

**PRESS RELEASE****ARBITRATION BETWEEN LIMITED LIABILITY COMPANY LUGZOR AND FOUR OTHERS AS CLAIMANTS AND THE RUSSIAN FEDERATION AS RESPONDENT**

THE HAGUE, 13 DECEMBER 2017

Procedural Calendar Set for Written and Oral Submissions on Responsibility and Quantum; Tribunal Issues Questions to the Parties

On 15 September 2017, the Tribunal constituted in the arbitral proceedings instituted by Limited Liability Company Lugzor, Limited Liability Company Libset, Limited Liability Company Ukrinterinvest, Public Joint Stock Company DniproAzot and Limited Liability Company Aberon Ltd (“Claimants”) against the Russian Federation (“Respondent”) pursuant to the *Agreement between the Government of the Russian Federation and the Cabinet of Ministers of Ukraine on the Encouragement and Mutual Protection of Investments* dated 27 November 1998 (“Ukraine-Russia BIT”), established a procedural calendar for written and oral submissions on issues of responsibility and quantum.

In accordance with that calendar, on 30 November 2017, the Tribunal issued questions to the Parties on issues of responsibility and quantum.

Background of the Arbitration

The Claimants commenced these arbitral proceedings under the UNCITRAL Arbitration Rules 1976 (“UNCITRAL Rules”) by way of a Notice of Arbitration dated 27 May 2015. The Claimants contend that the Russian Federation breached its obligations under Articles 2, 3 and 5 of the Ukraine-Russia BIT by interfering with and expropriating their investments in real estate located in Crimea.

By letters dated 12 August 2015 and 15 September 2015, the Russian Federation indicated, *inter alia*, that the “[Ukraine-Russia BIT] cannot serve as a basis for composing an arbitral tribunal to settle [the Claimants’ claims]” and that it “does not recognize the jurisdiction of an international arbitral tribunal at the Permanent Court of Arbitration in settlement of the [Claimants’ claims].” It also stated that nothing in its correspondence “can be interpreted as consent of the Russian Federation to constitution of an arbitral tribunal, participation in arbitration proceedings, or as procedural actions taken in the framework of the proceedings.”

On 9 October 2015, the Tribunal, comprised of Professor Donald M. McRae (Presiding Arbitrator), Judge Bruno Simma (appointed by the Claimants), and Dr. Eduardo Zuleta Jaramillo (appointed by the appointing authority, Dr. Andrés Rigo Sureda, for the Respondent), was constituted.

On 24 November 2015, the Tribunal, having sought the views of the Parties, but having received no reply from the Respondent, issued Procedural Order No. 1, which, *inter alia*, designated the Permanent Court of Arbitration (“PCA”) as registry. On the same date, the Tribunal issued Procedural Order No. 2, fixing The Hague as the place of arbitration and establishing the procedural timetable for the proceedings.

On 11 January 2016, having consulted the Parties, the Tribunal issued a Confidentiality Order.

On 4 March 2016, the Claimants filed their Statement of Claim. The Respondent failed to submit its Statement of Defence by 3 June 2016, the deadline fixed in Procedural Order No. 2. On 2 August 2016, the Tribunal ordered that, pursuant to Article 28(1) of the UNCITRAL Rules, the proceedings continue notwithstanding the Respondent's failure to submit a Statement of Defence.

On 31 August 2016, having consulted the Parties, the Tribunal issued Procedural Order No. 3, vacating all remaining steps in the timetable, with the exception of the hearing. Additionally, having sought the views of the Parties, the Tribunal granted an application from Ukraine to make submissions in this arbitration as a non-disputing party to the Ukraine-Russia BIT.

Upon the Tribunal's invitation to all Parties, the Claimants provided comments on Ukraine's submission on 12 October 2016. The Russian Federation did not provide any comments.

On 27 October 2016, having carried out a preliminary review of the Parties' submissions, and being conscious that the Respondent had not made submissions in these proceedings other than in its correspondence of 12 August 2015 and 15 September 2015, the Tribunal indicated that it would be helpful for it to pose certain questions to the Parties regarding issues that had not been canvassed, or had not been sufficiently canvassed, in the Parties' submissions. The Tribunal sent a list of such questions to the Parties on the same date. The Tribunal further indicated that it was considering whether to appoint its own experts on Russian and Ukrainian law, as well as whether to bifurcate the proceedings so as to decide issues of jurisdiction and admissibility in a preliminary phase.

On 23 November 2016, having sought the views of the Parties, the Tribunal issued Procedural Order No. 4, ordering the bifurcation of the proceedings between a phase on jurisdiction and admissibility, and a phase on responsibility and damages.

On 22 December 2016, the Claimants submitted their responses to the Tribunal's questions of 27 October 2016. The Respondent did not submit any response to those questions.

On 22 February 2017, having consulted the Parties on the identity and terms of reference of the experts to be appointed, the Tribunal notified the Parties of the appointment of an expert in Ukrainian law and an expert in Russian law in accordance with Article 27(1) of the UNCITRAL Rules. Thereafter, each Tribunal-appointed expert produced a report on specific issues identified by the Tribunal, which was communicated to the Parties for their comments. The Claimants provided their comments on 8 May 2017. The Respondent did not provide any comments.

As had been previously scheduled, the hearing on jurisdiction and admissibility was held from 16 to 17 July 2017 in London, United Kingdom. Mr. Simon Moore, Ms. Alexandra Underwood and Ms. Tracey Wright of Fieldfisher LLP, as well as Professor Zachary Douglas QC and Mr. Luis González García of Matrix Chambers, attended for the Claimants. Although invited, the Russian Federation did not attend the hearing or otherwise participate.

In the course of the hearing, Professor Douglas addressed the Tribunal in an opening statement. The Claimants presented their experts on Russian and Ukrainian law for examination. The Tribunal-appointed experts also appeared for examination. Following the hearing, its transcript was delivered to the Parties.

By letter dated 29 August 2017, the Tribunal informed the Parties that, having studied the Parties' written and oral submissions and deliberated, it intends, in due course, to render a final award in which it will uphold its jurisdiction over the dispute submitted to it in this arbitration and find that all of the claims made by the Claimants are admissible. In the same final award, the Tribunal will also decide all issues of responsibility and quantum in this arbitration.

On 15 September 2017, having sought the views of the Parties, the Tribunal issued Procedural Order No. 5, establishing a timetable for the phase of written and oral submissions on questions of responsibility and quantum, *inter alia* scheduling a hearing on responsibility and quantum to take place from 25 to 29 June 2018.

In accordance with the timetable established in Procedural Order No. 5, the Tribunal issued questions on responsibility and quantum to the Parties on 30 November 2017.

Under the instructions of the Tribunal, the PCA will issue press releases from time to time containing information on the procedural steps taken by the Tribunal. Basic information about the proceedings is available on the PCA website www.pca-cpa.org.

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Background on the Permanent Court of Arbitration

The Permanent Court of Arbitration is an intergovernmental organization established by the 1899 Hague Convention on the Pacific Settlement of International Disputes. The PCA has 121 Contracting Parties. Headquartered at the Peace Palace in The Hague, the Netherlands, the PCA facilitates arbitration, conciliation, fact-finding, and other dispute resolution proceedings among various combinations of States, State entities, intergovernmental organizations, and private parties. The PCA's International Bureau is currently administering five interstate disputes, 76 investor-State arbitrations, and 45 cases arising under contracts involving a State or other public entity. More information about the PCA can be found at www.pca-cpa.org.

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