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| Press release May 22, 2015 |

**Egorov Puginsky Afanasiev & Partners successfully defended Rostec Corporation and its affiliate RT Capital in its long-lasting dispute with Erste Group Bank A.G.**

**Egorov Puginsky Afanasiev & Partners in collaboration with the UK law firm Macfarlanes successfully defended the interests of the Russian State Corporation Rosteс and its affiliate RT Capital in its dispute with Erste Group Bank A.G. (Erste) which lasted for about three years.**

The dispute arose when Erste London branch, one of the creditors of Red October Volgograd Steel Works, filed a lawsuit accusing Rosteс and its affiliate RT Capital of the plant’s premeditated bankruptcy with the aim of harming Western creditors (a loan of $80 million had been made available to the plant under an agreement of 2007 by Erste, one of the lenders in the syndicate of western banks).

In August 2011, Erste notified the borrower of its intention to commence proceedings in England by virtue of provisions of the loan agreement and guarantee. Despite the fact that the requirements of the case directly related to the bankruptcy of Russian enterprises considered by the Arbitration Court of the Volgograd region, the Bank claimed that the process in Russia was unfair, in particular, due to the bias of Russian judges. Continuing the bankruptcy case, the Bank tried to get around Russian legislation which provides for the ranking of creditors' claims: and made such request in the English court. According to Erste, Rosteс, being a shareholder of the plant at the beginning of the bankruptcy, contributed to the fact that the plant was avoiding payment of the loan. Rosteс and RT Capital contested jurisdiction of the English court to hear the case on the grounds that the Erste’s claims should be considered only in relation the Russian bankruptcy case.

In October 2013 the Court of First Instance sided with the Bank, recognizing jurisdiction. At the same time, it ascertained no reason to doubt the impartiality of Russian judges. At the end of 2013 GC Rosteс managed to get the Court of Appeal’s permission to appeal the decision of the Court of First Instance.

On April 17, 2015 the Court of Appeal ruled in favor of Rosteс and RT Capital, quashing the first instance judgment which had earlier recognised jurisdiction and declined further consideration of the claim. The court also ordered Erste to reimburse the defendant to the value of about £2million in litigation costs as a preliminary payment.

The Court of Appeal's decision sets an important precedent confirming the inadmissibility of the use of the English courts to review Russian judicial decisions, as well as largely clarifying legal aspects of bankruptcy proceedings in foreign jurisdictions with the participation of British companies on the lender side.

Rosteс was represented by the International Arbitration and Litigation Practice of Egorov Puginsky Afanasiev & Partners, including Senior Associates Vladimir Talanov and Olga Vishnevskaya supervised by Senior Partner Stanislav Puginsky and Head of the International Arbitration and Litigation Practice Evgeny Raschevsky. International law firm Macfarlanes as well as Richard Morgan (QC) and Richard Snowden (QC) were also involved in this project as counsels.

*“Thanks to the high level of expertise of the lawyers involved in this case, we managed to collect and present evidence that allowed us to efficiently counter our opponents who sought to prove non-compliance of the Russian arbitrazh courts with the international standards. As a result, not only did we protect our client's financial interests but also mitigated serious reputational risks”, notes Evgeny Raschevsky.*

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| **About EPAM**Egorov Puginsky Afanasiev & Partners is the leading national law firm in the CIS with offices in Moscow, St. Petersburg, Kyiv, Minsk and associated offices in London and Washington, D.C. Founded in 1993, the firm combines extensive emerging markets experience with international professional standards. It provides full spectrum of legal services to national and international businesses, government agencies, international organizations and financial institutions all over the CIS.**Media contacts:** |
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