



# **UKRAINE FINANCIAL AND COURT SYSTEM DURING WARTIME:**

## **METINVEST EXPERIENCE**

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# I. METINVEST DURING WARTIME



# METINVEST GROUP

METINVEST Group was founded in 2006 and is an international vertically integrated mining and steel making group of companies embracing iron ore extraction, coking, steel making and repair companies in Ukraine, European Union, Great Britain, USA, as well as sales offices network in all major regions of the world.

METINVEST exercises control over the entire production cycle: from iron ore and coking coal extraction to the production and sales of raw materials and final steel products.



**196** mln tons

of steel in 16 years (incl.  
42 mln tons produced by  
Zapirizhstal since 2012)



**29**

companies in 5 countries  
(production, mining, repair  
and others)



**30**

sales offices in  
20 countries



**190** billion UAH

investments into  
development of  
production since 2006



**179** mln tons

iron ore pellets



**67 700**

employees



**20**

service centers



**90** billion UAH

investments into ecology  
projects since 2006



**508** mln tons

concentrate



**1000+**

types of steel products in  
portfolio



**~ 7000**

clients in over  
100 countries

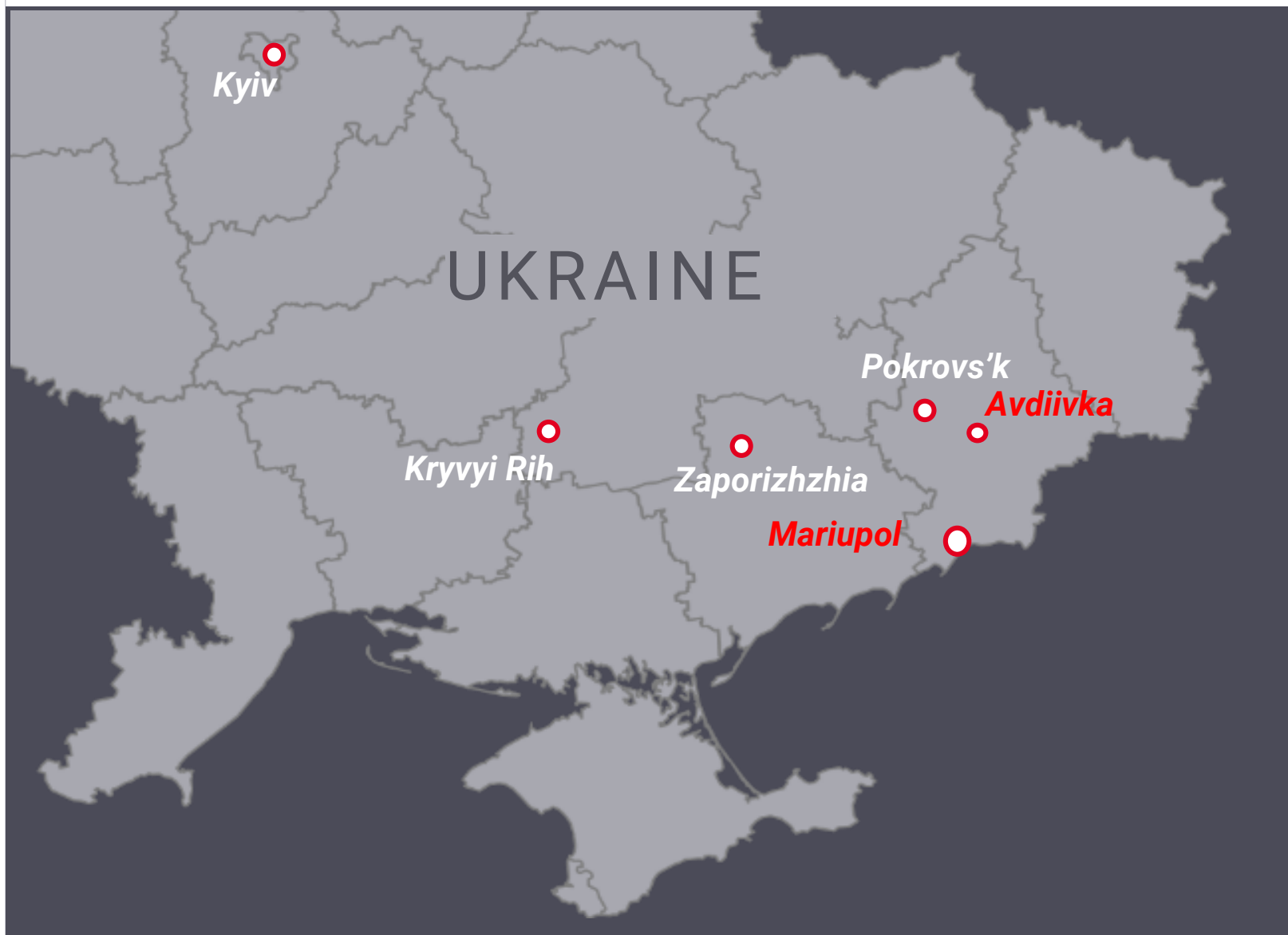


**238** billion UAH

taxes paid to the Ukrainian  
budget in 16 years



# METINVEST GROUP LOSSES



## MARIUPOL / AVDIIVKA:

Full loss of **9 plants and companies**  
with over **31 thousand working places**

## ZAPORIZHZHIA:

Full loss of **1 plant with over 2,5  
thousand working places**

Damage to **3 plants**

## POKROVS'K:

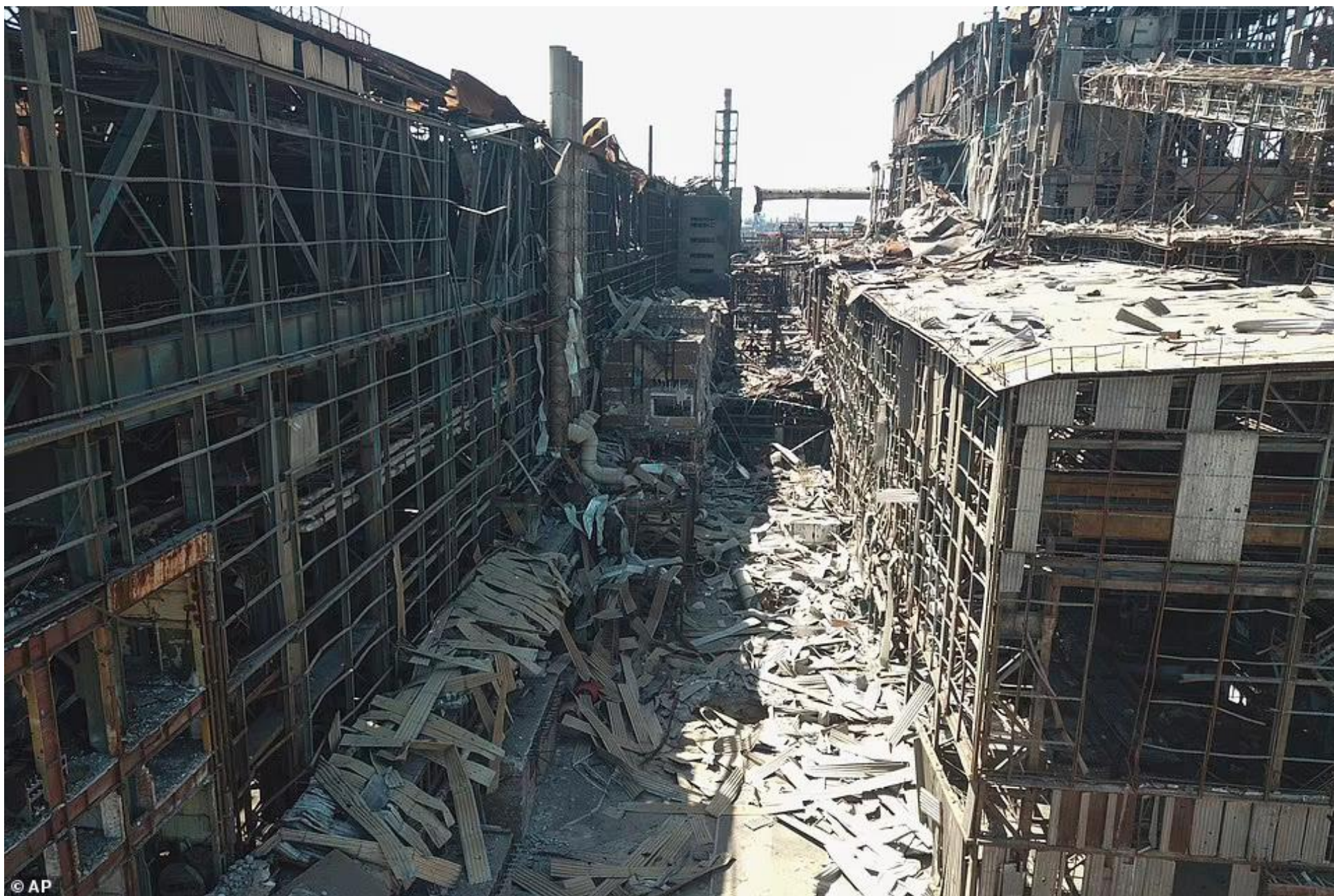
Damage to **1 plant**

## KRYVYI RIH:

Damage to **1 plant**



# AZOVSTAL. JUNE 2022













## **II. UKRAINE FINANCIAL SECTOR DURING WARTIME**





# UKRAINIAN FINANCIAL SECTOR OVER THE WAR



## BANKING SECTOR

- ✓ reforms to enhance stability and transparency;
- ✓ measures to strengthen capital requirements, improve risk management and increase accountability of banks;
- ✓ **FX restrictions in February 2022.** By now some of the restrictions have been relaxed allowing slightly better flexibility in cross-border transactions.



## SECURITIES MARKET

- ✓ **the Capital Markets Law entered into force before the war.** It facilitates efficient functioning of capital markets by introducing new models of organised markets, trustee and bondholders' meetings concepts, basis for derivatives deals and other novelties;
- ✓ **Domestic government bonds and military bonds** are dominating in 2022-2023.



## SIGNIFICANT TREND

- ✓ **liability management exercises** on international capital markets by the State of Ukraine, state owned entities and big corporates.

**Ukraine continues working towards improving its financial sector by implementing various structural reforms and addressing challenges such as corruption, lack of transparency, non-performing loans and inadequate legal frameworks.**



# CONTRACTUAL PROVISIONS DURING THE WAR

## Financial covenants

Financial standing of many Ukrainian businesses is facing severe challenges which has negative impact on the contractual undertakings. Financial covenants are sought to be revised by Ukrainian borrowers.

## Cessation of business

Temporary occupation of territories, loss of operational control, logistical issues, blackouts and similar events raise questions from the creditors and are often handled through obtainment of waivers.

## Cross-border payments moratorium

Ukrainian borrowers are largely restricted by the NBU in making payments abroad to service their debts. Only few exceptions are permitted (e.g. payments to IFIs).

## Expropriation and seizure

Negative legal effects of unlawful expropriation of assets located on the occupied territories. Mitigating actions to be considered.

## Destruction of material property

Assets of Ukrainian businesses were damaged as a result of hostilities. A number of affected companies have already started seeking compensations in judicial proceedings.

## Material adverse effect

The scope of MAE remains particularly important. It is more preferable for the company if MAE applies to the whole Group rather than its single affected member.





# METINVEST MAIN FINANCING INSTRUMENTS



Two Metinvest's steel plants located in Mariupol (**Ilyich Steel and Azovstal**) damaged due to hostilities have been **appointed as unrestricted subsidiaries** under the notes transaction documents in order to mitigate the risk of default.

The has been made with respect to coke producer **same appointment (Avdiivka Coke)**.



To maintain trustworthy relationship, **all liabilities** of Metinvest's steel plant (**Ilyich Steel**) **under the ECA-covered loan agreements have been transferred to the parent company** of the Group.

All necessary waivers were proactively obtained to prevent potential technical defaults that could arise due to the outcomes of the war (e.g. relating to the NBU moratorium for cross-border payments and certain positive covenants).



Metinvest proactively obtained some **waivers from lenders under other financing instruments**. This prevented potential incompliances with certain financial covenants and other provisions of the loan agreements.

Eurobonds

ECA-covered loans

Other financing instruments



# METINVEST LIABILITY MANAGEMENT/DCM EXERCISES



## Deleveraging of the Group in 2022

- a range of private repurchases of 2023, 2025, 2026 and 2027 notes;
- cash tender offer in relation to 2023 notes.

## RESULTS

**Metinvest repurchased around \$48 million of its notes in 2022.**

## Full repayment of 2023 notes



Metinvest redeemed the remaining 2023 notes in full despite the material impact of the war in Ukraine on its business.

## Key challenges for Metinvest:

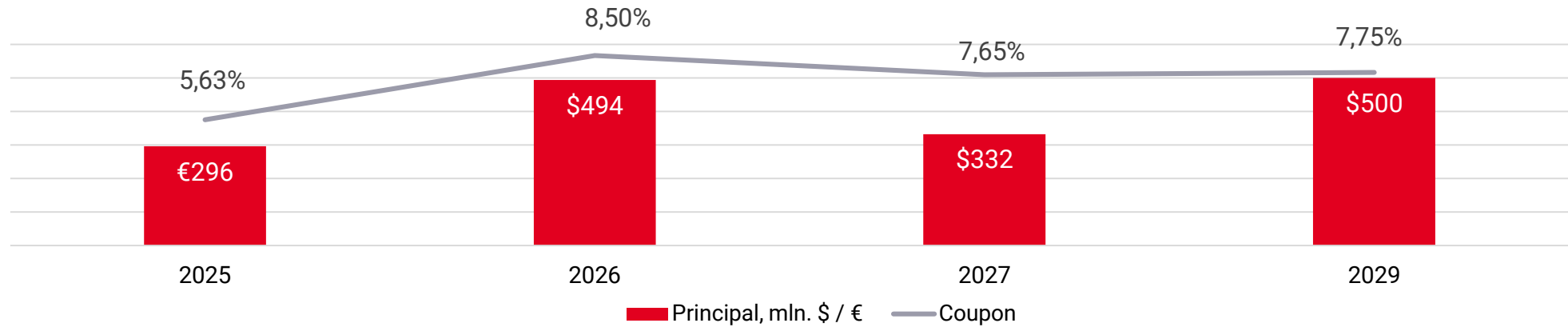
- hedge / distressed funds coming in as investors;
- exit of institutional investors;
- very close look by creditors on the company's actions and developments; and
- increased focus on the company's financial and operational prospects.



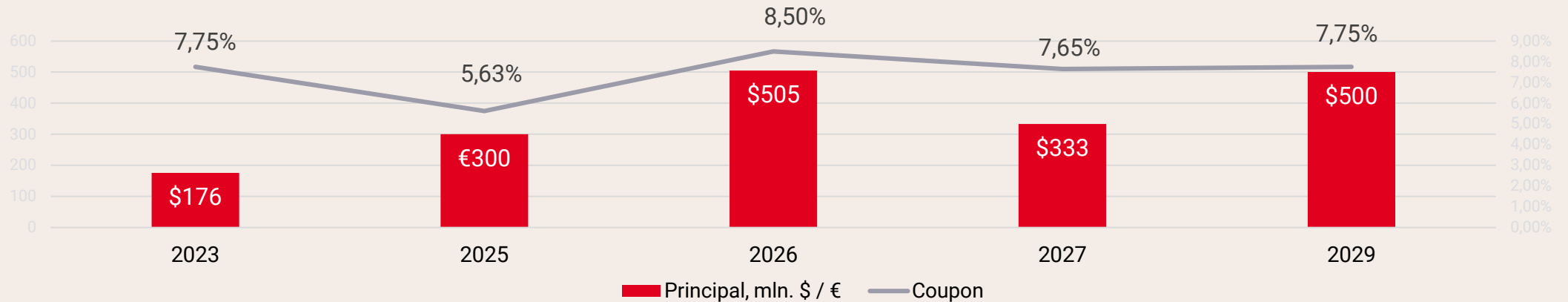


# METINVEST OUTSTANDING NOTES OVERVIEW: DELEVERAGING

Current structure of Metinvest's notes



Structure of Metinvest's notes prior to 24 February 2022 (pre-war period)





# 2022-2023 LIABILITY MANAGEMENT TRANSACTIONS: KEY ISSUERS



**Ukraine** consent solicitation for postponement of payments under the notes and GDP linked securities for 2 years.



**Ukravtodor, Ukrenergo and Ukrainian Railways** consent solicitations (substantially on similar terms as Ukraine's above).



**Naftogaz** consent solicitations for postponement of payments (2024 notes completed), 2022 and 2026 notes (ongoing).



**State Savings Bank of Ukraine and Ukreximbank** consent solicitations relating to a temporary suspension of the capital adequacy and some other covenants.



**DTEK Energy and DTEK Renewables** tender offers to manage debt portfolio.



**MHP** consent solicitation for a temporary postponement of payment of coupon under its notes.

Sovereign

Quasi-  
sovereigns/State  
owned

Corporates





# 2022-2023 KEY TRENDS: STRUCTURED FINANCE

## Key efforts from Metinvest perspective

Proactive management of all potential risks across various financing instruments of the Group

- ✓ **risk analysis;**
- ✓ development of **risk mitigation strategy;** and
- ✓ implementation of **risk mitigation actions**, including:
  - proactive **communication** with creditors with the aim to clarify and substantiate position on certain clauses;
  - obtaining relevant **waivers** to the extent appropriate; and
  - implementation of certain **amendments** for the sake of debt service possibility and event of default risk mitigation.

## Key challenges for Metinvest and other Ukrainian borrowers

○ increasing cost of financing, re-assessment of risks related to Ukraine

○ suspension of the long-term sizeable investment and other projects

○ high demand for additional security and guarantees by financial institutions

○ request for additional reporting requirements, intensified sanctions analysis of routine operations



# **III. UKRAINE COURT SYSTEM DURING WARTIME**



# UKRAINE COURT SYSTEM OVER THE WAR

**587 courts** currently functioning



**87 courts**

have ceased to exist since 2022 (due to war zone location or occupation).

In the period 2014-2022 **84 courts** stopped functioning due to Crimea and Donetsk and Luhansk regions occupation)



**Some 500 judges**

evacuated from war zone and occupied territories and were assigned to other courts in Ukraine

**13 courts**

fully destroyed

**86 courts**

partially destroyed



**24 February 2022  
– August 2022**

consideration of 90% of disputes was put on stop



**March 2022 –  
June 2022**

the Unified State Registry of Court Decisions was paralyzed



Complete / partial loss of IT servers and hard copies of the court files.

Only part of court files were restored (where decisions were made), the rest is irrevocably lost





# COURT SYSTEM ADAPTATION TO WAR CONDITIONS

✓ **Change of territorial jurisdiction** (functions of affected courts were transferred to other courts)



✓ **procedural deadlines are restored** if they were missed due to war actions



✓ **The Supreme Justice Council has resumed its work** only in January 2023 (review of judges' dismissal and professional liability issues)



✓ facilitation of **online procedures** of dispute resolution

✓ usage of **electronic signatures**

✓ procedural **notifications are served electronically**





# CURRENT CHALLENGES

## Expected changes:

- ✓ kick off of The Unified Court Information and Telecommunication System (the «System»);
- ✓ mandatory registration of all legal entities / attorneys in the System;
- ✓ returning without consideration of procedural documents submitted bypassing the System;
- ✓ procedural exchange of the docket documents through the System without dubbing in hard copies.

## Difficulties:

- ✓ electricity shut downs;
- ✓ air sirens affecting planning;
- ✓ lack of infrastructure (Internet, equipment).



## «+»:

- ✓ facilitation of procedural documents exchange through the System and cutting up related costs;
- ✓ discounted court fees upon filing the cases through the System;
- ✓ participation of parties in the court hearings online regardless of their actual location.

## «-»:

- ✓ shortened procedural terms for appeal upon receipt of the court judgements through the System.





THANK YOU!