom, you may think your physical security
and your security department, as say for a Western oil
compny, would be physical protection of your assets and
your people and your operations.
Q. Yes.
A. That is true of Gazprom. But additionally, because of
the Soviet mentality, there was also a responsibility of
the security there to stop penetration by Western
competitors, for example, who were looking at your operations that you didn't want.

Now, in the Western world, that's done by, you know, a major cybersecurity aspect, it's not done by the physical security people and it's certainly nothing to do with the state. In the very largest companies there may be collaboration for certain parts of the world, but in general it's a separate thing.

So that's an area that the FSB was looking at, particularly then, so I don't know whether he thought about that area. I suspect, because as I say, the nature of the guy as an ex-bodyguard, he was more the muscle end, so he was thinking purely of physical security measures, and, therefore, he would probably know somebody who was an ex-bodyguard from the Kremlin around Yeltsin who had gone into the economic security department of FSB, which placed people in strategic industries such as Gazprom.

Q. Yes.

A. But that was not made clear which area he was, but my summation of his ability and general demeanour and background was he was simply looking at physical security, which, in itself, is very serious money.

Q. Can you quantify that?

A. It's impossible to say, but I once talked to the head of
Rosneft, the chief executive of Rosneft, on an unrelated
matter, who wanted to, as part of attracting funding
from this city and others, and becoming a westernised
company, this is way back in early 2000s, was talking
about -- he said: I want to have the same security as
Exxon.

So I said to him, I said: well, you know, that's
Exxon worldwide, and that's physical security,
intelligence, cyber, every type of security, you know,
and we may be talking USD 100, 200, 300 million. He
said, "Yeah, that's exactly what I want".

Q. Right.

A. So Gazprom would be a commensurate level, but for us we
certainly were not thinking of any expectations like
that. We would be looking for a small security,
relatively small security operation, you know, for
something like an oilfield in Siberia, something, and
you start from there.

Q. Yes, you start with one?

A. Yes, you're certainly not going to be handed a contract
like that anywhere in the world.

Q. But even for a contract of that scale, as an initial
contract, are you able to quantify the types of -- the
sort of scale we're talking about here that you had in
mind?
A. Well, I'm speculating now because we never got that far, so nothing was offered by Gazprom concretely about, you know: we've got a certain operation here, there, that we have a concern about, would you please go and survey and tell us how much it would cost to secure. So -- but, I mean, these are -- to do an operation for Gazprom, you know, you're talking of half a million upwards, but, you know, 5, 10, 15, 20 million. Some of the major operations in the Caspian I worked in for Chevron in the early 1990s, Iraq, Erinys had won, I think, a USD 200 million contract for securing northern Iraq during the hostilities.

Q. All right. Just one final question on this point. What if anything was Lugovoy saying or implying as to his contacts, ex-KGB contacts, existing KGB contacts, in Gazprom or otherwise that gave him value?

A. Well, simply that he named names, he said this person will see you, this guy's former role, I can't remember what it was, but he went through a very brief CV of these individuals, two or three in Gazprom who were very senior, including the head of Gazprom security. He didn't claim, to be fair, to know anything in detail.

Q. Did the discussions between you, and progression of this, although it in fact came to nothing, did it ever get to the level of quantifying his potential --
A. No.

Q. -- or Mr Litvinenko's?

A. No.

Q. Even in colloquially ballpark figures?

A. No, I made this very clear to them. Again, the Russians understand this. You know, one of the lessons they learnt is delivery in the West. Other parts of the world, sometimes the money has to be upfront and sometimes you win, sometimes you lose. But here, generally, setting up a meeting is not really enough. It's great, and it begins a relationship, but unless something comes of that, then actually no one gets paid, we don't get the contract, so you don't get paid. So they understood that system.

Q. Let's move on to meetings generally. Insofar as they were other than passing Mr Litvinenko when he was there to see Dean Attew or others associated with Titon, your meetings, your prearranged appointed meetings with Mr Lugovoy, where did they take place?

A. They all took place in Erinys' conference room, never in my office, simply because my office was too small, there was not enough room, and after the first meeting, I think all the subsequent meetings with Lugovoy, he was accompanied by Kovtun, and sometimes Sasha.

Q. Just going back so far as you can remember, on how many
occasions do you remember Mr Kovtun attending?

A. Well, let's say I met Lugovoy, say, four or five times, I think, four out of five, Kovtun was with him, introduced as a friend, an old friend, and nothing much more.

Q. Did you ever have any direct contact with Mr Kovtun as distinct from Mr Lugovoy?

A. Separate?

Q. Yes.

A. No.

Q. In terms of arranging these meetings, on what basis were they arranged? How did you arrange them?

A. Sasha initially, and then, as Lugovoy got to know me and realised I spoke Russian, he would phone me, he had a mobile, he may phone me up and say: I'll be in town in two weeks' time, I'm seeing Sasha, can we meet up as well.

Q. I'm going to turn to events on the meeting on 16 October. I'll just get my reference for your diary for that day. (Pause)

INQ016464, please. Does this help you?

A. Not much.

Q. We're in a common position there. Do you recognise it first of all?

A. It is mine, it is my writing.
Q. Doing your best to look back at this, this is part of your diary.

A. Yes, mainly --

Q. Top right-hand corner is 12 October.

A. Yes, and the meeting is actually -- this is unrelated to Sasha, this is a meeting that John Holmes and I had. BOTAS is the gas transporter in Turkey, I used to live in Turkey and I used to deal with them, and nothing came of it within Erinys, but we were negotiating with them at the time, so that's what that is all about. I don't think there's anything to do there with -- no, nothing to do there with Sasha or this case.

Q. Do you remember a meeting on 16 October?

A. I can't remember if that was the date.

Q. Can you recall how it was arranged in the first instance, that specific meeting?

A. I think that was Sasha arranged that, and it consisted of himself and myself and Lugovoy and Kovtun.

Q. How long in advance had it be arranged, do you remember?

A. That was probably -- I can't -- my impression was that was not a spur of the moment, that was, you know, in the diary, that was in the diary for a while, because now we were talking about, as it were, Erinys business and Gazprom, so now, as it were, paying attention.

Q. Could we have the telephone master schedule up, please,
Mr Reilly, you won't have seen this, but your telephone data amongst others has been reflected in a schedule of calls made and received over time.

A. Sure, yes.

Q. We can see events on the 16th.

A. Mm-hmm.

Q. Including at 11.45, the third entry, Mr Lugovoy calling in sequence Mr Shadrin and Mr Litvinenko's numbers?

A. Yes.

Q. But then five or six minutes later Mr Litvinenko calls you?

A. Yes.

Q. It would be open to the Inquiry to conclude that these calls by Mr Lugovoy were made at Gatwick airport or as he left Gatwick airport having landed in the United Kingdom?

A. Yes.

Q. We can also see other references to your number here, not many, probably calling your -- Tim Reilly 2 calls and Tim Reilly 1?

A. Yes.

Q. We don't need to worry about that, but at 11.55, Mr Litvinenko attempts to call you again.

So jogged by reference to that schedule, you don't
appear to call any of the parties. Can you try to help
with what the call from Mr Litvinenko might have been
about?

A. I would imagine it would have been to arrange a meeting.
He didn't discuss matters over the phone, part of his
background, really, so usually the purpose of calls to
me were timings, where shall we meet and when, are you
available, you know, that sort of thing, but I really
can't remember the nature of the call eight years ago.

Q. On the face of it, it's a call that lasts 26 seconds.
A. Yes. Well, that would make ...

Q. You said it was a prearranged meeting for that day with
them, and so far as you can remember, did that meeting
take place in the morning or afternoon?

A. It was a morning meeting.

Q. We'll come back to that. Would this be consistent,
without remembering the precise purpose of the call,
with effectively they've landed, the meeting was on,
type call?

A. Yes, as I say, Sasha on his own, he would just turn up,
he may call, but often he just turned up, he would be in
the office to discuss Titon business and would come
across and see me either before or after, or both. But
once we had got, as it were, serious and Lugovoy was
involved and we were chasing a Gazprom contract, then,
you know, we needed to know precisely when these people were meeting, and a conversation of 20-odd seconds is probably consistent with what I've already said, simply hello to him, they're at the airport, confirming a meeting later today, 20 seconds would probably do.

Q. Does the name Alexander Shadrin mean anything to you?
A. No, not really. No, no. It's a slight ring of the bell, but I can't remember. Certainly nobody I was close to.

Q. Continental Petroleum Limited, does that mean anything to you?
A. No.

Q. Was either Mr Shadrin or Continental Petroleum Limited the subject matter of discussions with Litvinenko and Lugovoy?
A. I don't think so, no. I can't remember, but the primary one was obviously Gazprom.

Q. As I've indicated, no further calls directly involving you. No calls at all relevant to our purposes between 14.54 and 16.12. All right?
A. Yes.

Q. Might that assist with the time of the meeting, or is that too speculative?
A. Yes, I just cannot remember without a reference, seeing the diary, if indeed -- well, I'm sure it was put in,
Q. The seating arrangements on that date. Could we have firstly -- and I'd like to have these two documents -- well, let's start with Mr Reilly's plan, if we could, first. That's probably the best way forward. You were asked by the police -- INQ018987 -- you were asked by the police to -- your statement 11 January 2013 -- assist with who sat where at this meeting. How certain are you as to this?

A. Very. Can you remind me, having said that, can you remind me now where I was on that, the coding, A, B, C, D?

Q. Yes, I think that's probably appropriate. You've had the statement in advance, haven't you? You've attributed to the respective seats. Can you remember directly now or are you based on your statement --

A. I think I was A, Sasha was B, Lugovoy was C, Kovtun was D.

Q. That's exactly how you described it in January 2013, if that's any consolation. So going around again, A is yourself. B, Mr Litvinenko. C, Mr Lugovoy and D, Mr Kovtun.

A. Yes.

Q. Come back to it. How clear is that in your mind as to the arrangement on 16 October?
A. I'm as sure as I can be, in that I wanted to sit opposite Lugovoy who was the critical person for me, but I was aware that Sasha had brokered this meeting, so I wanted him involved, so to put him in position D or even beside me, I didn't think was right. So I deliberately steered him towards B which was -- it's essentially a dining room table there, so B had a substantial chair which he sat in.

Q. Pause there, Mr Reilly, I'll help to save you describing it. Could we have juxtaposed with this, please, INQ017922 on screen.

If we just go through it.

Now, Mr Reilly, we now have on screen, if it's not too inconvenient, could you expand the plan just while we go through this in sequence and we'll come back to everything else. Can you rotate it, that image. Is that correct?

Mr Reilly, you help. We have got, I hope, your plan, your sketch plan, and a somewhat more snazzy overhead --

A. No, actually, the chair at the head of the table is in the wrong position. You know, south, it should be north. And beyond those soft chairs in that sort of bay -- is a window, so the window was there, there was the soft seating area there, that table, small table,
that had magazines on it. You can see there wasn't ever
eight enough room to sit there comfortably, so we always sat
at the table itself, but the main chair at the foot of
the dining room table is in the wrong position.

Q. That would be where we see B on your sketch?
A. It should -- yes, it's not, it's actually where -- yes,
on the sketch, it's the unnamed other end of the table.

Q. Yes. The orientation of these two images is correct
overall, window at the top?
A. Correct.

Q. There's a map of the world on the wall at the bottom
end, you may not remember?
A. Yes.

Q. And the doors in and out --
A. Our bottom right was a small corridor of about a couple
of metres which led into my office, and along that
corridor was a water fountain.

Q. Right. How would people have come into this --
A. Through that door, bottom right.

Q. On the plan, bottom right?
A. Bottom right, they'd have come through that door with
the water fountain on their right in the corridor
leading to my office and then left into the room.

Q. What procedure would visitors have had to follow before
they got to the premises?
A. Downstairs, they had to come in. Yes, I think they buzzed on the outside. There was a sort of concierge there downstairs. They should have booked in on a visitor's book, I obviously don't know whether they did or not, and then they could either walk or take a lift upstairs, which brought them out into a communal area between Titon and Erinys and they went through then into a security -- I think one security door, which we had to open, and then a sort of convenience fire door.

Q. Was the visitor's book a communal one for the overall premises?

A. Yes, for the entire --

Q. Were there other companies other than Titon?

A. Yes, for all companies there.

Q. We would all be familiar with that. It's the general building visitor's book?

A. Correct.

Q. It wasn't your responsibility to monitor the visitor's book in that sense. Could we go back to our orientation on the fourth floor at Erinys. I'll come back to drinks and water fountains and everything else in a minute, but if we could go back, please, to INQ017923, and then on to 924. Again, if you could highlight, please, the photographs to get your bearings, Mr Reilly, so you can describe to us whether this --
A. Again, the chair in the main picture, the chair is in
the wrong place.

Q. Bear in mind, Mr Reilly, these are taken as the police
examined it or took photographs, so chairs may well have
moved.

A. Yes.

Q. But in terms of how it was set up for your meeting,
you've indicated the chair was at the window end, the
carver chair was at the window end?

A. Yes, in other words 003PJD, the middle picture, is
probably the most useful and accurate.

Q. Does it show the door in that you'd have followed as
well?

A. The door showing in is, yes, in that picture and in the
lower picture, the lowest picture, clearly the door is
there, and if you imagine where the photographer has
been standing to take that picture, behind him would
have been the water fountain.

Q. All right. As you know, the scene was examined
forensically after events became apparent, but looking
at the furniture as photographed and as examined by the
police, does that look to be the same furniture and
everything else?

A. Yes, it does. And the critical thing, why I remember
this, is that the chairs at either end of the table have
got side supports and the rest didn't. They got arm
rests. You can see clearly on the left-hand side there,
and it's similar, the one at which Sasha sat at the
other end of the table.
Q. So as with many dining room sets, there are two carver
seats?
A. Yes, carver, that's the word I'm looking for, yes, two
carver seats, and Sasha sat in position B which was one
of the carver seats.
Q. Nearer the window?
A. Nearest the window.
Q. And?
A. Nobody sat at that far end, so that's where the -- in
the photograph, the far left, by the door lever, nobody
sat there.
Q. This is a meeting on 16 October, and the police plainly
don't arrive to examine the scene until some weeks
later. Given your knowledge of the premises, is it
possible/likely/whatever that chairs may have moved
around the room for one purpose or another in between
meetings?
A. Of course it's possible, of course it's possible, yes.
Q. What was your practice in terms of chairs with meetings?
A. As I say, because of the smallness of the office, then
most meetings with any client would be in that room,
because it was simply the biggest. On the sideboard, which you can't -- yes, there's a small sideboard, really, in the top photograph, against the wall, below the picture, we had coffee and drinks and all the rest of it. The water fountain is on the right-hand side, which is slightly obscured by the open door on the top photograph. It's on the right-hand side. You're looking into my office there, actually, right through, on that right-hand side of that top photograph. That chair you can see in the distance is my office. So the corridor is that long, and along which on the right-hand side as you look at it was the water fountain.

Q. Right. The water fountain, how did that -- it sounds a slightly ridiculous question, but how did that work? There are various types of water fountain.

A. In the very early days of the investigation, one of the things said to me by the police is that they were not entirely convinced that I was not also an intended target. They were ambivalent about that, but they couldn't cancel it out, and on the day that this happened, when I -- involving -- Sasha was hit, it was a hot day and I had been going in and out of the office and I had drunk an awful lot of water because I was thirsty, and these guys arrived later for the meeting, and I did -- you know, I obviously offered them coffee
and everything else. And they kept saying to me: well, don't you want any, aren't you having tea; you know, they were joking, saying English drink tea and all this sort of thing. And I said: no, guys, really, I don't want to; I said: I'm full up, I have to go to the loo the whole time, I've been out like you guys and I've been thirsty, so I've been drinking out of the fountain. So I offered them tea and I can't remember whether it was tea or coffee, whatever it was, and made it for them, but they kept saying to me would you -- don't you want any, won't you have anything.

Q. Did the fountain dispense water into a plastic cup or equivalent?
A. Yes, it's those sort of almost translucent blue large barrel shaped things, you have a little white thing that would be ice cold or just cold.

Q. Pull out plastic cup, disposable cups?
A. Yes.

Q. Doing the best you can to remember, did Mr Lugovoy arrive on his own with Mr Litvinenko, with Mr Kovtun, in what sequence did people arrive?
A. Altogether, yes, I think there might have been a couple of minutes' difference, but, yes, this was Kovtun and Lugovoy for sure.

Q. In terms of entering the boardroom, what was the
sequence of arrival in the boardroom?

A. I can't remember. It's a small, confined space, so, you know, everybody is sort of slightly jostling around to get in and they've got -- I think Lugovoy had been to Hamleys or something like that and he'd got sweat shirts from Arsenal, so he was full of bags and all over the place.

Q. More specifically, do you remember whether the three men entered the boardroom together and whether you were present?

A. Yes, I mean, I was present, and I came out of my office because I heard the door, opened the door for them, I led -- simply because it was easier, I led the way into the boardroom, which they were already familiar with, I mean, at this stage they were familiar with it.

Q. Where were they when you led them in?

A. They were literally on my shoulder coming through this door, as close as these stairs, and I was here, shook their hand, which is quite -- again, it's very important, that, in Russian culture, and there's often -- it's quite funny, sometimes for Russians, foreigners who don't know, but what happens is it's very bad luck to shake a hand across a doorway, so what Russians will do, they'll either drag you across, which for Westerners is like, "oh", or they'll pull you in to
them, because it's very bad luck. So I'm very aware of that, so when Russians come, you make sure you shake hands, especially amongst men, on the right side of the doorway, either you go or he comes, otherwise it's not good news. So I'm very aware of that. So there's a lot of bunching goes on in Russian meetings around doorways as a consequence. So I know I was very close to them.

Q. Where had the three men been -- we're all learning a lot, Mr Reilly. Where had the three men been prior to you seeing --

A. They didn't say, they said they'd been at a meeting and I never asked.

Q. Physically within your workplace? Where did you first see them? It was a very narrow question.

A. The doorbell went and they were coming up the stairs.

Q. Together?

A. And I came out of my office, turned left in front of that door, and saw them there and opened the door to them. Whether they had come by lift or the stairs, I don't know.

Q. But they were as a group of three, when you greeted them?

A. I'm almost certain, yes. Certainly there was two, Lugovoy and Kovtun, and whether Sasha was with them or a couple of minutes later. Essentially we all arrived
more or less at the same time, everybody was on time for
the meeting, which again is quite unusual for anything
Russian.

Q. How long did the meeting last?
A. I really can't remember, but this was probably somewhere
in the region -- it would have been more than a quarter
of an hour, but not an hour. 30, 40 minutes.

Q. What is your memory of whether refreshments were
provided in the currency of that meeting?
A. They were.
Q. They were?
A. They were.

Q. In your own words, then, what were the circumstances,
the timing, the detail of provision of refreshments
during that meeting?
A. The usual. The handshaking, removal of coats, the
weather, a British subject, and then tea and British,
because the Russians believe, you know, that we're all
big tea drinkers and certainly in the early days of the
break-up of the Soviet Union, one of the best gifts you
could give was English -- it's not English, it's Indian,
but what's perceived as English tea as a gift to people.
I used to give a lot of tea to Russians in the early
1990s. So there's a big association with English and
tea, so there's always this sort of -- we discussed the
weather, and on this particular occasion, talking about
drinks, we discussed tea, and especially so with Lugovoy
who is not that familiar with Britain at that stage, he
had been to other countries in the West, he had this
vision of -- certain authors they always talk about and
people they mentioned, and, you know -- et cetera.
So --
Q. So tea was discussed.
A. I went to make it.
Q. Taking it in stages. Carry on with that.
A. I went -- I just went and made it. There was a machine
there for the coffee, the usual little cups and you put
in the machine and it does everything else, and there
was a little tea-making area, and I think I -- some of
them had tea, I really can't remember what the mixture
of tea and coffee was, but everybody had something,
except me.
Q. So what was put on the table, so to speak, from your
hosting these three men and making them some British
tea?
A. We did have a nice tea service which John Holmes, as
a good ex-Guards officer insisted on, but me being
Parachute regiment, everybody got mugs. I joke.
I can't remember, it was either we had mugs or we had
some china of some sort. I really can't remember, but
it was ours and I dispensed it.

Q. In principle, was there a teapot available in the room?
A. I can't remember, but there was, yes.

Q. Can you recall what drinks each man respectively had?
A. No.

Q. Can you remember one way or another whether there were additional drinks from those you had originally provided?
A. Soft drinks or do you mean alcohol?

Q. Any drink at all?
A. No, as far as I remember, no. There was no reason to.

Q. In other words, was it -- anybody getting up to get more coffee, anybody getting up to get more tea, whatever, during the currency of that meeting?
A. I can't remember.

Q. May that have happened?
A. Sorry?

Q. May it have happened?
A. It may, but I can't remember, but again the way it works in hosting is that I wouldn't have allowed a guest to have done that, you know, I would have just, you know, how I operate, I would be the host and I would make the drinks for the guests.

Q. You have given an estimate of the meeting of more than a quarter of an hour but less than an hour.
A. Yes.

Q. So far as you remember, were you -- was there any point where you left the meeting as it went on.

A. Yes, well, in terms of -- I had initially, when I went to get the drinks, I had to go into the kitchen area and make them. I may have gone to the loo simply because I've been drinking all this water all morning. I think I did, actually. But that I probably would have done during the course of that meeting. But I don't recall anybody else leaving the room.

Q. But you believe you did?

A. I think I did.

Q. If only for a lavatory break?

A. Yes, because as I say, I literally was -- I had been spinning around London, it was a particularly warm day, and I was really, really quite dehydrated.

Q. In terms of who sat where and the determination of that issue, do you remember anything about that? I mean, was position A a preferred position for you? What about the others?

A. Starting with Sasha, I wanted him to be involved and I was aware that he had brokered this, and he could be not sensitive, but because of his lack of understanding of how Western -- I didn't want him to feel in any way that he was being moved out, simply because I had
Lugovoy. It's not the way we operated and it's not the way I operate. So I was very -- and that's why I know I put him in that position, because therefore he was in a sense brokering, chairing the two sides, and I was happy for him to do that.

Q. Yes.

A. I obviously wanted to be near Sasha and sat beside him. Just instinctively, I always like that side of the table. No idea, why you take an aisle seat or a window seat in an aircraft, it's a personal choice, but I just like that side, maybe because the light was coming over my left shoulder from the window at the top of the picture.

Q. Yes.

A. Then obviously, out of the two characters, Lugovoy and Kovtun, the one that I was dealing with commercially was Lugovoy, and so I wanted to be opposite him. So he was there. I didn't really, frankly, care what Kovtun did. To me he was -- well, no doubt we'll talk about him, but to me he was not really part of this. The key people were Lugovoy, and I wanted Sasha there so that he was closest to what I presumed was his colleague/friend Lugovoy, and me there as well as the guy that he was introducing Lugovoy to.

Q. To go back to drinks, I'm sorry about this, but you'll
understand the importance in the context of this Inquiry, what then would have been on the table in terms of drinks, sugar, sweeteners, matters of that kind, what was on the table?

A. All of the above. We didn't -- I don't think we had bottled water, but I offered them water from the fountain and they didn't want it. So -- but the usual condiments there. I can't remember whether there were some mints or something, there may well have been, but certainly there would have been sugar, because the Russians again do take a lot of sugar with their tea, so culturally, you know, it has to be there.

Q. What about milk?

A. Milk as well, milk would have been definitely on the table because I like milk so I know I would have had it there. We had a small fridge, I think.

Q. Jug or --

A. Jug.

Q. -- a ghastly container type?

A. No, no, it's a jug. Then, as I say, it was either the china or some Erinys mug or something like that. I don't -- there was no sweets or cakes or anything like that.

Q. As between the three men, can you remember whether there was any engagement one to the other with each other's
drink, in other words here's the milk or here's the
sugar or anything of that kind that you remember, one
being passed to the other?
A. No, I would just be speculating.
Q. Right.
A. I would just be speculating.
Q. Where on the table would the milk, condiments, sugar and
so on have been positioned initially?
A. Essentially, again, because the three critical people
are at the top, it would be equidistant between A, B and
C, around there, and then we would push the sugar down
to Kovtun at D. But essentially it was around and
slightly to the right of me, simply because we all had
our writing materials, so it would be myself here, Sasha
here, Lugovoy there, tea and coffee here, but
slightly -- simply so that we could talk to each other.
Q. Once the men had come in on the bottom right-hand corner
on the door we've seen, where did they put, for example,
these bags of shopping and bits and bobs like that that
you have described?
A. If you look at the bottom photograph, 004, below the
door lever on that white space, below the map, along,
around there.
Q. Yes.
A. Simply because to put it to the right would have sort
of -- it's a small room, it would be -- they would be all stepping over it, trying to get to the top of the table.

Q. I know you've described this, but where did the handshaking take place if you look at the screen?
A. It's essentially -- I can't really show it, but from where this photograph is taken, if you imagine the cameraman there taking a photo, to his left is a shape about the size of this where I'm sitting, there's a sort of -- sort of an area off the door.

Q. So it's out of the office?
A. Yes.

Q. Out of the boardroom, rather?
A. Yes, yes.

Q. Which door did the men use to leave?
A. The same one.

Q. Whilst you were present -- did you leave at the same time?
A. Leave the building? No. I stayed --

Q. Leave the room.
A. When they left?
Q. Yes, when they left.
A. Yes.

Q. To show them out?
A. Yes.
Q. Right. Whilst you were in that boardroom for that meeting, did you see any of the men go into the -- as we look at the plan, the bottom left-hand corner?

A. No.

Q. Or to your side of the table?

A. No.

Q. Is that something that didn't happen, can be excluded, or what?

A. No, because they didn't go to the loo and I -- if there was any refill of, you know, coffee, tea, I would do it. So the only time they went by the bottom left side was when either they entered the room or exited it. The fire door you can see is John Holmes' office, so they certainly wouldn't have --

Q. Can we stick to the plan? Sorry to be difficult. On the plan, they would have come in on which side? The left-hand bottom corner or the right-hand bottom corner?

A. Bottom right-hand.

Q. Bottom right-hand corner, there?

A. Yes, they came through --

Q. And exited?

A. The same place.

Q. The same place. So I'm just going to go back to this question again. If we go to the bottom left-hand corner, if that could be highlighted with an arrow
again, was there any point at which you saw any of these men go into that left-hand quarter of the room?

A. No, and there's no reason to, and that was John Holmes' office and that was always shut, and he was very good and that was his background, military, the door was always shut.

Q. Could we then go back to INQ17923, please and 24. Could you highlight now that and juxtapose it with the plan as we did before, that image, please. If you can orientate it the same, thank you very much.

We've got the orientation right, have we, Mr Reilly?

A. Well, the orientation is right except that chair, that carver, is -- may well have been there, but there was another one at the north end.

Q. As a couple of images, the rooms are orientated in the same way, the correct way, window at the top?

A. Yes.

Q. Map of the world as it happens at the bottom?

A. Yes.

Q. The individual seats, the carver seats and so on, have moved.

A. Yes.

Q. But put that to one side. Were you aware that contamination was found within this boardroom on examination by the police?
A. Yes, I was.

Q. Pausing there, has it ever been explained to you precisely where that contamination was found within the boardroom?

A. I think the description from the weapons people was -- it was an oak table covered with a baize cloth, reminiscent of a snooker table is the best way I can describe it, and the texture, and I think the word they used was "heaving" with contamination.

Q. More specifically, have you had any more specific description of the relative levels of contamination found on the table, first of all? Have you ever had explained to you --

A. The numbers?

Q. -- which area was higher than the other and so on?

A. No.

Q. Have you ever seen this image before?

A. This image, particular image?

Q. Yes.

A. No.

Q. All right. To your knowledge, would the green cloth, the snooker table-type fabric, would there have been any reason for that cloth to have been moved between the date of your meeting and the date of police examination?

A. No. John Holmes was always pretty insistent on that, he
didn't want that table scratched, we always used to tease him about it, but he was very insistent that as it was not a dining room table, it was for commercial use, that he would have that baize -- that he would have that cloth on top of it, at all times. There was no reason to remove it.

Q. Were there any other items of desk furniture that would be on that table, typically, or habitually or always that you remember, I mean by which telephones, conference call machines, things of that kind?

A. I think we might have pulled a telephone over there on occasion, but not for the Litvinenko meeting.

Q. Ordinarily would there be anything -- this is getting down to --

A. Left on to it permanently?

Q. Yes.

A. No, no.

Q. All right. Thank you. You've given your account of where people were sitting, where they moved, what they did, without any knowledge whatsoever of relative readings of contamination in the room. Correct?

A. Yes.

Q. Thank you, that can come off now. Can we turn, then, to the subject matter of the meeting itself, what was discussed, what wasn't.
What was the subject matter of this meeting, once it had got started and jokes about Brits and tea had been got through?

A. It was really -- and I can't remember the detail, but it was really confirmation, as far as I was concerned, that Lugovoy had gone back to Moscow, he had talked to Gazprom and that this was at least a serious proposition in terms of getting an audience, very, very, very far from getting a contract, but at least we were talking to people which, to talk to a company like Gazprom in itself is very, very difficult, especially on a subject matter like this, with regard to security.

Q. Who led the conversation?

A. Well, a mixture of Lugovoy and myself. And, as I say, Sasha was there, you know, he wasn't particularly -- he's not -- he wasn't an oil and gas and that type of commercial security background, he obviously knew -- you know, in terms of what he did in his government days, so the meeting was really about Gazprom, who I should meet, when it would be possible for me to visit, et cetera, between Lugovoy and myself. Kovaltun said nothing.

Q. What name were you using for Mr Litvinenko by 16 October?

A. In terms of meetings?
Q. Yes.
A. I would call him "Sasha" which is the diminutive of Alexander in Russian.

Q. What part did Mr Kovtun play in the discussion?
A. None, ever.

Q. Did you question either to yourself or to others the purpose of his attendance?
A. Kovtun?
Q. Yes.

A. No, but experience told me, and as I say, I'd worked in this KGB/FSB community for long enough, and as I said, the Russians take the psychology of work like this very, very seriously, possibly more than we do, in that my view was that he was a guy who was just watching me, and Yuri Shvets later told me that's true, and I knew that from my own Russian friends and colleagues back in Russia, that one guy does the talking and the other guy is trained to look at you, body language, they literally make an assessment of your psychological profile of you and they're trained to do that. They watch everything, your movements, your body language, as I say your vocabulary, your use of language, and they'll make a report on you.

So I didn't know if he was that, but it fitted the bill and I'd been looked at like that before in my
career, and it doesn't really bother me, I had nothing to hide and, you know, I was in my own country, so I wasn't particularly impressed with the guy, I didn't think much of him, but I assume that's what he was doing, but as I say, it didn't bother me particularly, because --

Q. How was he dressed?
A. Reasonably. Jacket and tie, you know. Fairly indistinguishable looking. Not scruffy, not immaculate, and nothing like Lugovoy who was always very, very particular about his dress.

Q. And Mr Litvinenko's dress for this business meeting?
A. Yes, he always was, yes, he would be in a new shiny suit and --

Q. Mr Litvinenko?
A. No, Sasha? No, Sasha would turn up in whatever he was in, often a jacket or a shirt or whatever. He -- he would often come with a jacket on and he had a bag, a nice bag that he had, that he used to -- I think a shoulder bag, that would be it.

Q. It's Mr Lugovoy in the shiny suit?
A. Correct, yes.

Q. You've described a couple of times the underlying purpose of this meeting, of a possible security contract with Gazprom to get things going in Russia. What was
the practical outcome in terms of your discussion from this? Who was going to do what in other words?

A. I think it was just a prolongation, really, of, as I say, a firm -- I was beginning to think this guy is serious, he had talked to people, there was invitation to Moscow, he named people that I would see; and from my point of view, the next step would have been to talk to John Holmes about this and say: look, we've got a serious, you know, opportunity here, at least to talk to people, but very much -- and this is what I was doing all the time with Sasha, and then with Lugovoy, was to manage their expectations. They jumped, you know, we had immediately got a contract. So in other words it was prolongation and confirmation that there may be an opportunity here to meet somebody in the security world at Gazprom in Moscow.

Q. Mr Lugovoy plainly was trying to promote the possibility of Erinys, possibly an unknown quantity, with Gazprom.

A. Sure.

Q. Getting work. So what was he asking of you and what was expected in return?

A. What he really wanted, and as I say I've been in that area quite a while, he clearly wanted -- he was probably thinking to himself that he could form a joint venture with Erinys in Russia and provide jointly, we could
provide a service to Gazprom, and no doubt that was a side conversation he was having, or hoped to have, with Gazprom. But they wouldn't have that conversation until Gazprom was happy with Erinys, or else he would lose his credibility. So --

Q. It may be obvious, but what was the benefit of a joint venture as distinct from a one-off consultancy fee or --

A. Obviously, that's how he inserted himself in to essentially supplying security for Gazprom, and not a ridiculous idea, and that's exactly what DSL did with the Alpha group in the early 1990s, and frankly, from Gazprom's point of view, as long as the guy was okay, that would give them reassurance in that they weren't completely exposed by giving their security to a foreign company.

Q. If I can distil it, he is seeking information on Erinys to introduce to Gazprom, and what was he asking of you in order to do that at this meeting?

A. As I say, he wasn't really seeking that much information of Erinys, which is what he should have been doing. It was more a case of he was happy for me to pose questions about Gazprom. What he wanted out of it, I would think at first was an introduction fee, and then a success fee if we actually formed a venture, and unsaid, but my experience over 10, 15 years at that time would be that
then he would probably -- you would suddenly find that Gazprom introduced him, if it was going well with Erinys, Gazprom at some stage would say: here's Mr Lugovoy, and we thought you might want to form a joint venture with him; which was more an instruction than an idea, if you understood where they were coming from.

Q. Was the subject of money mentioned in terms of --

A. No.

Q. Can you look at your initial statement again, Mr Reilly? It's a lot to remember, this, I appreciate that.

INQ002981, it's your first statement. Sorry, your second statement, 8 December 2006, but more directly

2981.

Could you highlight, please, from the fourth line "in my mind" down to the end of the paragraph.

This was your account nearer the time, Mr Reilly.

A. Yes.

Q. So others can follow the record:

"In my mind, Lugovoy and Erinys would approach Gazprom as a team and if we got a contract Lugovoy would deal with the Russian side, Erinys with the Western side. My ultimate goal would be to be a sort of international security manager offering various types of security and consultancy. In my notes, I have an entry
dated 16 October 2006 under the heading Gazprom. From these notes, I recall that Dmitri [and that's Mr Kovtun] was referred to as the Global Project director. Lugovoy wanted me to provide a list of questions for Gazprom presentation on Erinys, what sort of commercial contract we required, et cetera. Lugovoy said he needed a month to conduct his enquiries. We discussed writing a letter explaining all the points for delivery to the main person at Gazprom ... He would receive payment for an introduction with payment upfront. Payment to him would have been in the region of USD 50,000 which I considered quite big money. These amounts would not be unusual. A deal with Gazprom just to review their security might net a substantial value, maybe GBP 5-10 million."

So pausing there, by reference to that, which plainly is eight or nine years ago you gave that statement, so I'm asking a lot of you to remember this, does that appear to be an accurate reflection of the meeting in your own words or --

A. No, I think --

Q. -- do you wish to qualify it?

A. Qualify it, but I think it's accurate, it's more or less accurate, the facts are accurate, but the reason, for example, "sort of international security manager offering various types of security", to Gazprom, not to
Lugovoy; and the idea that to get a contract, Lugovoy would deal with the Russian side, that's often because some of the -- if you are 100 per cent company, say a British company operating there, and there's any sort of problems, then it's 100 per cent your problem.

The whole purpose of having a joint venture partner is you say: that's a Russian problem, you go deal with it; and I'm not suggesting here corruption or anything like that, I'm just literally saying legality, a punch-up, culturally, they don't understand why we do something this way, which is the Russian way. So that was the appeal in that sentence, or what I'm getting at, is if you're dealing with somebody like Gazprom, number one, they will want to talk to their own, when there are problems like that; and number two, from our point of view, if you were to go in, and I learnt this from hard experience, and suggest that you're going to provide security to Gazprom and a company dominated by ex-FSB, they're going to go "right", but they know they need the commercial experience and they know they need that service in terms of Western investment, banking and insurance and all the rest of it.

So the middle point is, okay, but the secret stuff will be done by the Russian side of the joint venture, and that's how we worked in DSL and most
international -- Western international security
complemies who work in that part of the world and indeed
in other difficult parts of the world, that's often the
way you do it, so that they understand that you're not
going to be starting to look at what they're doing, if
there's anything that, you know, they have a chairman's
visit going somewhere or something that they want to
keep secure, then the Russian side of the joint venture
will do that.

So that's the sort of mentality of where I saw
Lugovoy. Again, these --
Q. To some extent you're describing a Venn diagram with
Russian and Western sides?
A. Yes, and again, this was the educative purpose of saying
this is how it works. Sasha was saying: why do that, we
could all -- Erinys should have the whole thing itself,
why do we need KGB in here, you know, this is
a democracy now, and Putin is going to have to like it
and let's, you know, it would be great to have a Western
security company providing a service to Gazprom; and
I was saying: actually, in the real world, there's no
way we'll ever even be looked at if we approach it in
that manner.
Q. What this statement appears to be saying on two concrete
points, really, firstly Lugovoy appears here, the

115
agreement appeared to be that he wanted a list of
questions for Gazprom presentation on Erinys.
A. Yes.
Q. So that's a practical point.
A. Which we gave him in terms of company brochures and
    things like that, due diligence in that sense.
Q. He was going to produce a letter in Russian for Gazprom.
A. Yes.
Q. And USD 50,000 "for an introduction with payment
    upfront".
A. Yes.
Q. What did that mean? Was that GBP 50,000 for the letter
    of introduction or --
A. Plus the introduction, yes, exactly. But he didn't get
    that, he didn't get anything.
Q. So had he in fact introduced you to, as it's put in your
    statement, the main man in Gazprom, had that happened,
    that contingency, he would have expected to receive
    USD 50,000?
A. Well, that's what he at that stage -- but this is the
    reporting of the meeting, so what John Holmes and
    I discussed and the board discussed is entirely
    a different matter. But obviously he would be
    compensated for his introduction and any work he did.
Q. Was there any discussion at the meeting or otherwise as
to what Mr Litvinenko could expect to receive for the introduction to Mr Lugovoy --

A. No, because I considered that very separate business. You know, he was the Western side making the introduction, and, you know, I didn't want to discuss Sasha's compensation in front of other people.

Q. Your statement goes on to say there was some discussion of a possible joint venture, all part of a theme, I suppose?

A. Which, as I say, (a) I thought from the commercial point of view we'd have to do that, and secondly, the sort of guy Lugovoy was, I knew he would want a bigger piece of the pie, and the question then was, you know, what role we would potentially give him in a commercial security context that, you know, that he could do, that wouldn't sort of screw the contract up.

Q. Is the evidence we've covered a fair summary of the, if you will forgive the expression, state of play at the end of that meeting as the men left? Mr Lugovoy asking for a month to put together this material to make the introduction?

A. Yes.

Q. And so on and so forth?

A. Yes.

Q. And in fact that never resulted in happening as events
overtook you?

A. (Witness nods)

Q. When did you last see Mr Litvinenko?

A. Probably at that meeting.

Q. Where did you see him?

A. At that -- in that office, in that conference room.

Q. Can I just ensure that's right. It might be, but your first statement, INQ002978.

Could you highlight the penultimate paragraph, please.

Picking up in the middle of the page --

A. Yes, 26th.

Q. Yes:

"I last saw Sasha within our offices late October. I think he had been to see Dean."

So that doesn't sound like the same meeting, does it?

A. No, that will be right, because that's the sort of contemporaneous, you know, recollection, and after eight years, that will be right.

Q. I'll read on:

"As he was in my office for about 20 minutes, we discussed Gazprom and he mentioned that Lugovoy was due to visit the UK mid-to-late November 2006 and that he wanted to continue our discussions. The date and time
of the meeting depended on Lugovoy's arrival time in the
UK. Sasha intended to be at the meeting. I do not know
where he went after the meeting but he was in good
spirits.

"A few days later I received a ... call from Lugovoy
on my mobile. He told me Sasha was ill and not able to
make the meeting. He did not say what Sasha was ill
with. However, I had heard from Dean that Sasha was
ill."

Then:

"We decided to convene the meeting anyway ... It
took place in the conference room with only the two of
us present."

By reference to that, does that help with whether
this was the last time you saw him or not on the 16th?

A. That will be accurate. What will have been probably the
delay, especially back then, is in August, a lot of
Russia just closes down, it's rather like Paris
in August, everybody goes home, so there's no business
done, so the timings of this would make sense, that he
grew back with that brief to discuss with Gazprom and
Gazprom and everybody else was on holiday, so coming
back around this time, a little late, but it would make
sense, and how long these things take as well.

Q. Had you suffered an illness in late October, Mr Reilly?
If so, when, and what was the nature of it?

A. Sorry, I can't remember the actual date, but it was in October, and it was around the time of these meetings, and, yes, I was very ill. I went home, my wife was taking my daughter up to Scotland or something, and unusually for me I had to go to bed about -- I got home about 7.30 and I went straight to bed, and I had horrendous migraine-type symptoms, but they were worse than anything I have every had, because I do get migraines and so does my wife and I know exactly what they are, and I threw up and I just felt dreadful. My wife was a doctor so I just rang her up and discussed the day and said I'd had a meeting and I felt dreadful, and she asked me about the symptoms and told me to do whatever I did, but I was so bad I didn't go to work the next day, which is unusual, because I --

Q. Can I help with you the date? INQ002982. Second paragraph. This is your recollection in December of 2006.

A. Yes.

Q. You've described the symptomatology and what you did with it, but the 17th to the 22nd, half term?

A. That's right.

Q. "On the night of 26 October I was quite ill", and so on and so forth. Does that help with the date?
A. Yes, and the date is accurate, because I have a mother-in-law that has a thing about dates and everything is in a diary, so when this came up and I looked at my evidence, I think about six months or a year ago, I went to my mother-in-law and she has it chapter and verse in her diary. My wife was a doctor as well, so it was very clear in my mind and she thought it was unusual, my wife, because she knows my symptoms, she gets migraines, or did get migraines as well, so it was all very -- it all coalesced in my mind very clearly how ill I was, I've never had an illness like it before and I've never had one since.

Q. Where had you been on the day of 26 October?

A. I'd been in the office.

Q. Subsequent to the meeting on the 16th but before the 26th, had you seen Mr Lugovoy again?

A. I can't remember. I really can't remember.

Q. Or Mr Kovtun?

A. I can't remember.

Q. Had you met them, so far as you remember, on 25 or 26 October?

A. Around that time, I think I did and I've talked to the police about this. Unfortunately I don't think there was anything in the diary, but I think I did.

Q. Where would that have happened?
A. Only in Erinys. And my recollection, which is not in
the witness statement, but -- and because I couldn't
substantiate it, it hasn't gone in, but a very clear
recollection was that some time between the 16th and
that date of my illness, there was another meeting, but
three people this time, and there was Lugovoy and there
was Kovtun and a third person I was not introduced to,
but from the police point of view, because I couldn't
substantiate that, but there was a third person, I know
there was a third person.

Q. There's no diary entry?

A. No.

Q. You can't be more specific even as to the end of the --
ends of spectrum between the 16th and the 26th?

A. No, I can't.

Q. So it could have been at the 25th/26th end?

A. Yes, it certainly could, but similarly it could be the
17th, it's too long ago.

Q. In terms of your further engagement with Mr Lugovoy in
particular, did you have any further engagement with
Mr Kovtun?

A. I don't think so. In one sense, I never had any
engagement with him, he never said a word and I never
said anything either.

Q. We've just been to the passage in your November
statement where you said that there were reports from Mr Lugovoy that Sasha was ill and not able to make the meeting.

A. Yes.

Q. You'd heard from Dean Attew that Sasha was ill but you had the meeting anyway.

A. Yes.

Q. Who was present at the meeting and what was discussed?

A. Lugovoy was present and myself, and we discussed obviously the contract, and he rang before to say that Sasha wouldn't be joining us. His tone was -- it did seem slightly perplexed, he said "apparently he's ill", he was using words like that, not "he is ill", I remember the language he used, "apparently he's ill", ie reported. And he said: but I'd still like to meet you; and at that stage things were progressing, I didn't know the nature of the illness of Sasha, I thought whatever, so I said yes, sure, we'll meet. So again it wasn't -- he seemed -- he called me and then, as I say, I think I must have said something to Dean and Dean said: yes, you know, Sasha is ill; but again I don't know if he knew -- I don't know if Dean knew at that stage the nature of the illness other than Sasha was ill that day.

Q. Did you speak to Mr Litvinenko again once he had become
ill?

A. No. Dean and I were going to visit him in the hospital on two occasions, and both times meetings came up for me so I never did. Dean managed to go and see him in the hospital, I think a couple of times, but I had intended to, but on both occasions a meeting had come up, and at that stage it wasn't really clear how critical the illness was, so I had assumed that I would see him when he recovered or go and see him later.

Q. So we get this illness in context, it was being reported to you by Mr Lugovoy that Mr Litvinenko was ill?

A. He just said "ill", yes.

Q. You didn't speak to Mr Litvinenko directly again yourself, but was it carrying on from that illness that he was in hospital and you may have visited?

A. Yes.

Q. When did you become aware, Mr Reilly, of just how grave the situation was for Mr Litvinenko?

A. Well, it was a combination of press, police visiting and Dean, you know, said something's not right here, this is not -- I don't -- well, if I recall, I don't think the medical profession knew what was wrong with him for quite a while, they were treating him as best they could until they understood what the agent was. So it was a combination of the public, Dean and then visits, and
I can't remember the order of this, but visits then from anti-terrorist police.

Q. What was your reaction when his death was linked to, as it was in press reports, thallium poisoning? Did you see the press reports and the now somewhat iconic photographs from hospital and so on?

A. Yes, I did at the time. I was pretty stunned because -- and it's all speculation, but to me, the nature of that weapon, it's a state asset and it seemed to be clumsy if they had a problem with somebody or decided to kill somebody, whoever "they" are, then you thought there would have been easier ways to do it. So from my background and my understanding of Russia and my time there, my conclusion from that weapon was that it was a signal on behalf of somebody, not necessarily just for poor Sasha and his family, but to a wider Russian community abroad. That was my conclusion, but I had no facts, but that's just my understanding of how Russia is and having worked with similar organisations in that part of the world, Russian organisations.

Q. You regarded --

A. I was stunned.

Q. You regarded the use of, as then reported, thallium as the use of a state asset from your knowledge of Russia?

A. No, no, when it became polonium, not of thallium.
I didn't know what it was.

Q. When it became polonium, you're not claiming expertise --

A. No.

Q. -- but your characterisation of that was it was a state asset sending a message?

A. It certainly would be in the West, and as a limited experience, I had been to Porton Down as an army officer and knew about biological, chemical weapons in a very broad sense, but I'm no chemist, but I clearly knew that this was not the sort of thing that you can buy at Boots.

Q. Can you put up INQ002979, please. I want to get your comment on a specific comment you made. Can we have "the first I knew" down to "his opposition to the Russian state", just have that highlighted. Thank you:

"The first I knew that Sasha was seriously ill was a report in the press and a picture of him in a hospital bed. I was not shocked when I heard he had been poisoned by thallium and subsequently died because of the number of people who had been killed and because of who he was and his opposition to the Russian state. I am extremely saddened by his death ..."

A. Sorry, I was not shocked in other words by -- what I'm saying is I was shocked that he was killed by such
a weapon, but the fact it was thallium, I thought, well, you know, my wife was a doctor, consultant, she said that would be one way you could kill people very effectively. We sort of discussed it at the breakfast table, that sort of thing, so I wasn't shocked by thallium per se, but I was shocked that that sort of agent had been used, as opposed to a bullet or a knife or a bomb or something.

Q. I'm just going to, if I may, finish with this, two points before the break. You were aware that in October 2006 a journalist called Anna Politkovskaya was murdered. Did you discuss that with Mr Litvinenko?

A. Yes, I did, and again he was as equally enraged by that and -- frustrated was the word I would use, as he was by the sort of, you know, excitement of getting his British passport. He was, you know, quite up and down in that sense, but he was saddened by her, and he was angry and generally with Sasha, at all this time, what I meant before about retrospective looking back, he was frustrated that the West in his view did not really understand how that country was run or was being run at that time, and she was an example of it and he had a lot of respect for this woman. I think he had met her on a number of occasions.

Q. Did you ask him as to his own vulnerability in the
context of that?

A. I think we'd had generally that talk, and, you know, there was a shrug of the shoulders along with every other oligarch, not that he was one, but along with the people that he knew, and people overseas, and seen to have betrayed the FSB, certainly in Russian or Kremlin eyes, maybe not in Russian eyes, but in Kremlin eyes; then he was an intelligent man, he must have had an inkling that he was vulnerable, maybe not being murdered, but vulnerable in terms of, you know, people blackmail him or try and besmirch his reputation or probably get involved in Erinys and try to expose a report he did. Something like that. Whether he felt he would be murdered, I really don't know, but he knew the risks he was running.

Q. Did you discuss Mr Litvinenko's death with Mr Lugovoy?

A. Strangely enough, after this had all taken place, Mr Lugovoy called me from the British embassy in Moscow essentially saying: I had nothing to do with this and by the way, Tim, could we use your name Erinys for verification of getting a visa or something through the British embassy in Moscow. So very short conversation, less than a minute. And he was rushing it, but he was trying to convince me that he had nothing to do with it and in a sense the full intent of what had happened,
that there had been this murder, was then -- I was sort
of saying, well, let's talk about it and whatever, but
that was the only time. I think he might have once
subsequently to that, but maybe in the evidence, but
I've forgotten, he might have once been in touch
subsequently.

Q. I'll come back to that after lunch, Mr Reilly, very
shortly.

A. Certainly he was -- he was certainly phoning from the
British embassy.

Q. How long after Mr Litvinenko's death was it that you
received this call from the Russian embassy?

A. Pretty quick. From my recollection -- it may be in the
evidence, but from my recollection it was within days.

Q. Within days?

A. Yes, and I'm sure the records will be -- telephone
records will ...

Q. All right. You gave a statement -- we've covered it
a number of times, back to INQ002979. Could we have the
last three lines of this up, please. The 29 November
statement. This is what you put there:

"I have had a conversation with Lugovoy since
Sasha's death. He seemed genuinely upset."

A. Yes.

Q. "I understand he is due to visit the UK towards the end
A. Yes.

Q. What conversation was that? How was it?

A. Well, as I described, he called me up and it was as if he was anticipating the sort of international storm, so in other words he was saying: I was not involved in this, Tim, as you know, and I don't know why I'm being involved in it, but I like Sasha and I'm as shocked as you are; and then he talked about this aspect of if Erinys could help sponsor him for a visa out of the British embassy in Moscow, British embassy in Moscow.

Q. So he -- expressing his reaction to Mr Litvinenko's death on the one hand?

A. Yes.

Q. But then proceeded to commercial matters on the other?

A. Correct.

Q. Final question before we break. It's gone into the transcript that you were describing, a beige, as in colour beige, table top, and you probably said something else.

A. Green.

Q. Green. You said baize.

A. Sorry, it is green. It's a billiard --

Q. It always has been green?

A. Yes, it's a billiard table colour.
MR DAVIES: Sir, that's a convenient moment.

THE CHAIRMAN: Very well. 2.05.

(1.06 pm)

(The short adjournment)

(2.05 pm)

MR DAVIES: Mr Reilly, just a couple of loose ends to clear up, please. In terms of the meeting on the 16th, I've located what appears to be the page from your diary that relates to the 16th, INQ016466. Does that appear to be your diary first of all and the entry relating to 16 October, second of all?

A. Yes.

Q. When would this note have been made?

A. Well, probably -- probably on the 16th.

Q. Can you interpret it for us, please? Top line?

A. Yes Gazprom, (B), that's obviously -- I'm trying to think initials, but "TR" is me, "Andrei", Lugovoy, "Dmitri", Kovtun.

Q. Pausing there, could it be a 3 rather than a B?

A. Sorry, yes, it is, it's my eyesight. It's obviously Tim Reilly, Andrei Lugovoy and Dmitri Kovtun and it's 16 October.

Q. What would the "3" represent?

A. Three people.

Q. "Global Project Dmitri"?
A. If I remember in the witness statement, that's what he was trying to call himself, Global Project director or manager or something like this.

Q. If we just look at a couple of other documents, we'll come back to the diary entry, but on the point of what he was saying he did, INQ006232.

It's probably the case you haven't seen this before. These were documents associated with his visa and entry into the United Kingdom.

A. Lugovoy?

Q. Mr Kovtun.

A. Kovtun, okay.

Q. I asked you earlier whether you'd heard of Continental Petroleum Limited?

A. No, I can't recall it. Certainly to my recollection I've never dealt with them.

Q. I'll just read into the record, so it's clear, 3 October 2006, it's from the chairman of the board of Continental Petroleum:

"Dear sirs, ... we kindly request you to grant an entry visa to the United Kingdom to Mr Dmitri Kovtun, general director of Global Project Limited, Moscow",

date of birth and so on.

"The company Global Project Limited was founded in year 2003 and Mr Dmitri Kovtun has been general director
of the company since 5 December 2003. The company provides consulting services in development of the Russian oil and gas markets."

Approximate dates required are given, 11 October 2006 to 16 October 2006.

"Continental Petroleum will be responsible for all travelling expenses including accommodation and the medical insurance ... during his stay ...

Just one more document, please, and I'll ask you some questions. INQ006234. You'll be able to help us with this, I suspect. It's in Russian. Are you able to read that in English to us?

A. Kovtun Dmitri Vladimir works in the area of organisation global -- it's basically saying the same as the English one, that.

Q. What's the reference to 65,000?

A. Earning around about RUR 65,000.

Q. Per?

A. That's it, certainly. Monthly, half monthly, an income, accumulating at about RUR 65,000.

Q. Don't guess, but --

A. No idea, I know what you're going to ask.

Q. -- in 2006 --

A. No idea.

Q. No? We can find that out through other formal sources.
Going back to 006232, from what you saw of Mr Kovtun, would you get the impression of somebody who was proactively working as a general director of a company as described here?

A. No, and that's the first I've seen of it. I'd no idea about that. I certainly can't -- I've no recollection of it. It may have been brought up at the time, but I have no recollection of it.

Q. Was anything discussed at the meeting in terms of Global Project Limited's capacity to contribute to this potential incursion into the Russian market?

A. No, I don't think there was, but I can certainly immediately see that that would have been a vehicle that they would probably like to have used, if they'd gone further with Gazprom.

Q. Right. Bearing in mind he's described there as general director of consulting services in Russian oil and gas markets, and your evidence that he was a presence but not an audible one at these meetings, what's your assessment of those competing sets of facts?

A. Well, it's speculation, but in terms of experience, he had no oil and gas background, so what on earth is anybody appointing somebody as general director of an oil and gas company with no oil and gas background, but bearing in mind who he was and what he was, and at that
period of Russian development, it's more a case of
Buggins' turn, people were appointed into positions like
that on behalf of other more powerful people, given by
their standards, the appointee, a very good salary and
told to sign everything.
Q. But who was doing the appointing and on whose behalf?
A. As I say I've no idea, but I've come across this sort of
thing quite a lot in Russia, that a fairly lowly
operative who was ex-KGB from above would be told
suddenly that you are running an oil company, you're
paid a very generous salary, but you obviously sign
everything in that capacity, and all the stamps around
it.

So it kept people employed, again, within the KGB
circle, it kept everything in the family, and there was
a lot of appointments like that, and a lot of companies,
and any business person you talked to working in the
1990s, early 2000s will recognise that sort of thing.

And again it was always an amber light to anybody
from the West because you knew straightaway that (a)
this was not a serious person and (b) this was not the
company that you were dealing with, there was somebody
else pulling the strings.

So that's speculation, I've no facts, but reading
that now, that's the first thing that I would assume.
Q. All right. Did he contribute anything to any of the meetings that would dissuade from you that starting point?

A. No. I can't ever remember him saying anything to me, and, as I say, I knew I was watching me, he just -- whether he was there to intimidate me or try to intimidate me, it certainly didn't work, because I sort of knew the background of what some of these people were doing, and whether he was one of that type who was trained to do this, but I assumed he was, but as I had nothing to hide and I had at this stage no reason to understand -- to feel there was anything untoward happening around me, other than was normal, Russian, how to do business in Russia, then, no, he didn't contribute.

Q. Right, back to INQ016466, please, diary page, can you read it to us?

A. Yes, "Global Project Dmitri", so now I know in the context, perhaps it was discussed, this company.

"What we need list. Presentation of our company. What type of contract we need. One month research [to do this, I assume] ..."

Our reply:

"How do we do it?"

There are two variants:
"(1) working letter -- organisation."

And:

"Pay 50" which I assume is the cost, and above that is "cost upfront".

Q. 50 what?

A. I don't know, but I would assume, previous discussions we've had, that may equate to the 50,000 upfront for the services.

Q. Yes.

A. Or secondly:

"Work after this with us possibly in a joint venture."

Which is -- actually does make sense from what I've said before, because that's the second option, is what we would prefer to do, in other words once something was concrete with Gazprom, then we were happy to look at how they may be involved or not, and then a letter:

"American appraisal."

I don't know what that's, USD 70 million.

Q. USD 70 million?

A. And Voronezh. I can't remember, it's a district in -- town in Russia, I'm just trying to think what the context of it is, I just don't know. And then there's a figure there, again, I forget, between 5 and 10 per cent."
Q. Of what?
A. I don't know.
Q. Right.
A. Then there seems to be a Russian name there, Schiskarov. I don't know who that was. Yevgeny, and I can't see -- I can't see my writing then, and then underneath it looks like the Duma.
Q. Russian state Parliament?
A. Yes.
Q. Why would that have come up?
A. I don't know. Legislators there of -- a lot of people dived into the Duma to avoid prosecution, including Lugovoy at the time, so it was a well known route out of trouble in Russia then, became a member of the Duma and you were immune to prosecution, certainly within Russia, so it may have been -- I just don't know, I can't remember, and then "N", I don't know what that stands for, "/RTP", that's a P in Russian, that "RTP", it's the letter P in English, so it stands for something, but I've forgotten what it was. And that looks like Ivestya Bank, which is a well-known Russian bank, and that might have been, understanding the way that the payments were going to go or how we were going to structure -- I think it was probably the very basic idea of who was going to be involved in the structure of
this. Maybe there was Duma involvement that we needed legislation or something or some influence at that level. "N/RTF", I don't know, a Russian would probably tell you what that is. And "Ivestya Bank" may have been the vehicle -- the bank that we would conduct the business through.

Q. All right.

A. Then at the bottom is:

"Looking for partner."

And:

"List of oil companies for sale."

Which may link in with the letter that Sasha sent me about potential businesses that, you know, were looking for partners in Russia in the oil and gas industry.

Q. Does anything from this note cause you to revise or qualify your evidence given previously as to the meeting?

A. No, other than clearly Global Project, Dmitri was Kovtun, so clearly that must have come up, but it was either so insignificant or I dismissed it because I didn't want to deal with it, that it never went any further, but, you know, it's too coincidental that Global Project, as I've just been shown now, was the name of the company sponsoring the visa, or the company he was working for, that was looking for a visa --
a British -- an entry visa to the UK.

So -- but it was -- but certainly as things progressed, I had no intention of dealing with that organisation. I knew that Lugovoy had his own security company. He is one of these guys that had five or six business cards and one of them was security, so I assumed that would be at a further time something that John Holmes and I would have to discuss about whether he was going to get involved or not.

Q. I see.

A. But other than that, no, it's just more detail than I remember from eight years ago, that's all. I wouldn't say it surprises me, but it hits me that, you know, there was quite a bit, we were progressing this quite well. From that point of view, it's a shame that we never got any further with Gazprom, but for obvious reasons.

Q. Thank you. That can come down. Just to detail, then, about the testing.

The testing at your premises took place, as we know -- you may not know -- 25 November 2006. I think the police asked you to establish your whereabouts on that date.

A. Yes.

Q. And where do you believe -- were you present when that
testing started or for any part of the testing?

A. I think we were, but it was -- I think they may have segregated the building out and they may have started in Titon before us, and, as we had just a door between the two. I really can't remember but certainly I was, you know, in the UK, I was at work at that time, and --

Q. Can I just ask you to reflect on that evidence.

INQ018675.

A. This is testing subsequent to the ...?

Q. This is testing on 25 November.

You dealt with this on 18 June 2013.

A. Yes.

Q. The point being whether you were present when -- those conducting the tests or you directed them in any way?

A. Oh, we certainly didn't direct them, no. There was no question that -- I don't -- in fact, on reflection, I think I got a call from John Holmes, Erinys, saying we couldn't go back in the building.

Q. Just look at the last four lines of this:

"Detective Constable Nathan ... asked you..."

A. Yes, that's right, I was out of the country.

Q. You were out of the country in any event?

A. That's right, and John Holmes said -- because I said: can I go back to the office and get my things; and they said: no, the world has changed.
Q. A further contact or potential contact with Mr Lugovoy as the penultimate topic. Did you receive any further communication from Mr Lugovoy beyond the conversation you've described where he was --

A. As far as -- I think I told the police this. As far as I know, there may be one occasion when I got a call on my mobile, recognised the number and didn't answer, and I'm pretty sure I rang the police at the time and talked to the officer in charge and reported that.

Q. What about a text message?

A. Yes, yes, there was a text, yes.

Q. Can you describe the circumstances of the text message?

A. I really can't remember it, but, yes, there was a text message. It was -- I think the context was commercial, it was nothing to do with Sasha.

Q. I'm going to prompt your memory here. INQ016266. The final paragraph, please. You've related -- this is 17 July 2007, your statement. You've related earlier that you had a contact from Russia called Oleg who you believe was Serbian, business acquaintance, initially a broker from your time at Kroll.

A. Yes.

Q. You believed he was running his own security company.

A. Yes.

Q. The context then goes on, just refresh your memory from
On 19 April 2007 you received a text message from Oleg.

A. Yes, not Lugovoy.

Q. No. Carrying on to the Lugovoy connection over the page.

A. Yes, that's right.

Q. Just to put it into the record:

"Oleg told me he had an acquaintance in Russia who was seeking to contact me about business. He did not tell me who the person was but stated that some people from Lukoil, the huge Russian oil company, may have a business opportunity for me. I asked Oleg to send me the email again covering what the potential business was about. It was clear that Oleg was just the middle man."

If we go over the page:

"I phoned Oleg. It transpired that he had sent an email to me ..."

Sorry:

"On 25 April 2007 I received a further text message from Oleg at [11.19] with the following message, 'Hello Tim, cell of Andrei Loginov in Moscow [with a number ending 359] or mobile (plus) ... 359. He knows about you well'. I believe that Loginov is actually Lugovoy."

And:
"On 28 April 2007 I received an email from Oleg at 17.02 GMT ... The email said, 'Okay Tim, I am forwarding this email to Andrei and he will reply to you soon. I hope it will be resulted by good job.' This is the last contact I had from Oleg."

A. Yes.

Q. First of all, that seems to be quite an accurate record of a series of text messages?

A. Yes.

Q. What source was that and had you retained them on your phone, for example, 17 July?

A. I probably had. There would be no reason why I would have deleted them, so -- Oleg wasn't Russian, if I remember, he was Trans-Dniestr, somewhere of that type, Serbia, Croatia, somewhere like that, somewhere around the -- well, more the Balkans area. And he was an intermediary and a very small player, but again he knew somebody in Lukoil, and I think that resulted in a visit by John Holmes, and I actually very nearly went ahead. Another Gazprom effort but with Lukoil, more upfront, a team of business developers, security people, wined and dined, far more sort of professional, which was not unusual in that at that time, Lukoil was the most Western-orientated oil and gas company in Russia and was getting Western listed and the City loved them
and they made all the right noises and they were very Western, westernised.

Q. For our purposes, Mr Reilly, was there any further contact, direct, indirect, or reported with Mr Lugovoy?
A. Not -- no.

Q. Following that discussion with Mr Litvinenko?
A. No, I don't think so, no.

MR DAVIES: Yes, that's all I ask.

THE CHAIRMAN: Mr Davies, before you sit down, the second statement from Mr Reilly, that dated 8 December, its last page, page 7 of 7, is that a matter that you wanted to --

MR DAVIES: Oh yes, forgive me, thank you. Thank you, sir.

Mr Reilly, you and the locations associated with you were tested for polonium. Is that right?
A. Yes.

Q. In fact you were found to have traces of polonium, we'll come to the detail in later evidence in the Inquiry, your steering wheel had traces of polonium.
A. (Witness nods).

Q. It resulted in you having to have somewhat inconvenient blood tests and other interventions to ensure that you were all right?
A. (Witness nods).

Q. Is that right?
A. Yes. And actually thinking back, aside from the fact that I lost my job on this, so -- as a result of this through Erinys, because I could no longer work in Russia, so I lost my -- my career was damaged, the other aspect of this, and at the time and I think it was fairly -- I think I talked to the police about it, but the HPA, I really had -- I was very aggressive towards them.

Q. All right.

A. My wife was a consultant haematologist and she knew exactly what tests should be done, and she didn't get involved, she wouldn't, and I would certainly not involve her, but having that knowledge literally beside me, I was utterly furious at the conduct of my tests and the way I was, you know, addressed.

Q. You have put that on the record. You are aware that's beyond the scope of this Inquiry, the merits of that?

A. Sure, but I was poisoned, and it also involved looking for detection in my house with people coming in with biological equipment and testing the whole house so the house -- my clothing was replaced and the car seat as well as the steering wheel. So clothes went, et cetera, et cetera.

MR DAVIES: All right. That disruption is recognised,

Mr Reilly, I'm sure. Thank you, sir.
Questions by MR EMMERSON

MR EMMERSON: Thank you very much, sir. Can I indicate we've had certain discussions amongst counsel and agreed to adopt a particular procedure in relation to the questions that I have to put to this witness. I'll explain it to him.

THE CHAIRMAN: Thank you.

MR EMMERSON: If you've any objections, sir, please let me know.

THE CHAIRMAN: Thank you.

MR EMMERSON: Mr Reilly I'm going to ask you some questions on behalf of Mrs Marina Litvinenko. I don't have a large number of questions to ask you, but it is possible that some of the answers that you might give to those questions may raise issues of sensitivity, so what I'm going to ask you to do is just to pause if you think there's any possibility of you raising sensitive information, just to see that those who are in the courtroom have an opportunity to raise questions about whether the question and answer should follow in the ordinary way. So just a moment or two, if you wouldn't mind.

Can I ask you first of all, it may be obvious, but perhaps not obvious to everybody, why following this
event it was no longer possible for you to work in
Russia.

A. Erinys had other legitimate commercial contracts,
nothing to do with security, in Russia, and we were
obviously looking not just at one avenue into Gazprom,
but we were talking to other people, foreigners that
were there, not government people, purely commercial,
and one of the things that happened is that one of those
people, a Brit, was contacted by the FSB and said, for
him personally, don't deal with Erinys and Tim Reilly,
and through my network, my personal network, Gazprom
made it clear that all bets were off.

So in other words, as far as the Russian state was
concerned, me personally and Erinys at a corporate level
were no longer -- not persona non grata but it was
advised just you have not got a future here.

So as a consequence of that, Erinys basically --
not -- there was no compensation, I wasn't fired, but
obviously they said: Tim, you know, you were director
for CIS and, you know, our contact has been approached
by FSB, Gazprom has said no, and clearly there's other
people standing behind them, so frankly, from
a commercial point of view --

Q. Other people standing behind them meaning?

A. The state, in some form or another, Gazprom is,
you know, a very large part -- it is a state organisation at the end of the day, it's not a private company, not entirely.

Q. So that was one very specific closure of a line of potential work for you, not just through that company, but generally with Gazprom through any route.

A. Yes.

Q. But why wider than the Gazprom connection?

A. Why, sorry?

Q. You have a very deep level of experience with Russia and other countries in the former Soviet Union. Why was it impossible for you to work in any other capacity in Russia after this event?

A. Well, as I said earlier today, the police didn't say I was a target, but they said they couldn't discount that I wasn't a target along with Sasha. They could not discount that, on the evidence they had at that time, only some of which I'm obviously privy to.

Q. Have you been to Russia since this incident?

A. I think I went -- I think I may have been once, just once, I think. I'm trying to think now. I've certainly not been regularly. I may have been once in and out. Actually I don't think I have, no.

Q. As a man who travelled so frequently before to Russia that you couldn't even remember the number of visits?
A. Sure.

Q. That is a very substantial change of life for you.

A. Oh, you know, in many ways, it finished my career.

I had invested in -- you know, I often said I wished I had learnt Spanish, and be in South America, or somewhere rather nice, a nice climate, but I had learnt Russian, and it's always sort of drawn me back, that country has drawn me back, but certainly from that point of view, from that industry and because of what I was saying about some of the culture and history of Russia in that security is still part of -- it pervades all aspects of industry and business in Russia. So if I'm known by Gazprom and FSB, then I'm known everywhere.

So --

Q. Known as somebody that can't be trusted or known --

A. Presumably. You'd have to ask the Russian state that.

I mean, they would have known a heck of a lot about me because, as I say, in the very early 1990s when I worked with DSL, that was a joint venture between former British special forces and former Russian KGB special forces.

Q. Yes.

A. And there's a distinction, a big distinction.

Q. I was going to come on and ask you a little bit --

A. So therefore there would have been a big file on me, so
I would have been well known since the 1990s, and especially going to Moscow State Institute of International Relations, that's where they send all their diplomats, their ambassadors, always end up in MGIMO, their very senior KGB people in the Cold War and people like Tass and Izvestiya, it's one of their Oxbridge sort of places, and I was the only foreign student there in the early 1990s. So I was the first student ever to turn up there. So that would have been noted by the ministry, foreign affairs ministry. It's part of the foreign affairs ministry in fact, that university.

Q. I'm going to come back to ask you a little bit about those connections that you have had with Alpha, with the former KGB special forces joint venture.

Can I ask you this, and pause before you reply, have you received any or did you receive any official indication of threats to your safety should you return to Russia from any British authority?

A. From a British authority? No, there was no threats from a British authority.

Q. No, have you received from a British authority, any British authority, any indication of threats to yourself if you were to return to Russia?

A. No, and other than what the police said, but frankly,
I think certainly in the early stages of this, a lot of people on the British side were nonplussed by, you know, what was Russia, and that was sometimes to think, when I have talked to other witnesses, trying to explain to our own authorities how Russia works.

Q. I was going to come back to that, because you know a great deal about how the internal mechanisms of the Russian state and its various tentacles operate, obviously.

A. I know more than most, but I'm not -- you know, I'm not an intelligence officer, I'm not militarily involved in any way.

Q. But you did, I think you just said, provide information about that to the British authorities?

A. That I had -- that we had been told?

Q. No, you just said a moment ago that the British side was nonplussed.

A. No -- yes, in my opinion, when initially talking to the police, it was outside of obviously their ordinary area of responsibility.

Q. I'm sorry, I'm just picking up the answer that says that you spent time trying to explain to our own authorities how Russia works.

A. Yes, in other words, directly to the police, because when they first interviewed me under anti-terrorist
investigation, because of national security, as opposed to, you know, any other type of law, you know, I was sort of doing A, B, C of Russia, as other people I'm sure were, who were also so-called Russian experts, you know: what is Gazprom was being asked of me, you know, who is Putin; not quite that level, but it was a huge learning curve for everybody involved in this. So the nuances of some of these sorts of things, how it works in Russia, as in other countries, the cultural nuances, I think it was a great disadvantage to our investigative authorities. But that's just my opinion. Q. Based on your interaction with them?

A. Yes.

Q. Let me move now on to another topic. You told us that you had seen a number of the reports that Mr Litvinenko had provided to Dean Attew, and you said that they were good quality information. Is that right?

A. Yes.

Q. I think you said also that they would be in response to specific requests. I mean, these are tasked enquiries, aren't they?

A. Yes, I mean, I obviously wouldn't state who they were, but --

Q. No, please don't say who they were about.

A. No, no, but --
Q. Perhaps I can put it to you this way: they were reports into either individuals or organisations or both, is that right?

A. Yes.

Q. They were up to date and accurate as far as you could tell?

A. Yes.

Q. You recognised them, you said, as having the appearance of having come direct from the KGB/FSB stable, is that correct?

A. Yes.

Q. I think you said you were familiar with that style of report from the FSB/KGB?

A. Yes.

Q. Can I ask you briefly how you were familiar with those kinds of reports?

A. In DSL in the early 1990s when we formed the joint venture, we -- as I say, we worked with the former head of Alpha group who had been in the Soviet Union so he had been the commander responsible for events in the Baltic states and in Georgia as the Soviet Union was breaking up. His wife was a secretary to one of Yeltsin -- Yeltsin's secretary so he was at that senior level. The Alpha people were selected on the basis of not only having to have both parents Russian, not just
Ukrainian or Slavic, but Russian, and they had to be from Moscow, it was that secret, the unit.

Therefore, when we began to get -- establish the relationship with them, at first it was for physical security in -- on the Chevron operation in Tengiz in the Caspian, I was promoted then to be sort of the regional manager, CIS, out of Moscow, and what I could work out very rapidly with that sort of clearance and that sort of influence, the information side of the world would be very interested -- and at that time our competitors were trying to break into the Russian market on the intelligence side, commercial intelligence, not state intelligence.

Q. Although I think you've indicated that there's such a bleed-over between the two within Russia that commercial intelligence overlaps with state intelligence?

A. From -- possibly from the Russian side. From our side I'd like to think it was clear water. However, so this, therefore, developed in DSL and the joint venture. I pushed it quite a lot, and then the chap in charge of it, the joint venture, the other director, the Alpha guy, he brought in people that had come from the economic espionage side of KGB, investigating crime, serious crime, within the Soviet Union and later looking
at oligarchs and all the rest of it.

So we had a very good team, and we therefore started to expand our services and an awful lot of serious, major Western corporations, that we all know, from the banks to the oil companies, to everybody else, would look -- would ask us to investigate people that were going to be potential -- due diligence in other words, pure -- and therefore I got sight of and talked to people that actually worked in those departments, and often, you know, they'd come and ask me to translate a word or something, or we would discuss something.

So I was very familiar with the style and the content and, as I said, one of the giveaways was unlike a lot of Western reports, they have changed now, but in those days, very much an emphasis on the psychology, so you'd get a manager and they'd say, "Well respected by all his staff, a bit of a womaniser, drinks heavily, but only after hours, left-handed, drives very fast but safely", into that sort of detail about somebody's personality.

They'd put "aggressive personality" or "insular", "shy in front of elder" -- you know, amazing detail, that was one of the giveaways of -- and you could tell from that too that the information was always very well triangulated. In other words, if they had an opinion
about this guy, they'd go to five, six, seven other
people to confirm that that's what they all thought
about him and if it wasn't, it didn't go in the report.

So these reports, as you could imagine, for Western
investors, institutions, was enormously important
because these -- it was exactly what people wanted to
know when, you know, there was that expression about
Russia being the wild west. Therefore, ten years later,
when I saw these reports that Dean Attew was handing me
that Sasha had obtained, I recognised the style
straightaway.

Q. I want to come back in just a second to your use of the
word "obtained", because obviously one possible reading
of the situation is that you see a report in
a particular style which is in fact written by somebody
who was formerly a member of the FSB, and therefore the
style you recognise as familiar without it necessarily
having come directly from the FSB for the purposes of
the preparation of that report. That's one possibility.
But you said earlier on -- and I'm not challenging this
at all -- but you said earlier on that the report seemed
to you to have come straight out of the FSB filing
cabinet and to have been topped and tailed. Is that
accurate?

A. Well, in terms of, you know, again, I would look at
these reports, Dean would say, "What do you think of this one?" And I'd know the personality, he was in the public sector, the West knew who these people were and I would say, "I know this guy", I would read it and as I say, it was clear, very clear, that this was a very good character analysis of this guy and what I knew from my time in Russia and people I knew and made sense.

So, yes, these people writing it could have been active FSB or they could have been former, but being former, I think what you're saying the first option, that they could have been former and therefore written by them, I think is doubtful in as much as the triangulation is the key to this.

Q. That's what I was going to ask.

A. And state asset is the only one that has the assets to photograph you and to electronically follow you and do all this. An individual, it's a big task.

Q. That's exactly the line I wanted to pursue with you because you said triangulation, you've used the word just a moment ago, the sources of this report, which indicates, I think the same thing, they're multiple different dimensions feeding into a single overall overarching analysis, correct?

A. Yes, it is, but to be fair, other -- for instance Kroll, that's what its bread and butter is, and that's why even
governments approach Kroll to carry out investigations.

So, in other words, it's -- the commonality is that both
people have probably been trained by some sort of
a security intelligence agency, on both west and east
side, but the other commonality is you have to have the
resources.

Well, in our system, we have the money, so in places
like Kroll or these other agencies, they do have the
finances to put -- you know, to give triangulation, but
at that time in Russia, it's more than likely, but it’s
not a fact, that these were state reports as opposed to
individuals, simply because they didn't have the
resources.

Q. You would recognise the difference between a Kroll
profile and an FSB profile, I imagine.
A. I could, yes. I've seen both.

Q. These were FSB profiles?
A. Oh yes.

Q. Obviously, because they were produced in response to
a specific enquiry about a specific individual or
organisation, and because they were up to date and
because we know Mr Litvinenko had left Russia himself in
2000, from the reports that you read it can't have been,
or can it, that the information in those reports was
information that he brought with him when he left
1 Russia?

2 A. It's speculation. Of course he could have brought that
3 information, and he could have got real-time information
4 subsequently.

5 Q. That's the question I'm trying to --

6 A. But, you know, this is -- the sort of organisations he
7 talked to when he first came to the UK would have
8 records of that and computers, and he wouldn't bring
9 files, I'm sure Mrs Litvinenko can say what was in the
10 suitcase, as it were.

11 Q. No, but clearly if --

12 A. It's unlikely.

13 Q. Precisely.

14 A. It's unlikely, but it's not impossible.

15 Q. If you are asked, as a former employee of an
16 intelligence service to provide information, it could be
17 about any number of people or organisations. To be able
18 to provide the sort of information that you saw
19 triangulated in those reports, would it be your
20 assessment that there must have been a direct line of
21 communication to somebody currently working within the
22 FSB at that time?

23 A. Yes, or a combination. In other words, 75 per cent of
24 the report on a particular target was historical
25 information that the FSB had, which they obtained, and
then the real-time information which the client, the Western client, was interested in about a particular meeting or a particular venture or a merger that was going on was done by an ex-employee but who knew how to write reports and how to gain intelligence on people. It could have been a combination.

Q. Yes, I'm sure that's right, but just picking up on the last comments, Mr Litvinenko was living in London. For him to obtain real-time intelligence on individuals operating in or out of Russia must have involved a direct leak of information or communication of information to him by somebody within the Russian service?

A. Oh yes, for sure -- well, within Russia. Within the Russian service? I don't know. I think historically it would have to by definition, because he would say in 1986 in the middle of the Soviet Union, so there was only one person who had files then. But anything more contemporaneous, probably was, but could have been, as I say, people that had their own contacts with the FSB. In other words, how long the link was --

Q. Yes, there may be any number of links in the chain, but if you are asked a question crudely, yes or no, from the reports and the detail in them that you read, does it
appear to you that there must have been a source within
the FSB providing contemporaneous information to
Mr Litvinenko, I take it your answer is --
A. Probably.
Q. Yes.
A. Yes, probably.
Q. You may or may not know this, but it's the first time
that it's been indicated, in public at least, that the
information that Mr Litvinenko was supplying included
probably information being supplied to him directly or
indirectly by somebody currently working within the FSB,
so it is rather an important piece of information.
Again, treading just a little carefully here with
the questions and answers if I may, you told us a little
earlier on that Mr Lugovoy when you met him was a man
who lacked steeliness. Do you remember saying that?
A. Mm.
Q. You said when asked to explain what you meant by that.
You said:
"I worked quite a lot with these guys ... compared
to ... our side and the Americans, [who are] very
different ... ours are extremely disciplined and focused
and bright..."
Some of the Russian side, you said, were quite
ordinary and quite ill-disciplined, and you said
Mr Lugovoy -- you put him into the category of the muscle end of the FSB/KGB. Is that right?

A. Yes.

Q. I just want to go back to the comparison that you drew. I mean, it would follow from what you've said that you are familiar with British and American intelligence. Pause before you answer, please.

A. Well, clearly, I know of them, and --

Q. You describe them as "ours are extremely disciplined and focused and bright", so presumably that's based on some form of information or interaction you've had directly?

A. Yes, sure. Of course, I mean, friends I have had, people at university have gone into the security agencies, intelligence agencies, so I know these people: the military -- a lot of military, depending on which regiment they are, often go on and have a career in one of those agencies because of their particular skills which are applicable, especially these days in anti-terrorism.

So obviously I know of that community, and if you're a Russian speaker, educated and you've been working in Russia for 20 years, you're aware of these people.

Q. I was going to say nothing sinister in that, but you're a former military officer with a deep knowledge of Russia who speaks Russian and who has been in a joint
venture with members of the KGB special forces. One
might imagine you are somebody who would be of interest
to British intelligence. Would you agree with that?

A. Well, it could be, but another way to look at it is they
run a mile, because if they can work that out, so can
the other side. I think their view is, I would have
thought, more interested in the banking fraternity,
people like that, where the money is, where the
negotiation is done. Someone like me is fairly
insignificant in a security company or relatively junior
executive in an oil company.

So I think, yes, they may have an interest and keep
an eye on you, but they left me alone. There's
a community of us, there's a lot of -- there was in the
1990s, an awful lot of people in Russia that could --
British, that could speak English, were ex-military,
because they actually trained in Russian for various
things during the Cold War.

So one of the first qualifications often was that
you were a Russian speaker, so obviously the agencies
looked at you in some shape or form, but to my own
knowledge, there was very, very little interface at all.

Q. So I take it from the answer that you've given, again
pause before you reply, that you have not provided
intelligence to British intelligence about any issue
relevant to Russia?

A. No.

Q. So it must follow from that that you didn't discuss with British intelligence the contents of the reports that Mr Litvinenko had been providing to Mr Attew?

A. No, and neither did they approach me.

Q. Thank you. Can you remind us of the dates that you were working in this joint venture with the Alpha group special forces and KGB?

A. It was early 1990s, it was about 1994/1995, around that, 1994, 1995, 1996, around that period then.

Q. I think you told us a moment ago that amongst the people who were brought in on the KGB/FSB side of that venture were specialists who had been working within the FSB organised crime branch. Is that correct?

A. Yes.

Q. Did you know that Mr Litvinenko worked in that branch?

A. Only later, subsequently, yes.

Q. So approximately how many people did you come across who were from that branch of the FSB? One or two? 10 or 20?

A. In the tens, yes.

Q. You remember their names and details?

A. Some of them, yes. I mean, to put it in context, within Alpha, as -- we call ourselves Alpha in Russia, we had...
the former head of the Soviet Union Alpha, we had the
head of the Ukrainian Alpha, the head of the
Belarus Alpha, the head of the Kazakh Alpha, so we had
that sort of level of --
Q. Seriously high level representation?
A. Very serious, and in the early 1990s, when you went to
Russia -- outside of Russia, say Kazakhstan, my boss was
a colonel, and there were Kazakh generals calling him by
his full Russian title, and he was calling them by their
diminutive. In terms of rank, that's quite
extraordinary. Very, very powerful, and, as I say, the
distinction of the Alpha was that it was a KGB special
forces, it was not military, so it was super secret and
when DSL was first approached by them in the early
1990s, they did go to both US and UK agencies to say:
who are these guys; to which neither the Americans nor
the British had any idea. It was that secret.
Q. So your side went to British and American intelligence
to say: who are these people we are being asked to deal
with?
A. Yes, Alistair Morrison and people like that and others
who were ex --
Q. The Alpha operation was so highly classified within the
former Soviet Union and its various republics, including
Russia of course, that our intelligence services did not
know of its existence?

A. Nor the Americans and in fact they said this is a con, don't waste your time. They were set up to -- the preliminary strike against Afghanistan, they took out the president of Afghanistan, including the Russian guard.

Q. So, I mean, it sounds as though within your joint venture, you had the heads of the most secretive and powerful section of the former Soviet intelligence machine across its republics, is that correctly understood?

A. Well, it's difficult to say as categorically as that, but in terms of combination of a strike force, you know, with intelligence, the Alpha group was it, and Andropov actually created them and gave the name Alpha, he actually said call them Alpha. They later became -- they modelled themselves on the SAS and they later became anti-terrorist when the break-up of the Soviet Union, a lot of people were trying to escape from the Soviet Union, and they took down three or four attempted hijacks by Soviet citizens, which was again totally unknown to the West at the time, and subsequently disbelieved, but latterly it's been proven true.

Q. It's now accepted what you're saying is correct. No doubt about its accuracy.
A. Oh yes, the history of Alpha is out, et cetera, et cetera, so, yes, they had very top line intelligence, and if you said Alpha to the average Russian guy on the street in Moscow, in the early 1990s, there was a --

Q. Have I understood correctly, your side of the joint venture made enquiries specifically of Central Intelligence Agency and MI6, pause before you answer?

A. Yes, because this was very early on in the 1990s, they were an ex-British special forces well-known security company, offering international security, and like everybody else, they were intrigued, but they wanted to be very careful in terms of their reputation. So as it was so early after the break-up of the Soviet Union, they simply went to those agencies that would have an idea for their own reasons, you know, what their capability was, the Soviet capability was, and neither of them had it on record and that's --

Q. Did it surprise or disappoint you that neither of those agencies knew about this obviously very important part of the apparatus?

A. It didn't disappoint me, but we were impressed, frankly.

Q. Impressed?

A. We were impressed.

Q. By what?
A. Their capability and the level of secrecy to go through the whole of the Cold War and neither the Americans nor ourselves knew about it and they invaded Afghanistan, et cetera, et cetera, et cetera.

THE CHAIRMAN: Mr Emmerson, intrinsically extremely interesting, but I think we've strayed rather far from the issues with which I'm concerned.

MR EMMERSON: Yes, it may well be that I'm allowing myself to be drawn into the story. But I wanted to focus it back, then, on that part of Alpha that is drawn or was to your knowledge drawn from the unit within the FSB that Mr Litvinenko was working for at the time that he blew the whistle.

A. If you're trying to correlate the two events, they're entirely separate. I mean, as far as I know Sasha Litvinenko had nothing whatsoever to do with Alpha or any of the employees --

Q. I'm not suggesting there is a correlation, but I would like you to tell us if you can on the record, please, the names of anybody that you are aware of working within Alpha who came from the branch of the FSB that dealt with organised crime in Russia.

A. No, I wouldn't do that.

Q. You can't name them?

A. No, for their own protection. I have no idea, I haven't
been to Russia now for ten years and I have no idea what they're doing for a living, and under the present circumstances, I wouldn't want to embarrass them.

Q. You'll appreciate that in the understanding of what happened in this case, the disclosures that Mr Litvinenko made about information he discovered while working in that very unit features largely in a chain of events that may well provide the motivation for his murder.

A. True, but the people I was dealing with in 1994 were sort of in their 40s, mid-40s, then. So these were really KGB. These were the people that were looking at organised crime within the Soviet Union, this is way before oligarchs and all the rest of it. So in terms of generations, they were, you know, 30, 35 years older than Sasha. So there was no -- in terms of what their mandate was within the Soviet Union as a KGB directorate, and what it was as an FSB directorate in the modern world post-Soviet Union, I don't know, but I would suggest that that was entirely different.

The sort of crime that was going on during Sasha's time was to do with, you know, Western money laundering, nuclear material going missing, massive scams for oil and gas contracts, and all the rest of it, that we're all aware of.
Q. You're suggesting the generation that you were dealing with came from a more honourable time?

A. No, not necessarily more honourable, but just completely -- it came from a closed society of the Soviet Union, so there was no problem of -- there was obviously some dollars going abroad, but not on the scale -- there was no corruption that involved the West or Western money that was being involved, so they were looking at different things.

Q. Right, well, I'm not going to pursue that further with you in the witness box, although it may or may not be that it will be pursued with you out of the witness box.

Let me turn if I may to what your understanding of the role and relationship with Mr Lugovoy and Mr Litvinenko was in connection with the work you were trying to effectively bid for with Gazprom.

Again, you've told us that those responsible for Gazprom security in the widest sense were all FSB, correct?

A. Generally that sort of background, yes.

Q. And that their function was obviously partly physical security but partly to protect the company against penetration by Western competitors?

A. Yes.

Q. That was a general pattern with big companies with
a state slice of ownership, or even state individuals as significant shareholders, state-backed individuals?

A. Yes.

Q. Are these companies rife with corruption?

A. They are difficult to work with, yes. There is often --

the concept of how business is done is a -- was very different from ours. I think the idea that -- for example, I worked for Shell and one meeting, an interpreter failed to turn up, so I was asked to interpret with senior management of Shell, and one of the things that came out of there is they said, well, we're a joint venture between Gazprom and Shell, and we have this company called McKinsey, and McKinsey are looking at our joint strategy in Russia. And the Gazprom question to Shell was: why on earth have you commissioned work to this company called McKinsey; are you related to them; are they friends of yours; can you trust them? And we tried to explain what McKinsey was. So in other words there was complete conceptual -- if you are not a friend or a colleague --

Q. I'm not asking you, with respect, about corporate cultural differences. I'm asking you whether or not there is rife corruption in the large extractive industries in Russia?

A. I think in extractive industries, very difficult,
aluminium industry, I refused to undertake any work at
DSL in it. I said it was the most dangerous industry in
Russia and you would get killed.

Q. Killed by whom?
A. Anybody that got in your way. They didn't give a damn
if you were Chinese, British, American or Russian. 48
managers were murdered between about 1998 and 2001 in
consolidation of that industry, just wiped out, didn't
want to consolidate, so they were shot.

Q. What about the extractive energy industries?
A. Extractive is the mineral industry, but you mean the oil
and gas industry. The oil and gas industry wasn't, oil
and gas is too big, too international, too significant,
and it was more a question of political dealings there,
and corruption. What I mean by corruption is not
necessarily corruption throughout the organisation, but
within that organisation, there were always people
looking for opportunities, and that was the difficulty.
There were lots of good Russian people who were not
corrupt, but there was always a few that were in it, and
that tended to taint everything that you did, so you
always had to obviously err on the side that there was
corruption as opposed to the opposite as a Western
operator, although a lot of good Russians --

Q. Have there been high ranking figures in the Kremlin
syphoning money out of the state-owned energy industry?

A. I have no idea. I would -- you know, I would -- I could speculate, but that's not what the Inquiry is after. I have no facts.

Q. No, I'm asking for an informed opinion from an expert in Russia and in the industry?

A. In terms of an opinion, clearly people have made an awful lot of money out of deregulation and privatisation of Russian industry, but do I know specifically who's got how many dollars in which account, no.

Q. Without knowing who's got how many dollars in which account, are there people within the Kremlin who have made very large unexplained amounts of money out of those privatisations?

A. I would imagine so, at some stage.

Q. When Mr Lugovoy was introduced to you, I think you said his idea or his understanding of it may have been that he was going to be promoting your, Erinys's interests with Gazprom, but your reading of the situation was that he might be able to introduce you to someone who could do that, but he was not sufficiently high up the food chain to be a direct form of contract -- pact, correct?

A. Yes, absolutely, he knew nothing about oil and gas, he knew nothing about the security of it, and in terms of his rank and position in KGB, which was essentially
a bodyguard from what I understand, then that's not the
sort of guy that Gazprom employs and, therefore, all
he's doing is a conduit to people that he knows of
within the organisation.

Q. A conduit who was valuable enough for you to consider
paying 50,000 -- dollars or pounds?

A. If you remember on the exhibit, there was a second
option which was actually to tie him into -- possibly
tie him into a deal, so --

Q. Yes, you were being asked for 50,000 upfront, and you
were considering that?

A. Well, we did, and then we looked at the second option
and if it had gone ahead, it would definitely have been
the second option.

Q. Sure.

A. Nobody would have paid that sort of -- nobody pays --

Q. One can well understand why that was, but you were not
rejecting this man out of hand?

A. No, of course, and from a negotiating position, nor
would you, you know, it's let's see what he can deliver.

Q. So for him to be of any use to you at all in connecting
you with, let's call it the FSB element within Gazprom,
they were the people you wanted to contact, weren't
they?

A. Yes.
Q. You had your own long-standing relationship with the KGB/FSB estate, correct?

A. Yes, but actually we never looked at oil and gas, and this is again the difficulty sometimes of understanding Russia. In DSL, obviously we could have looked at, you know, Gazprom and things, but the advice from our joint venture partner who was Alpha was: we will not operate in oil and gas. There are different territories that people can operate in and we were obviously told, or they were obviously told that: this is not your territory; you can have the shipping, you can have extractive, you can have the airline industry, you don't get oil and gas.

Q. So wheeling ourselves forward to 2006, you were looking for a conduit to people who were loyal FSB people, correct?

A. It isn't a question of loyal or conduit. That is the way you had to operate there, because, as I said, the historical way -- position of security within that generation.

Q. Let me put it to you another way. It's my fault. I'm not asking the question clearly enough. The people you needed to really speak to were FSB people in a security position around Gazprom, correct?

A. I put it slightly something differently. The people
that we were trying to sell security, so I needed to
talk to the security people at Gazprom, but the security
people at Gazprom were all FSB. So it's not that
I wanted to talk to FSB, I wanted to talk to security
people, but I knew that those people -- it's quite an
important distinction.

Q. Yes, it's quite an important distinction, but another
important distinction is that you're describing them as
people who at the time of the attempted communication
were themselves FSB.

A. Most were -- you never really knew, but most were
retired, but obviously they still had links back to
their agency.

Q. Yes, I mean, they were there precisely because they were
representing the Russian state's interests?

A. Of course, yes.

Q. These were not -- there's a saying we've seen in some of
the evidence, there's no such thing as a former KGB or
FSB officer.

A. Well, but at the time and even today, this is the
difficulty. Neither is there any such thing as
a commercial security organisation in Russia. They
don't have -- I mean, admittedly in the West, a lot of
us are ex-military, but not everybody, and slowly as the
industry has become more commercial, the commercial
security in the West, there are people coming into it now who may have a police background or not necessarily military, or certainly not intelligence or security, but in Russia, in terms of development of their society, where you had so many people under arms in the Soviet Union, then one obvious way to have a job in the new Russia was to become a security guard. But -- so there was no real ability to find a Russian commercial security company.

Q. Leaving the generalisations aside and just focusing on Gazprom for a moment.
A. Yes.

Q. You've told us that the security apparatus around Gazprom was a KGB/FSB effectively closed shop, is that right?
A. Yes, yes.

Q. They were not, you know, renegade, disaffected KGB people.
A. No, very professional.

Q. These were people who were serving the interests of the Russian state at the time.
A. Well, indirectly, of course, but what they're serving is the interests of Gazprom.
Q. Yes.
A. Their employer.
Q. Which was owned to what percentage by the Russian state?
A. It is a national oil company, so of course, but what I'm saying is -- I'm just trying to be fair here, be accurate -- is that they were serving the purposes of Gazprom, they were there to protect the personnel and assets and operations of Gazprom.
Q. Yes, I don't want you to think there's any criticism coming from me about the fact that you were trying to reach out to these people, because there isn't, of course.
A. No, I don't take --
Q. But what I want to be clear about is what you thought you were about in these connections.
A. Yes.
Q. Because for Lugovoy to be any use to you at all, any use at all, even as a conduit of a conduit, he had to be somebody who would be trusted by those people who surrounded the security of Gazprom, didn't he?
A. Well, he certainly had to be known to them, but in fact it wasn't -- the problem for them was not to trust Lugovoy, it was to trust me, because I'm the one --
Q. Yes, of course, it would have been no good, for example, you seeking to be introduced by a well-known dissident.
A. No.
Q. I mean, you had to be introduced by someone who enjoyed
the trust --
A. Yes, yes.
Q. -- of the inner circle of the KGB/FSB establishment, correct? That's why you were willing to pay 50,000 potentially for an introduction, surely?
A. Trust, or just simply that he had been in uniform with that particular organisation, so he was a known quantity. So they would say: we'll have a look at him, it comes from Lugovoy, we know him, get this guy Reilly in, no more, no less.
Q. If your assessment had been that this guy couldn't put you in touch with the right people, you wouldn't have bothered with him at all, would you?
A. No, of course not, no.
THE CHAIRMAN: Could I interrupt at this stage? Could you help me, please, it may be something I missed earlier on; did you ever see or hear anything which confirmed, so far as you were concerned, that he was an avenue to Gazprom?
A. Only in as much as he declared that he was, so in that sense I called his bluff. So I was only going on his word that he knew people in Gazprom.
MR EMMERSON: But you recognised his type, you told us as well when you met him; he had all the airs that you would expect to find from a former FSB officer on the
1       make, correct?
2   A.  Of a certain type, yes, he was, you know, recognised.
3   Q.  But the crucial thing I'm trying to explore with you
4       here is that he had been introduced to you by a man that
5       you knew was persona non grata with the FSB, correct?
6   A.  Not at the time, no.
7   Q.  You didn't know that when Mr Litvinenko was dealing with
8       you that he had gone public, was a dissident, had
9       written books about --
10  A.  Lugovoy?
11  Q.  No, Mr Litvinenko.
12  A.  Litvinenko, oh yes, yes.
13  Q.  You knew that he was somebody who had --
14  A.  Around that time, yes.
15  Q.  Well, you knew that he was a public opponent of Putin
16       and of the Russian state and had made a number of public
17       revelations based on his time within the FSB?
18  A.  Yes, yes.
19  Q.  To an outsider, it might seem a bit curious when you're
20       looking for someone to give you a link direct to the
21       heart of the FSB establishment around Gazprom that you
22       would take as a link to that person someone who was
23       known to be one of the world's most outspoken opponents
24       of the Putin regime and himself a renegade FSB officer.
25       Did it not occur to you that there was a bit of
a problem going to one of Mr Litvinenko's
recommendations as your link to the heart of the FSB?
A. Not particularly, no.
Q. Why not?
A. He had said what he wanted to say in Russia, he'd had an
audience. The FSB clearly would like to have retained
him. He had come over to the West, he was becoming
a British citizen, he still had a network, and as far as
I was concerned, that was sufficient.
Q. I'm not sure I've made my question clear enough to you.
A. I do understand what you mean.
Q. It seems very, very odd, Mr Reilly, if you were trying
to get access to the security establishment around
Gazprom for a contract worth a very large amount of
money that you would not raise a red flag in your own
mind when the person who has been introduced to you to
establish that contract has been introduced to you by
somebody who was themselves at that point an enemy of
the Russian state.
A. That's on the assumption that the Russian state would
know that it had been their contact.
Q. If it was Mr Lugovoy who was the person that you were
trying to get to do the deal and he is himself, you say,
useful to you because he's got links to the FSB, then
they would know, wouldn't they?
A. They wouldn't necessarily know that he was having discussions with Litvinenko in London, would they.

Q. Of course they would if he is an FSB officer?

A. Who is?

Q. If Lugovoy is giving information to the FSB --

A. He wasn't then, he had retired.

Q. But you told us you were using him as a conduit to the FSB.

A. No, let's be very, very clear once again. I was a commercial director looking for work in Russia with Gazprom. I was interested in talking to Gazprom security personnel.

Q. Who were FSB?

A. Who were FSB. That is not the same as saying I wished to meet an FSB guy.

Q. I'm sorry, if there's a terminological difference between us --

A. No, there's not, it's very clear.

Q. -- then let's put that to one side.

A. No, let's not, let's be very clear. There is no confusion, and the link I had was with Litvinenko, and having worked in Russia, you deal with all sorts of people like this to get contacts. To get contact with Gazprom could take you a year; for Shell alone, it took us ages to talk to people at an official level, through
government levels, it takes a lot of time.
So to talk to the FSB, the first thing, I had no
worries because the FSB knew me through Alpha, so they
said: yes, we know this guy, we know Erinys, we know
exactly what he does, he's with Litvinenko, we already
know that, we've got a file this high on Tim Reilly in
Moscow. So let's go and see it. If they didn't want to
do it, what had I to lose? I'd have been PNG-ed,
I wasn't. I would have been told, possibly via
agencies, back off, via a message from Moscow, or I'd
have gone to Moscow, or Gazprom would say: no, we're not
interested. Any one of those options could have stopped
it there, which were all perfectly legal. None of it
happened.
Q. You've been PNG-ed now.
A. No, I haven't.
Q. I'm sorry, I thought you said you said you were persona
non grata?
A. No, you sometimes feel it, but I'm not. No, I'm not
PNG-ed and neither of those three options which could
have resulted, because I worked through Sasha and
Lugovoy, could have occurred. None of them occurred.
Q. I see. I think that might be a convenient moment for
a short break.
THE CHAIRMAN: Yes, Mr Emmerson, can you help me as to how
long you're likely to be?

MR EMMERSON: Five minutes.

MR DAVIES: Sir, my estimates are worse than most, but the other witness today, Ms Rondoni --

THE CHAIRMAN: That's whom I have in mind.

MR DAVIES: -- should only be ten minutes and has childcare problems. Sir, I wonder, if there's no objection, if Mr Reilly could bear with us on the basis you will finish today --

THE CHAIRMAN: Yes.

MR DAVIES: -- could we interpose Ms Rondoni after the break.

THE CHAIRMAN: Would you be happy?

MR EMMERSON: Absolutely.

THE CHAIRMAN: Yes, we will do that after the break.

(3.15 pm)

(A short break)

(3.23 pm)

MS GIULIANA RONDONI (affirmed)

Questions by MR DAVIES

MR DAVIES: Would you give the Inquiry your full name, please, Ms Rondoni?

A. Giuliana Rondoni.

Q. In October and November 2006, what was your occupation?

A. I used to work in an hotel in Knightsbridge,
Parkes Hotel, I used to be the front office manager.

Q. Your nationality, Ms Rondoni?
A. I'm Italian.

Q. You were the front of house manager and the name of the hotel was what?
A. Parkes Hotel.

Q. And the address?
A. 41 Beaufort Gardens, SW3 1PW.

Q. How long had you been the front of house manager, approximately, February 2006?
A. Yes, I started before and then I was promoted.

Q. And the basic responsibilities of a front of house manager at that hotel?
A. It was like looking after all the guests and making sure everybody was happy and the front office staff and back office and making sure everything was running smoothly and nicely.

Q. I think you had responsibility for guests, porters?
A. Yes.

Q. Customer complaints?
A. Yes.

Q. And the general running of the hotel?
A. Yes.

Q. Officers from the Metropolitan Police Service came to speak to you, didn't they?
Q. Two specific guests. They came to speak to you on 2 December 2006?
A. Yes, they did.

Q. You provided a witness statement of 4 December 2006?
A. Yes.

Q. Correct?
A. Yes.

Q. And you've had a chance to look at that today?
A. Yes, I did.

Q. To refresh your memory. We're concerned with two guests by the names of Lugovoy and Kovtun respectively, and do you remember them?
A. Yes, I do.

Q. What date did you see them?
A. It was 17 October when they checked in, it was around 2.00.

Q. Where were you working?
A. I was at the front desk and a taxi stopped in front of the hotel, and the two gentlemen walked into the hotel and I was there and so I welcomed them and checked them in and I asked them passport, signature and usually you just ask different questions, you know, just to engage conversation, and I asked if they had a good journey and where are they coming from, and --
Q. Pause there, Ms Rondoni. Could you describe the men and put names to them if you can and the descriptions? What was the first man out of this taxi? Can you describe him?

A. The first gentleman who walked in, he was Mr Lugovoy, and ...

Q. Description?

A. Okay, so the first man -- sorry.

Q. Take your time. In your statement, you put average height, short, blondish hair.

A. Yes.

Q. Clean shaven?

A. Yes.

Q. And wearing a beige or brown casual-type jacket with a zip at the front?

A. Yes, and that man was Mr Lugovoy. And then the other gentleman, Mr --

Q. Mr Kovtun?

A. Yes.

Q. Just relate the description you've given of Mr Kovtun.

A. He was shorter and he had shorter hair. I'm lost.

Q. Thicker than Lugovoy's, dark with grey bits in?

A. Yes.

Q. He was wearing a grey suit-type jacket in a casual way with no tie?
A. Yes.

Q. Black round-necked T-shirt underneath. That's Mr Kovtun?

A. Yes.

Q. Of the two men, was one doing more talking than the other?

A. Yes, it was Mr Lugovoy in charge of the situation is the one that was doing all the talking, and is the one that he -- when asked for a credit card for pre-authorisation, he was the one that gave me the credit card and is the one that authorised both rooms.

Q. It was a single credit card to authorise both men's stay?

A. Yes.

Q. You've put in your statement they had one piece of luggage each?

A. Yes.

Q. Now, can you tell the Inquiry, please, what you have remembered of what was said between you as you welcomed them to the hotel? I'm looking at the last three lines of your statement to refresh your memory.

A. Yes, when I asked them how was the journey, they told me that they came from another hotel, that it was fully booked, overbooked, and that hotel was in Piccadilly.

Q. So they said they'd come from another hotel that was
fully booked or overbooked?
A. Yes.
Q. And it was in Piccadilly?
A. Yes.
Q. Was anything said to you that you remember about them not being happy with the conditions of the rooms in the other hotel?
A. No.
Q. It was overbooked, that was the account they gave you?
A. It was overbooked, that was the only thing they told me.
Q. You carried on with the booking-in procedure in the standard way?
A. Yes.
Q. You took a pre-authorisation from Mr Lugovoy's card.
A. Yes.
Q. The bookings originally, I believe, were for single and standard double rooms?
A. Yes, and --
Q. But did they end up in standard and single doubles?
A. No, they ended up in a standard double and a deluxe double, one next to each other, was room 25 and 23, because we don't have any other room available, they were the two last rooms.
Q. So effectively you upgraded them?
A. Yes.
Q. To rooms 25 and 23?
A. Yes.

Q. You gave them keys and they went upstairs?
A. With a porter, yes.

Q. Did they come down again about ten minutes later?
A. Yes.

Forgive me, I've probably taken you out of sequence.

Q. The process from arrival to going in the lift with the porter, Joseph, took about ten minutes?
A. Yes.

Q. And you've related some conversation you had with them, some further conversation.
A. Yes, we --

Q. What were you discussing in general terms?
A. Yes, when they asked me where I was --

Q. Where you came from?
A. Yes, where I came from, I said I was from Sardinia, and they told me that they'd been to Sardinia, they went to Cagliari, that's the capital and we were talking about different things, about restaurants, and the general --

Q. Who was speaking, and in what language?
A. In English, Mr Lugovoy.

Q. Was Mr Kovtun contributing?
A. He was doing most of the talking, Mr Lugovoy.

Q. Mr Lugovoy?
A. Yes, he was the one talking.

Q. All right. Did there come a point where you asked them if they needed the hotel restaurant for the evening?

A. Yes, it's just the standard procedure, you know, you just ask people, and if they need any help with any restaurant reservations for the evening or any of the --

Q. How did they respond when you asked if they needed the restaurant for the evening? You've made a note of this.

A. Yes, they told me they wanted to have fun and so --

Q. What sort of fun?

A. Like just going out with girls and just having fun, and we suggested that there was a fun place across the street, and at the time there was lots of girls in and out, Beaufort Gardens, number 1, and --

Q. They said they were looking for fun with girls effectively?

A. Yes.

Q. You recommended a place across the street?

A. Yes, number 1 Beaufort Gardens, that it was well known with girls, it was -- a brothel.

Q. A brothel?

A. Yes, it was. I don't think it's any more, but it used to be.

Q. All right. That will be useful information to many of us. It saves a wasted trip.
A. I don't know if it's there any longer, but it used to be.

Q. All right. I think on a similar vein you recommended --

A. And also, yes, and I recommended another place, Pizza Pomodoro in Beauchamp Place and again it was a place where you could go and have a pizza or something to eat but also fun and pick up girls.

Q. You could have a pizza, but the menu changed later in the evening?

A. Pizza with extras, I would say.

Q. Pizza with escorts, to be precise. Right, got there.

A. Yes.

Q. All right, enough of that. So you've related they went upstairs after about ten minutes, came down without their suitcases?

A. Yes.

Q. Did you see them again that day?

A. No, because I left around 5.00 and I finished my shift and then I didn't see them any more.

Q. Were you responsible for processing their checkout the following day?

A. Yes, I was there, and I checked them out.

Q. We've already seen their receipts as part of this Inquiry, so I needn't trouble you with that again, but what time was it that they were checking out?
It was about 10.00 in the morning.

You dealt with their minibar purchases.

Yes, they used the minibar, they had half a bottle of champagne, two whiskeys, Red Bull.

That's from room 23?

From room 23, that was the room where Mr Lugovoy was staying.

And a Perrier from room 25.

Which was Mr Kovtun's room?

Yes.

Mr Lugovoy paid on his credit card?

Yes.

You asked if they were going to have breakfast?

Yes.

And their response to that?

They said no, they said they were going to have a carbonara, pasta carbonara at their favourite restaurant in Gatwick.

And your reaction to that?

I laughed because it's ridiculous, to have pasta carbonara for breakfast the.

You've made an observation in your statement, however, as to that as well. Can you --

Yes, I thought it was quite strange because they said they were going to have this pasta in their favourite
restaurant in Gatwick when they told me that it was
their first time in the UK.

Q. They related on the one hand it was their favourite
restaurant in Gatwick?
A. Yes.

Q. When had they told you it was their first trip to the
UK?
A. I think when they checked in.

Q. When they checked in?
A. Yes, when we talked about, you know.

Q. I follow. A porter called Andrea called them a taxi?
A. Yes.

Q. I think, just really by way of goodbye, you'd asked if
they'd had a good evening, and what was their response?
A. They told me they were not lucky that night.

Q. They were not lucky?
A. No.

Q. All right, they may as well have had the meal in your
hotel, as it turns out. Thank you, Ms Rondoni, that's
all I ask you.

THE CHAIRMAN: Thank you very much indeed. I'm very
grateful.

MR DAVIES: If Mr Reilly could come back, please.

MR TIMOTHY REILLY (resumed)

Questions by MR EMMERSON (continued)
MR EMMERSON: Casting your mind back to this period when you were looking at the reports that Mr Litvinenko had prepared for Dean Attew, you told us you got to know Mr Litvinenko really quite well, is that right?

A. Reasonably well, yes, yes. The.

Q. Somewhere between friendly and friendly terms, is that right?

A. Yes, yes.

Q. We know now, because we've heard evidence from his wife Marina that he was receiving payments from, amongst others, British intelligence for information that he was providing, and that he was providing intelligence information to other intelligence agencies, including to the Spanish authorities. When did you first know that Mr Litvinenko was supplying information to British authorities?

A. The other day when I read it in the papers.

Q. I see, it wasn't something that you were aware of at the time?

A. No.

Q. Reminding ourselves of your assessment that he must have had a current source, direct or indirect, within the FSB, for at least some of the information in these reports, can I ask you about information security. You said that when, in your dealings with Mr Litvinenko, he
didn't discuss substantive issues over the telephone.

Is that right?

A. With me, yes.

Q. Yes. You described that as being sort of a throwback to his training.

A. Sure.

Q. I mean, did you at this time work on the assumption that your telephone was insecure?

A. No, no.

Q. You didn't?

A. No.

Q. So despite the fact that you think that there was very significant interest in you within the FSB, enough to have a big file on you that you've described, you didn't think that your phone might be vulnerable to being tapped?

A. No, I mean again, you have to separate out the issues. Clearly, I'd been there since 1990, I had attended one of the universities where they train their spies and their diplomatic service and their -- what was then Tass and Izvestiya, so clearly I'd been looked at then. Having worked with Alpha, there would have been another file and the fact that I'm British and been in the military. So in other words that was there. So I assumed they knew that about me, but I just didn't
think I was that significant a person to have been of any interest to them.

Q. But you knew that Mr Litvinenko was somebody who would be of current interest to them, didn't you?

A. I assumed they would still keep -- but in this sense that he was now a British citizen --

Q. By a matter of weeks.

A. Yes, yes, but clearly, from my point of view, which probably was a mistake at that time, I thought the Russian government had better things to do than pursue people like Sasha, in terms of the greater scheme of things and problems they had.

Q. Even though you knew that he was obtaining information from within the very echelons of the FSB at that time?

A. Well, I think the first thing they would have done is probably looked at the source that was giving them that information, and as far as I know, there's never been any indication that anybody in the FSB or connected to it in the world of commercial intelligence that was connected to my case, Erinys, has ever had any measures taken against them.

So, in that sense, there is no indication. This was commonplace by now, there was an awful lot of ex-FSB people, and Russians that had connections to it, in some shape or another, living in the West, that were
supplying this sort of intelligence from former or
active FSB, right across the United States and Europe,
and most of the major Western companies were taking good
advantage of such very high grade information, if not
intelligence, information, it wasn't necessarily
intelligence, it was information.

Q. You didn't take any particular care then on the
telephone or with your emails?
A. With what?
Q. With confidential information?
A. No, not to do with Litvinenko in the sense that there
was none, as counsel has demonstrated, that there was
very little, because a lot of this was opportunistic and
possible and potential. There was nothing concrete.
Q. No, I understand what you're saying.
A. There was no emails between me and Sasha, there was no
emails between me and Lugovoy, there was the odd mobile
phone, but, as we heard, the mobile phone was usually 30
seconds, "We'll meet you in the office", so things
weren't discussed.

It was -- this is new business development, so you
might go down 15, 20 routes and maybe one project out of
the 20 will actually bear some fruit. So in that sense,
before this all blew up, this was simply an interesting
avenue to explore.
Q. If, in due course, the evidence, all the evidence in this Inquiry -- forensic and other -- leads to the inevitable conclusion that Mr Lugovoy was one of those responsible for the murder and that the murder was committed on the orders of the Russian state, if that is where the evidence leads, then obviously it would follow that in his dealings with you, Mr Lugovoy was on a mission which ultimately resulted in Mr Litvinenko's assassination.

A. Well, I mean, yes, but it's totally circumspect, so, you know, is it inevitable that he was the murderer? I have no idea.

Q. No, of course you don't know the whole of the evidence, but you do know, indeed one of the moments, as you've seen today, when a significant amount of polonium appears to have been administered was in your offices.

A. Yes.

Q. So the relationship that you had, certainly to those of us familiar with the whole of the evidence, appears to have been an opportunity exploited for the purposes of achieving the chance of murdering Mr Litvinenko.

A. From the Russian point of view?

Q. Yes.

A. Quite possibly, yes.

Q. Which is why I'm asking you a little bit about your own
security in your dealings with Mr Litvinenko.

A. Bear in mind, the dealings with him were informal. The
formal relationship between the British side and Sasha
was through Titon, where I assumed there was a contract
and he was delivering these reports. I was actually
acting essentially as an unpaid adviser.

Q. Yes.

A. Out of that came some potential to look at Gazprom,
which was, as I say, in terms of new business
development, an avenue which you would obviously follow.

Q. The issue I was exploring with you, just before the
break -- and I'm not going to retread that ground -- the
issue I was exploring with you was here you are,
introduced to a man, Lugovoy, who is only of use to you
because he has contacts with individuals -- claims to
have contacts with individuals at the top of the
security establishment at Gazprom who are, as you've
said, FSB.

On the other hand, he's been introduced to you by
a man who is an enemy of the FSB, who, as we now know,
has ultimately lost his life as a result of a poisoning
which appears to have been attempted at least on the
first occasion in your office. Do you see?

A. I see what you're saying. He may have been an enemy,
but no one knew at that time he was going to be
murdered, so he was somebody that the Russians weren't exactly pleased to see again. But, you know, we were not to know that they were -- or whoever it was -- was planning his murder.

Q. Yes, but he wasn't anybody -- if the FSB had known about your relationship with him, that wasn't going to help you get a contract with Gazprom, was it?
A. Not necessarily. I mean, this is the point I make about, you know, they knew who I was.

Q. Yes.
A. They knew I wasn't an intelligence officer, but they knew my background. The test would have been with Gazprom, which up until the events that unfolded, that was going ahead. I would have visited Gazprom, I would have met those people.

Q. They must also have known that you were --
A. That's where the test would be.

Q. -- that you were hanging out with a man who was providing information commercially that had been leaked directly from their own offices?
A. Technically not, because they were looking at Titon, which was not me.

Q. They knew about your relationship with Litvinenko, didn't they?
A. They may or may not have, but the point --
Q. I just want to ask you about a question and answer --

A. But the linkage between the Russians and Litvinenko and

the UK was the contract between Sasha and Titon, not

between Erinys.

Q. We'll look at Titon separately. I'm focusing on your

relationship, Mr Reilly, for the moment.

A. That's the point. There was no commercial one.

Q. You're saying they may or may not have known about your

relationship with Mr Litvinenko, but I just want to --

looking back at the transcript, this is rather a long

answer, and I wanted to ask you just to elaborate on it

a little, if I may.

You said at page 40, line 1:

"He [that is Mr Litvinenko] provided contacts there.

But I think what's probably more important than a

statement at the time in this context is because still,

even to this day, the critical appointment of security

people within Russia, especially oil and gas industry,

it meant that everybody knows everybody. So I saw the

head of Gazprom security and his team who were without

exception all KGB people, so they would know Litvinenko,

and it's an inner circle thing."

A. Yes, that's true.

Q. So the people that you were trying to make contact with

would know who Mr Litvinenko was?
A. Yes, I would assume so, that's fair to assume.

Q. Carrying on:

"I had credibility..."

That means with the people in the FSB, correct?

A. What's the context? What's the next clause?

Q. "I had credibility because of my British military

background and then working with the Russian special

forces KGB."

A. In that they knew me.

Q. Yes --

A. I'm not an unknown to them.

Q. No. You had credibility with the people in the FSB who

were responsible for Gazprom's security?

A. Credibility is probably the wrong use of the word, but

what I meant was I was known to, so this wasn't some guy

that Litvinenko knew that they didn't know who the hell

I was, so they knew exactly who I was. If they had

checked, if that's what happened.

Q. You go on:

"They either say you can work with him or not. It's

very clear."

Now, that's "they", the officials within the FSB?

A. Which is what I said before, before the recess, that,

you know, it would be very clear, and that would have

been the ultimate test with Gazprom. They'd say, "We're
not dealing with you", or not. There's no --

Q. You'd know if you'd passed muster?
A. Yes, absolutely, very clear.

Q. But you were obviously much less likely to pass muster
if you're hanging out with a leaky dissident than if you
are not?
A. Not necessarily, this is the point about Russia. It's
not logical. There is a logic, but not necessarily. It
doesn't necessarily work like that.

Q. Let me carry on with your answer. You then went on, you
said:

"So that is really the importance, is that there was
a link there between Litvinenko who would have been
known and Gazprom security would have checked out me who
would have led to Litvinenko which would have led to
London."

I'm just trying to understand that. So there's
a link between Litvinenko who would have been known and
Gazprom security who would have checked you out?
A. Well, I think you've -- that's what you have been
saying, that, you know, obviously they can triangulate
that and see who we all know, so that could have been
the case, if they had bothered. I don't know if they
did or not.

Q. You say you thought they would have checked you out and
that would have led to Litvinenko which would have led to London?

A. Could well have done, yes.

Q. So in other words, you say, that the whole of that KGB community would have known exactly where I had come from in that context.

A. I mean, I think where you're heading is, you know, is this a reason, could this be a reason for what happened. On the one hand, they certainly knew about the real-time information that Titon was commissioning, which --

Q. Pause there, it's an important point that you're making.

A. Yes. But secondly, the second point was completely separate, was me as Erinys looking at a Gazprom contract. From the point of view, I would have thought, from the state, the far more dangerous arena for them, in which they may have taken the action they did, would have been on the information on the Titon side as to who he was investigating, as opposed to me speculatively looking for a relationship with Gazprom.

Q. It's not really possible to compartmentalise in that way, is it, because we've got a series of overlapping relationships. As you rightly say --

A. No, I disagree, I think it's entirely possible.

Q. All right.

A. What FSB sees as --
Q. Let's not delve into the realms of the abstract.
A. Well, it's not abstract at all, is it? If there's one threat from Gazprom, which is a commercial contract, where they can just say no or yes and there's another guy giving information about serious people in Russia which the Russian state would prefer not to have revealed --
Q. No, I entirely understand that, Mr Reilly.
A. All I'm saying is we have to be very clear, there is a large difference.
Q. I entirely understand that the threat may be very significantly based on the fact that, as you've revealed for the first time, Mr Litvinenko was getting live, real-time information from the FSB?
A. No, I hadn't revealed that. What I suggested is it is likely, but I don't know for a fact, so I think we have to be very clear.
Q. But, as you said a moment ago, that is something that would be known to the FSB.
A. The information side? I've no idea on the information. On the Gazprom, clearly they would have known because the linkage was there. But on the information side --
Q. I don't want to confuse you, but you just said a moment ago on the transcript that would be something that the FSB would know about, the --
A. Probably.

Q. Right. So the net result is, you are approaching Gazprom and its FSB-backed security through Lugovoy as the result of an introduction by a man you knew the FSB would know was in receipt of confidential classified information from his former colleagues?

A. No, that part of the link they would not necessarily know. You're equating two things that are not necessarily related. As we know --

Q. Just basing yourself on your evidence, Mr Reilly.

A. No, they don't -- I don't know whether they thought that the link with Gazprom also was the same guy that was giving information for Titon. That's the link, the critical link, and I don't know.

Q. I'm getting a little confused, because --

A. Well, it's clear to me.

Q. -- in the passage of evidence that I read to you and in your responses when clarifying it, you said you told us that you expected that they would understand the existence of your relationship with Mr Litvinenko.

A. Yes, but my relationship with Mr Litvinenko was nothing to do with commissioning reports or information on behalf of Western clients through Titon, which is what was the real threat, anybody could see was the real threat to the state or individuals, state or otherwise
private individuals, in Russia.

Q. Mr Lugovoy has made in public the claim several times that an attempt was made to recruit him as an asset for British intelligence. There is no evidence in the public domain to suggest that that is true.

Bearing in mind your long history of involvement with the Russian intelligence service, and your association with a man who was in receipt of information being leaked from the FSB in real-time, looking back on your conversations with Mr Lugovoy, is there anything which you may have said or may have passed between you which he might have misinterpreted as an attempt by you to recruit him to work for British intelligence?

A. No, none at all, and furthermore, as I have no connection with British intelligence, I am not an employee or a former employee of them, then I would certainly not be in a position to even suggest that to a foreign national.

Q. No, I'm not suggesting that you did.

A. No, I didn't.

Q. But is there anything that passed between you --

A. No.

Q. -- that you think could account for that claim?

A. No, it would be speculation, I don't know. I've never heard it until you mentioned it.
MR EMMERSON: Yes, thank you.

THE CHAIRMAN: Mr Reilly, thank you for your assistance which has been considerable.

A. Thank you.

THE CHAIRMAN: I'm only sorry that your unwitting involvement in this matter has had the consequences as far as your career is concerned that you've explained to us.

A. Thank you.

THE CHAIRMAN: Thank you very much.

Yes, Mr Davies.

MR DAVIES: Sir, that concludes the evidence for the day, I think, rather than reverting to Mr Mascall.

THE CHAIRMAN: Yes.

MR DAVIES: May I say a few words about timetabling for next week.

THE CHAIRMAN: Yes.

MR DAVIES: On Monday, we will complete the evidence relating to the events of 16 to 18 October 2006. On Tuesday, we will hear evidence relating to the events of 25 to 28 October, an occasion when Mr Lugovoy visited London.

THE CHAIRMAN: Yes.

MR DAVIES: As you know, sir, it had been our intention to call evidence relating to and emanating from the German
police investigation on Wednesday and Thursday next week. That investigation was, as you know, focused on events in Hamburg involving Mr Kovtun. In very brief summary, we propose during this part of the evidence to hear both from one of the lead German police investigators and from a number of factual witnesses about events in Hamburg involving Mr Kovtun, in particular events during the period 28-31 October 2006.

We expect that these factual witnesses will give evidence by video-link.

Sir, I'm afraid that it's not proved possible to complete all the steps that need to be taken in order for this evidence to be heard next week. We have therefore decided to vacate both Wednesday and Thursday next week. They will now be non-sitting days.

We have provisionally rescheduled the German evidence for Thursday, 12 March, and it is our expectation that it will be possible to hear it then.

This does, of course, mean that the evidence of events in Hamburg on 28 to 31 October will be heard a little out of sequence. Although this is unfortunate, we do not regard it as a major disadvantage, in particular since we gave a fairly detailed summary of the evidence as we expect it to be in the opening given by my learned friend Mr Tam.
Finally, sir, I should say that notwithstanding the loss of two days next week, we continue to be confident that we will meet your objective of completing the open hearings of this Inquiry before the Easter break.

THE CHAIRMAN: Yes. I had been alerted to the problem that had arisen, and I remain confident that we can keep to that overall timetable.

MR DAVIES: Yes.

THE CHAIRMAN: In that event, we will sit on Monday and Tuesday of next week but not on Wednesday and Thursday.

MR DAVIES: Thank you, sir.

THE CHAIRMAN: So I'll adjourn now until 10.00 on Monday morning.

(3.56 pm)

(The Inquiry adjourned until 10.00 am on Monday, 16 February 2015)