The Chazen Web Journal of International Business

COLUMBIA BUSINESS SCHOOL

Yukos Oil: A Corporate Governance Success Story?

Diana Yousef-Martinek MBA/MIA '04
Raphael Minder Knight-Bagehot Fellow'03
Rahim Rabimov MS '03

1. Introduction

In what would become post-Communist Russia's largest takeover transaction, Mikhail Khodorkovsky, the controversial 39-year old chief executive and controlling shareholder of the Russian oil company Yukos, announced last April that Yukos would buy Sibneft, the fastest growing Siberian oil corporation. The Yukos-Sibneft merger created the world's fourth-largest company in terms of oil production, dwarfed only by ExxonMobil, BP, and Royal Dutch Shell. The new company projected a daily output of 2.06 million barrels, more than 25 percent of Russia's total, and it has total reserves of about 19.4 billion barrels. It was expected to generate $15 billion in revenues every year and boasted a market value of about $35 billion.[1] How has Khodorkovsky, who only a few years ago was making newspaper headlines for his business practices, managed to become the champion of a new corporate Russia? Is the transformation for real or just short-term opportunism?

This paper will examine the way in which Khodorkovsky moved from banking to the oil business, benefiting from the tumultuous changes in Russia, and how he slowly came to espouse a Western model of corporate governance and management. The paper will also discuss a number of external factors, such as the Russian legal system, which have helped Khodorkovsky in his rise while making it difficult for investors to assess Yukos' performance and predict its future.

2. The Privatization Process: From Menatep Bank to Yukos Oil

In 1992, after the collapse of the Soviet Union, Russia found itself with a weak and inexperienced central government in charge of a huge country whose economy was still in the hands of powerful managers of state-owned enterprises. Because these managers were unwilling to move towards reform, Russia, like most Eastern European countries, adopted the shock-therapy privatization approach. This strategy attempted quickly to change the status quo before the impetus for change lost momentum.

In 1995, the Russian government introduced a privatization scheme known as the "loans-for-shares" program. Under this program, the government auctioned its shares in companies from various sectors of the economy, ranging from telephone services to natural resources such as oil and gas. The initial idea of the government was to repay the loans back; however, it soon became obvious that no such funds would be available in the near future, hence entities and individuals who made the largest loans to the government ended up with the shares of state-owned enterprises.

One of the beneficiaries of this privatization program was Bank Menatep, which was then controlled by Mikhail Khodorkovsky. Bank Menatep handled funds that Russia spent on its 1995-96 military operations in Chechnya and later promised to spend on rebuilding Chechnya. A Russian government audit later estimated that some $4.4 billion of these funds never arrived at their intended destination. As a paper from Harvard Business School explained, "In 1995, when the company's debts to the government amounted to $3.5 billion, the government decided to offer a stake in Yukos to private investors via its Loans-for-Shares program. As a result, Menatep acquired a controlling stake in Yukos and managed to accumulate 90% of the shares by 1997."[2]

Menatep purchased Yukos for the astoundingly low price of $400 million, as was the case with many of the other natural-resource companies that were sold to the nascent group of bankers and entrepreneurs who became Russia's new oligarchs. "Yes, the price was low —$400 million—but I was taking on $3 billion of debt," Khodorkovsky explained. "In East Germany they sold such companies for $1."

---

[1] Bellaby, Mara (Associated Press). 2004. *The Guardian Online* (http://www.guardian.co.uk), 4 October.
[2] Salter, Malcolm S. and Joshua N. Rosenbaum. 2002. OAO Yukos Oil Company. Harvard Business School, 29 January.

Khodorkovsky used ownership of Yukos shares to borrow heavily from Western banks. In 1997 and 1998, he repeatedly pledged shares in the recently acquired Yukos (as well as its subsidiaries) as collateral in loan transactions. When Russia was forced by the 1998 currency crisis to devaluate the ruble, Bank Menatep suffered heavy losses on ruble-denominated GKOs (short-term Russian government bills) and defaulted on loans from three international banks—Daiwa, Standard & West Merchant—that held Yukos stock as collateral. After Bank Menatep collapsed, all three banks eventually sold their stakes in Yukos, as it was proving impossible to recoup any principal or interest on the loans for which Yukos shares were collateral.

Khodorkovsky transformed himself from banker to oil magnate as he turned his attention to re-building Yukos. The oil market began to improve, the post-devaluation environment was looking favorable for export-oriented businesses, and few powerful players quested Khodorkovsky's reborn status as he turned around Yukos Oil.

3. From "Corporate Governance Nightmare" to Poster Child of the Russian Market

In 1999, Yukos had a market capitalization below $200 million and a poor reputation among companies on the Russian stock exchange. At that time, it seemed that investors would never recover the losses Yukos had accumulated in both the holding company and its oil-producing subsidiaries. Troika Dialog, a Russian brokerage house, dubbed Yukos a "corporate governance nightmare" and ranked it at the bottom of its annual Russian corporate governance survey.

After the currency crisis in August 1998, Yukos shares had dipped to below $1 from a high of $6.50 in 1997 when its shares were pledged. The company had been adversely affected by the aftermath of the crisis and the plunge in oil prices, but its stock price fell most sharply when Yukos started milking its oil-production subsidiaries through transfer pricing, thereby hurting the investors in those subsidiaries with separately listed shares. In the aftermath of the devaluation crisis, Khodorkovsky exploited an opportunity to consolidate Yukos' subsidiaries via a share-exchange offer made at ridiculously low valuations relative to investors' original investment values.

Irate investors launched a media war against Yukos, revealing that shareholder meetings had been displaced at the last minute to locations 300 miles away and that foreign shareholders could not effectively oppose the decisions made by the holding company. In the summer of 1999, Yukos' reputation hit rock bottom, and disgusted foreign investors decided to divest.

Four years later, the publicly traded Yukos had overtaken Lukoil as Russia's largest oil producer and held reserves comparable in size to those of Exxon. Today, Yukos files quarterly reports in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and has an American Depositary Receipt on the New York Stock Exchange (Level I). It is one of the few Russian companies to pay a dividend. In 2002 Yukos paid a $400 million dividend, representing a yield of 2 percent. The company has a senior debt rating of BB (Standard &Poor's) and has become a leader in Russian corporate governance, according to various Western publications such as *The New York Times, Business Week,* and *The Wall Street Journal*. *The Financial Times* put Yukos on its list of "top 10 companies for shareholder confidence" for 2003.

How did Khodorkovsky take the company from there to here? He started by acquiring dumped shares and consolidating Yukos' subsidiaries. Then he launched several corporate governance reforms to orchestrate a rebound in the market value. His new approach to management involved three key reforms:

- Western-style disclosure: A strategic alliance with Schlumberger, a large global oil services company, offered an exchange of key personnel, including a CFO from Schlumberger with the mandate of implementing US GAAP accounting with quarterly reporting targets by 2001. Also, Yukos created a new investor-relations team including a foreign associate. The company also organized its first in-house meeting between management and analysts.
- Independence of the board: This involved bringing in high profile and reputable Western directors, reducing the number of directors, and placing only three members of the management on the board. The board set up an audit and corporate governance committee chaired by a foreign non-employee.
- A corporate governance charter: As part of its commitment to future good corporate governance, Yukos pledged to reduce the risk of shareholder dilution through the elimination of existing issuable shares and a new shareholder approval rule of 75 percent plus one share.

Khodorkovsky's reforms did not have an immediate impact. For example, since management still retained more than 75 percent of the company, the new voting rule made little difference. Foreign investors were still concerned about the scope of consolidation for the financial data reported and how well the financial reporting reflected the true state of Yukos Oil. How could investors be sure that the piece of the company they bought or owned was really entitled to receiving the hard cash from the oil exports paid for in dollars? Finally, the Russian shareholder protection regulatory environment, while existing on paper, was unenforceable by rule of law; thus corporate governance for a Russian company was entirely based on the building of credibility: announcing targets and meeting them. The share price of the company would only increase after the stated milestones had been met. At the end of 2000, Yukos stock finally climbed back to $2, but was still seen as a relatively wild bet.

Therefore, in 2001, the company was forced to expand its corporate governance program further. With rising oil prices aiding cash generation, Yukos paid out its first-ever dividend for 2000, approved in June 2001. Adopting U.S. GAAP standards rectified the lack of transparency in the company's financial information. To audit those, Yukos was one of the first Russian companies to employ an independent Western firm as auditor, PriceWaterhouse-Coopers.

Yukos agreed to a specific timetable to switch from annual GAAP reports in 1999 to quarterly reporting, starting in 2001. The company also issued American deposit receipts (ADRs) in the New York Stock Exchange (NYSE), committing further to increased standards of financial disclosure.

Management also agreed to increase the free-float of the company beyond the ADR listing. It set up a retirement fund, the Veteran Petroleum Trust, for employees with 10 percent of Yukos shares. As a result, the Yukos shareholding structure started resembling a configuration, with 61 percent of ownership in the hands of management (under the name Menatep Group), 11 percent held by ADR holders, 11 percent held by other shareholders, and 3 percent of UBS exchangeable bonds, amounting to a free float of approximately 25 percent. Yukos was trading at around $10 per share in the summer of 2003.

Regarding the current composition and extent of independence of its Board of Directors, one could argue that Yukos is on a par, if not ahead, of many US corporate boards. The chairman and CEO functions are split between Sergey Muravlenko, who had been president of Yukos prior to 1996, and Khodorkovsky, respectively. Raj Gupta, a former vice president of Philips Petroleum, heads the compensation committee. Sarah Cavey, a senior partner at a US law firm, heads the corporate governance committee. Jacques Kosciusko, a former vice president at Credit Lyonnais, heads the Audit Committee. Michel Soublin, treasurer of Schlumberger and former CFO of Yukos, heads the finance committee. There are also five additional independent directors, and the board oversees a number of corporate social responsibility programs.

During 2002, Yukos continued to build on its commitments to strong corporate governance and transparency by disclosing details of its ownership, which also shed light on the man who is now Russia's wealthiest oligarch. The 36 percent stake held by Khodorkovsky was recently valued at more than $7 billion. Khodorkovsky says his wealth is a reward for taking risks that others would not. However, Russian oligarchs built their empires on what was handed to them by the state, rather than having to "carve [their wealth] out of the wilderness like America's 19th-century robber barons did."[3]

4. Corporate Governance and Transparency in Russia

In a relatively short time, Yukos managed to overcome many of the corporate governance issues that the majority of Russian companies have historically failed to tackle, which can be summarized as:

- The lack of transparency in company management
- The lack of accountability to shareholders on the part of management
- Unfair treatment of minority shareholders
- Weak coordination and advocacy among shareholders and stakeholders
- Weak corporate governance culture
- Poor enforcement and oversight of existing laws and regulations.

When it comes to discussing the bad reputation that he had in his early days as a Menatep oligarch, Khodorkovsky is surprisingly candid about some of his past mistakes and less-than-honorable actions. Initially, corporate transparency was not high on his agenda, as he himself admits. "We considered [some] matters less important: the environment, investor relations, corporate governance as a whole. And then suddenly, it hit us over the head, hard, and we realized we were wrong." (Schleifer and Vasiliev 1996)

Today, Yukos's Web site proudly displays awards won from the Investor Protection Association, representing the Russian and foreign investors working on the Russian stock market. Last year, Yukos was named the winner in four nominations of seven possible:

- The Best Manager in 2001 - Mikhail Khodorkovsky, CEO
- Company with best dividend policy
- Company with best Web site (www.yukos.com)
- Company with most improved corporate governance in 2001

5. External Factors that Helped Promote Yukos' Recovery

It is important to bear in mind that Yukos' transformation fortunately coincided with and was clearly helped by a recovery in Russia's economy. After the currency crisis of 1998, Russia began to take steps to put its

[3] Freeland, Chrystia. 2000. Sale of the century: Russia's wild ride from Communism to Capitalism. New York: Crown Publishing Group.

macroeconomic house back in order. The Russian GDP grew by 3.2 percent in 1999, by 8.3 percent in 2000, and by 5 percent in 2001.

Most of this growth in the Russian economy was due to the sharp increase in oil prices. Oil prices jumped from $10 per barrel in early 1999 to $28 per barrel in early 2000. In addition, oil consumption in 2001 increased despite the slowing global economy.

While Russia had experienced oil-driven growth in the past, this time the windfall coincided with promising governmental reforms and a more stable macroeconomic context. The government enacted tax reforms while cutting spending. Russia paid about $17 billion of its outstanding debt in 2001, reducing its debt level to $135 billion. The ruble stabilized and inflation was brought under control, leveling at about 20 percent in 2001 (CountryWatch 2002).

Alongside governmental reforms, managers of the former state-owned oil enterprises were finally boosting profitability through extensive and aggressive cost-cutting efforts. The large oil enterprises now began to segment their operations into distinct business units, creating internal markets between their producing and refining units. They began to make use of information technology tools in addition to outsourcing some oil field operations and non-core services. In the case of Yukos, thanks to a strategic alliance with the U.S. division of Schlumberger, it adopted Western oil field technologies and advanced drilling systems. In 1999, Yukos Oil was able to reduce its production cost per barrel of oil from $9.50 to $5.50 and to lower its well servicing costs by 22 percent.

Foreign investors also began to organize themselves and clamor for corporate governance reforms. President Vladimir Putin had just come into office; from the point of view of investors, he was an unknown entity. Investors could not be sure that he would not revert to the old Soviet structures and institutions to strengthen his political control.

A shareholders' rights lobby group, the Investor Protection Association, was established. Headed by Dmitri Vailiev (the former head of Russia's Federal Securities Market Commission) and backed by the 25 largest portfolio-investors in the country, this group succeeded in securing the appointments of independent directors to the boards of many leading companies in Russia. The fruits of these efforts included first-ever dividend payments and restructuring plans that favored minority shareholders. In addition, steps were being taken to create a Russian ratings firm.

Finally the investors were gaining the ear of the government. The Federal Commission for the Securities Markets of the Russian Federation (FCSM) had been created in 1996 as the successor agency to the Federal Commission on Securities and the Capital Market, (established in November 1994). Initially, the lack of government support and the slow pace of market reforms hampered the FCSM. The FCSM had limited power, as it was not authorized to order any investigations into alleged violations. However, amended laws have been slowly giving the FCSM more clout. Attempting to increase legal protection for investors, Russia adopted the new Law on Protection of the Rights and Interests of Investors on the Securities Markets in 1999. These rights granted shareholders some power over the decisions to issue new shares. In addition, new resolutions enacted in 1998 required a more stringent level of disclosure than was required by the 1996 Law on the Securities Market.

6. Risk Factors: Russia's Legal Landscape

Despite a promising macroeconomic picture and reforms of the securities markets, investors still have much to fear in Russia. Concerns remain over weak external corporate governance institutions, the control of financial flows, the significant government stake in joint-stock enterprises, and the stripping of corporate assets ("tunneling").

At this stage, it is worth devoting some consideration to perhaps the biggest risk factor for investors to consider: the persistent weakness of Russian legal protection for private property and contracts. Paramount among the structures needed to protect investors and to support corporate governance programs is the requirement for a strong legal infrastructure. One source of widespread distrust in the Russian court system was the Russian government's lack of attention to issues of legal reform and the judicial system. Development of the Russian legal infrastructure had not caught up with the rapid pace of privatization and business development. Simply put, Russian rule of law was still rudimentary. Joseph Stiglitz, winner of the Nobel Prize in Economics for his work on the problem of asymmetric information, sets forth this definition:

> "By the *rule of law* we mean well-defined and enforced property rights, broad access to those rights, and predictable rules for resolving property rights disputes. By *no rule of law* we mean a legal regime that does not protect investors' returns from arbitrary confiscation, does not protect minority shareholders' rights from tunneling, and does not enforce contract rights." (Hoff and Stiglitz, 2002)

In general, business culture in Russia is one of law avoidance. As a result of an ineffective Russian legal structure, businesses and citizens avoid the court system altogether, and operate on their own systems of justice and enforcement.

The main problems stem from:

- The lack of uniform and universally binding legal rules
- Weak, understaffed courts that are not backed by effective enforcement bodies
- A shortage of well-trained, independent judges and prosecutors
- Weak and ill-defined bankruptcy procedures to restructure or eliminate value-destroying enterprises
- The lack of government respect for the rule of law
- A risk of re-nationalization of formerly state-owned properties.

In particular, the writing of laws necessary to regulate this new business landscape has lagged far behind the rapid privatization process. The first two parts of a new Civil Code were adopted in 1995-1996. While it does not address all relevant topics, the new Civil Code covers the main categories of property, buying and selling, contracts, and obligations. While the importance of contracts in Russia has grown since the early 1990s, they are still considered a secondary formality by most business managers—more a bargaining tool than something to be implemented.

Initially, kleptocrats close to the government were able to convince the Russian Central Bank and the finance ministry to oppose strong securities laws and the formation of an effective securities commission. As a result, the Securities Commission was rendered fairly powerless in the realm of capital markets regulation.

Distrust of commercial courts is not without reason. There are a number of examples where court rulings have effectively revoked private ownership (e.g. the re-auctioning of already owned shares in Bratsk Aluminum Plant to new bidders in 1995). Given these endemic problems in the commercial court system, litigants seek to resolve their problems outside of the system. Sometimes the result is pure lawlessness, where people feel the need to take the law into their own hands.

Russia's weak judiciary plays very much into the hands of local governments and powerful business interests. Judges and prosecutors are often corrupt, politically involved, and not impartial. Many have not been able to shake their mantel from Soviet times as defenders of the state's interests at the expense of the individual.

Enforcement of the law is also a huge challenge in Russia, given the high level of corruption within the local police force. Often, local police are unwilling to cooperate with the courts. When the police actually do try to enforce the courts' decisions, they often have to contend with well-armed security people shielding the defendants. Often, commercial judges find themselves pressured and harassed by the local officials involved in the cases.

7. The Credibility Problem: Trusting Khodorkovsky Remains a Leap of Faith

The legal vacuum discussed above would worry not only Yukos shareholder, but also anyone investing in Russia. In addition, other factors related more specifically to Yukos should give the company's investors pause, particularly the way in which Yukos has managed so quickly (in just a few years), to turn itself from a corporate governance nightmare to a poster child for sound management. The overall impression given by today's Yukos is clearly positive. As Stephen Handelman, a former *Time* magazine correspondent in Moscow and the author of a book about the Russian mafia, noted skeptically at a recent seminar, "Khodorkovsky is regarded today as one of the most transparent and honest billionaires in the world."

But can a leopard really change its spots? Judging by his murky past, it can be argued that Khodorkovsky is little more than a cunning opportunist who came to recognize, more quickly than other Russian oligarchs,that his wealth depended on maintaining a high share price. Why did he learn that lesson? A look at the share price helps answer this question. The stock market punished Yukos in early 1999, when Khodorkovsky was busy squeezing out the minority shareholders. But having completed this task, he immediately moved towards transparency and corporate governance. As a result, he was more than handsomely rewarded in 2000, when Yukos shares climbed 700 percent and the company was the only one among the five listed Russian oil companies to experience a gain.

Khodorkovsky likes to draw parallels between his career path and those of the great robber barons, who went from being crooks to being lauded philanthropists and the crème-de-la-crème of nascent corporate America. These comparisons may sound plausible, but the end of the story is not yet in sight. As Peter Oppenheimer, a professor at Oxford University and co-editor of a book on Russia's Post-Communist economy, pointed out: "He's working hard to make people believe he's playing by the rules. But his conversion is not yet proved."

Should his interests suddenly start to differ from those of his shareholders, there is no reason to think that Khodorkovsky will look after their needs rather than his own. While running Bank Menatep, he demonstrated that he had few qualms about leaving others to pick up the mess and that he would go to almost any length to keep himself above the law. For example, in one celebrated incident during an investigation of Menatep, a truck full of Menatep's documents somehow plunged into the Moscow River. Shareholders must therefore hope that the interests of a chief executive who retains control of Yukos remain closely aligned to their own.

Interestingly, Khodorkovsky has already started hinting that he may be looking to adopt a more leisurely lifestyle to enjoy his huge wealth. According to the latest rankings by *Forbes*, he is now the world's 26^{th}-richest person, with about $8 billion of wealth in cash and assets. In early April, he told *Vedomosti*, a Russian daily newspaper, that 2007 might be a good time for him to resign. "I'm working five days a week, 10 hours a day and I don't want to be doing the same thing at the age of 45," he told the newspaper. "I will be relaxing." But will shareholders also be able to relax once he leaves? Are his corporate reforms long-lived?

Currently, Khodorkovsky controls 60.5 percent of the Yukos equity via Group Menatep. Since Khodorkovsky has done little to outline a succession plan, there is nothing to prevent him from continuing pulling the strings behind the scenes after he retires (Yukos.com).

There is another caveat: Russia remains a system where oligarchs need political support in order to thrive. Although President Vladimir Putin came to power promising that he would impose firm rule of law, his efforts to break up the stranglehold of the oligarchs on the Russian economy have proved largely cosmetic and have resulted in little more than a reshuffle to his own advantage. Essentially, Putin ousted the leading media oligarchs who had criticized him and helped promote a new generation of oligarchs who are close to the Kremlin. Even if the government has only retained a tiny equity holding in Yukos (about 0.07 percent), its influence on the oil industry remains enormous, due to its decision-making power in the construction of oil pipelines. For example, the government is set to make a decision in early Summer 2003 regarding whether to build a planned 2,300-mile link between Angarsk in Siberia and Nakhodka on the Sea of Japan, which would be the longest pipeline in the world, or an alternative pipeline to China. Yukos is backing the Chinese proposal while Rosneft, its state-owned rival, favors the Japan route, leading to an intensive and very important lobbying campaign in recent months. So far, Khodorkovsky has managed to stay on the right side of Putin, but the pipeline decision will be an important test to assess the strength of his political links.

There is a further reason to think that political connections will remain key for Yukos. The Russian oil sector appears ripe for further consolidation and Yukos has made it clear that it would seek to be among the predators, as shown by its planned takeover of Sibneft. But now that Yukos is clearly overtaking Lukoil as Russia’s largest oil producer, any attempt to increase its market share further is likely to face tougher government scrutiny.

On August 14, 2003, Russian authorities finally approved the merger of Yukos and Sibneft, creating the world's fourth-largest private oil producer. The company's merger hung in the balance for months as prosecutors pursued a series of criminal probes into Yukos, arresting one of its top executives, Platon Lebedev, who remains in jail on privatization fraud charges dating to the early 1990s. The Kremlin assault on Yukos had been interpreted “as an attempt by factions within the Kremlin to wrest control of one of the country's most thriving and powerful enterprises.” (Johnson 2003)

It was also seen as a part of a broader political battle between Khodorkovsky and the Kremlin. Khodorkovsky’s current support of political candidates that directly oppose President Putin soured the relations between Yukos and the Kremlin administration. “Some say it originates from Khodorkovsky's increasing allegiance towards the liberal movement, which opposes Putin's authoritarian style. Although Yukos is a large and generally successful company, some mighty Russian businesses have been brought down after antagonizing the Kremlin.” (BBC News July 2003)

8. Conclusion

In the course of just a few years, Yukos has transformed itself into the largest and most efficient company in the Russian oil sector, a position that was strengthened further once it acquired Sibneft. Yukos has also become the flag bearer for corporate governance reforms in Russia. However, shareholders need to remember that they are investing in a company that is effectively in the hands of one man, which means relatively limited liquidity (the free float of publicly held shares is only about a quarter of the total equity) and a major reliance on the controlling shareholder. Furthermore, the Russian legal system has yet to show that it really has the teeth to protect investors from abuses. As Standard & Poor’s, the credit rating agency, noted in a November 2000 report, “the ability of shareholders to use existing laws to fight illegal actions are limited both by the lack of legal precedent in interpreting the law and by the lack of experience of Russian courts in adjudicating claims in many commercial sectors.”

References

Baskakov, V. 2002. Russia's parliament passes bankruptcy law. *Strana.ru*, 21 June. http://www.therussianissues.com/announce/15637.html

Black, Bernard (Stanford Law School), Reinier Kraakman (Harvard Law School), Anna Tarassova (University of Maryland)(Davidson Institute Working Paper 269). 2000. Russian privatization and corporate governance: what went wrong? *Stanford Law Review*, July. www.worldbank.org/research/inequality/pdf/black.pdf

Bradley, J. 2003. Privatization in Central and Eastern Europe: Models and ideologies. BBC News, 16 July. http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/3070965.stm

Standard and Poor's. 2000. Corporate governance issue in the Russian Federation. November. http://www.sandp.com

Euromoney. 1999. Yukos: Russia's oil giant. June, 257.

Gaddy, D. E. 2000. Fresh opportunities arise in Russia as country's oil majors respond to lessons learned from the 1990s. *The Oil & Gas Journal*. 98:9-23.

Gustafson, T. 1999. *Capitalism Russian-style*. Cambridge University Press.

Hoff, K. and J. E. Stiglitz (NBER Working Papers 9282). 2002. After the Big Bang? Obstacles to the emergence of the rule of law in post-communist societies. National Bureau of Economic Research, Inc, October. http://www.nber.org/papers/w9282

Horrigan, B. and Matheny, T. 1999. Surviving Russia's meltdown. *International Financial Law Review*, 18:1-26.

International Financial Law Review.1999. Russia: New law on protection of investor rights. 18:7-53.

Johnson, David. 2003. CDI Russia, July. http://www.cdi.org/russia/269-5.cfm

Obut, T., 1999. Comparing Russian, Western major oil firms underscores problems unique to Russian oil (Part 2) [Company Profile]. *The Oil & Gas Journal*, 98:5-1.

Radygin, A. 2002. Corporate governance in Russia: Constraints and prospects. *Voprosy Ekonomiki*, January, 101. http://www.iet.ru/personal/radygin/cg-ve2002-eng.pdf

Russia: 2003 Country Review. 2002. CountryWatch, December. http://www.countrywatch.com/cw_country.asp?vCOUNTRY=142

Schemann, Serge. 2003. Profits in going legit: Some Russian tycoons resort to honesty. *The New York Times*, 12 January.

Shilina, E., *et al.* 2002. Recent developments in corporate governance structure in Russia and the role of boards of directors.

Shleifer, A. with Vasiliev, D. 1996. Management ownership and Russian privatization. In R. Frydman, C.W. Gray and A. Rapaczynski, ed., *Corporate Governance in Central Europe and Russia, Volume 2: Insiders and the State*. Budapest: Central European University Press.

Tavernise, S. 2000. 'I want the market to work: Russia's new securities watchdog faces daunting obstacles. *Business Week*, 17 April, 158.

Troika Dialog Research. 2001. Yukos: The corporate governance mantra. 31 May. http://www.troika.ru

Vetrova, Olga. 2001. Foreign backers back off. Worldlink, 26 January.
http://www.worldlink.co.uk/stories/storyReader$556

Visit Yukos' Web site for fact sheets, capital structure, corporate governance charter, etc.
www.yukos.com