

20 April 2016

Press Release

**FORMER MAJORITY YUKOS SHAREHOLDERS TO CONTINUE PURSUING
\$50 BILLION AWARD GLOBALLY DESPITE DUTCH COURT RULING**

On 20 April 2016, the District Court of The Hague allowed the challenge brought by the Russian Federation to the landmark 2014 arbitral award ordering the Russian Federation to pay over \$50 billion to the former majority shareholders of Yukos Oil Company.

In its decision, the District Court held that the award could not stand on the ground that the Russian Federation was not bound by the provisional application of Article 26 of the Energy Charter Treaty containing the offer to arbitrate, despite Russia having consented to its provisional application pursuant to Article 45 of the Treaty.

Tim Osborne, director of GML, the company that indirectly owned the majority of Yukos' shares, commented on the decision: "We fully stand by the unanimous award received in 2014 for the politically motivated destruction of Yukos. We will appeal this surprise decision by The Hague Court and have full faith that the rule of law and justice will ultimately prevail."

Marnix Leijten, partner at the Amsterdam-based firm De Brauw Blackstone Westbroek, who acts on behalf of the claimants in the Hague court proceedings, said: "The District Court incorrectly applied the provisional application mechanism of the Energy Charter Treaty, as well as the relevant Russian law provisions. I am confident that this decision will be corrected in due course."

Emmanuel Gaillard, Head of the International Arbitration Group at Shearman & Sterling LLP, who acted as lead counsel in the arbitration proceedings, added that: "The arbitral tribunal was composed of three international law experts of the highest calibre who were unanimous in their reasoning. I am confident that today's decision will be reversed on appeal."

Yas Banifatemi, the partner in charge of Shearman & Sterling LLP's Public International Law practice, said: "The claimants will continue moving forward with their worldwide efforts to enforce the Russian Federation's international obligations, as recognized by the arbitral tribunal. Under the 1958 New York Convention, enforcement courts will be at liberty to assess the award for themselves, irrespective of what the Dutch courts have to say on the matter."

Immediately following the decision, the claimants confirmed that they will be exercising their right of appeal to the Court of Appeal in The Hague and in the meanwhile, recognition and enforcement proceedings for the award are ongoing in various jurisdictions, including the United States, the United Kingdom, France, Belgium, Germany and India.

Note to Editor:

On 18 July 2014 an arbitral tribunal sitting in The Hague under the auspices of the Permanent Court of Arbitration held unanimously that the Russian Federation had breached its international obligations under the Energy Charter Treaty by destroying Yukos Oil Company and appropriating its assets, awarding over \$50 billion in compensation to the former Yukos majority shareholders. It was, and remains, by far the largest award ever rendered by an arbitral tribunal.

The expropriation of Yukos was achieved through a series of steps, which included paralyzing the company (notably through the arrest, imprisonment and harassment of its management and employees), manufacturing a pretext for the taking of the company's assets (namely, the fabrication of over USD 24 billion in tax debt), using that pretext to take Yukos' assets piece by piece (beginning with Yuganskneftegaz, Yukos' crown-jewel asset), and later transferring all the company's prize assets to Russian state-owned company, Rosneft. The Russian Federation's actions culminated in the liquidation of Yukos in November 2007, and the complete and total deprivation of the Yukos claimants' investments.

In the words of the arbitral tribunal, "Yukos was the object of a series of politically-motivated attacks by the Russian authorities that eventually led to its destruction," the Russian Federation's aim being "to bankrupt Yukos, assign its assets to a State-controlled company, and incarcerate [Russian businessman and former Yukos chairman Mr. Mikhail Khodorkovsky] who gave signs of becoming a political competitor."

The arbitral tribunal was chaired by Yves Fortier, a leading arbitrator and formerly Canada's Representative on the UN Security Council and President of the Council. The Russian Federation appointed Judge Stephen Schwebel, former President of the International Court of Justice, and the claimants appointed Dr. Charles Poncet, partner at CMS von Erlach Poncet Ltd. in Geneva.