



PRESS RELEASE FROM RUSSIAN FEDERATION

US District Court and Dutch Appeal Court deal latest blows to Yukos oligarchs' legal campaign

US court rules that Yukos Chief Counsel testimony must be heard

(Moscow, 3 October 2016): The Yukos 'shareholders', as they style themselves, have faced a series of legal setbacks in recent weeks in the US, Holland, France, Germany and the U.K.

Most recently in the US the oligarchs have been trying to prevent crucial evidence being heard. This included the testimony of Dmitry Gololobov, who was the former General Counsel of Yukos, and documentary evidence of multibillion dollar payments to Yukos directors. On 30 September the District Court in the District of Columbia rejected this and ruled the evidence must be heard in court. The US Court also decided to stay the oligarchs' attempts to enforce the Dutch arbitration award that has been cancelled.

In Holland the Appeal Court in The Hague recently rejected the Yukos oligarchs' request to confine their upcoming appeal against the strike down of the \$50bn arbitration award to argument over whether the Energy Charter Treaty (ECT) applied or not. Instead the Appeal Court will consider *all* the Russian Federation's arguments for a strike down. These were sixfold (see below). In order to win an appeal against the strike down the oligarchs need to win in court on all six.

These developments follow other setbacks in recent weeks including the Yukos oligarchs' withdrawal of their enforcement claims in Germany and India, indefinite adjournment of the Yukos enforcement claim in the UK and news that the oligarchs have dropped their claims on land in Paris where a Russian spiritual-cultural centre is being built. The arbitral proceedings against the Russian Federation instituted by Financial Performance Holdings B.V., another company affiliated with Yukos, were terminated on September 27 by the arbitral tribunal.

Andrey Kondakov, Director General of the International Centre for Legal Protection, which was formed by the Russian Federation to fight this case, said:

"The Yukos oligarchs' legal manoeuvres are failing or facing obstacles whichever way they turn. And they are becoming increasingly desperate. It is no surprise the US court rejected the oligarchs' application and insisted Dmitry Gololobov's testimony and the Russian Federation's documentary evidence of the Oligarchs' wrongdoing is heard. It is a vital insider's account of the massive tax fraud and other illegal behaviour that Yukos committed throughout its existence."

Ends

Notes to editors:

The six arguments the Russian Federation put forward in support of a strike down of the \$50bn award (the Dutch District Court struck down the award on 20 April 2016):

1. Leonid Nevzlin and the other oligarchs were not entitled to invoke the ECT dispute resolution provisions since they are not bona fide investors. Moreover, the ECT was set up to protect the interests of foreign investors putting money into energy projects from outside a country. The oligarchs – Leonid Nevzlin and others – are not foreign. They are Russian nationals. There was no foreign money injected into the Russian economy.
2. The ECT also specifies that ‘nothing in ECT should create rights or obligations with respect to Taxation Measures’. The measures Russia took against Yukos were all taxation measures. The European Court of Human Rights confirmed that the oligarchs had committed massive tax evasion and that the Russian Government took legitimate actions to counter this evasion.
3. The Arbitral Tribunal should have presented the alleged tax expropriation dispute to the competent tax authorities, but did not.
4. In further violation of its mandate the Tribunal did not explain its adoption of the arbitrary valuation methodology it used to arrive at the \$50 billion damages and did not provide the parties the opportunity to comment on it.
5. The awards were largely written by the arbitration assistant, Mr Valasek, who was not a member of the Tribunal—but a partner at a private law firm. He billed over 65 weeks’ full-time work - significantly more than any of the arbitrators - and fees of \$970,000.
6. The award was made under the Energy Charter Treaty (ECT). Russia’s provisional application of the ECT did not apply to the dispute resolution provisions of the ECT. The ECT was never ratified by Russia.

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