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**International Forum
IPO Prospects for Ukrainian Companies**

D&O Liability Insurance

September 2005

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How are directors and officers exposed?

In most jurisdictions to varying degrees, directors and officers have a duty to:

- act with care and skill
- act within the laws of the countries in which they operate
- fulfil their fiduciary duties

Means they are personally exposed: their assets and livelihoods are at risk

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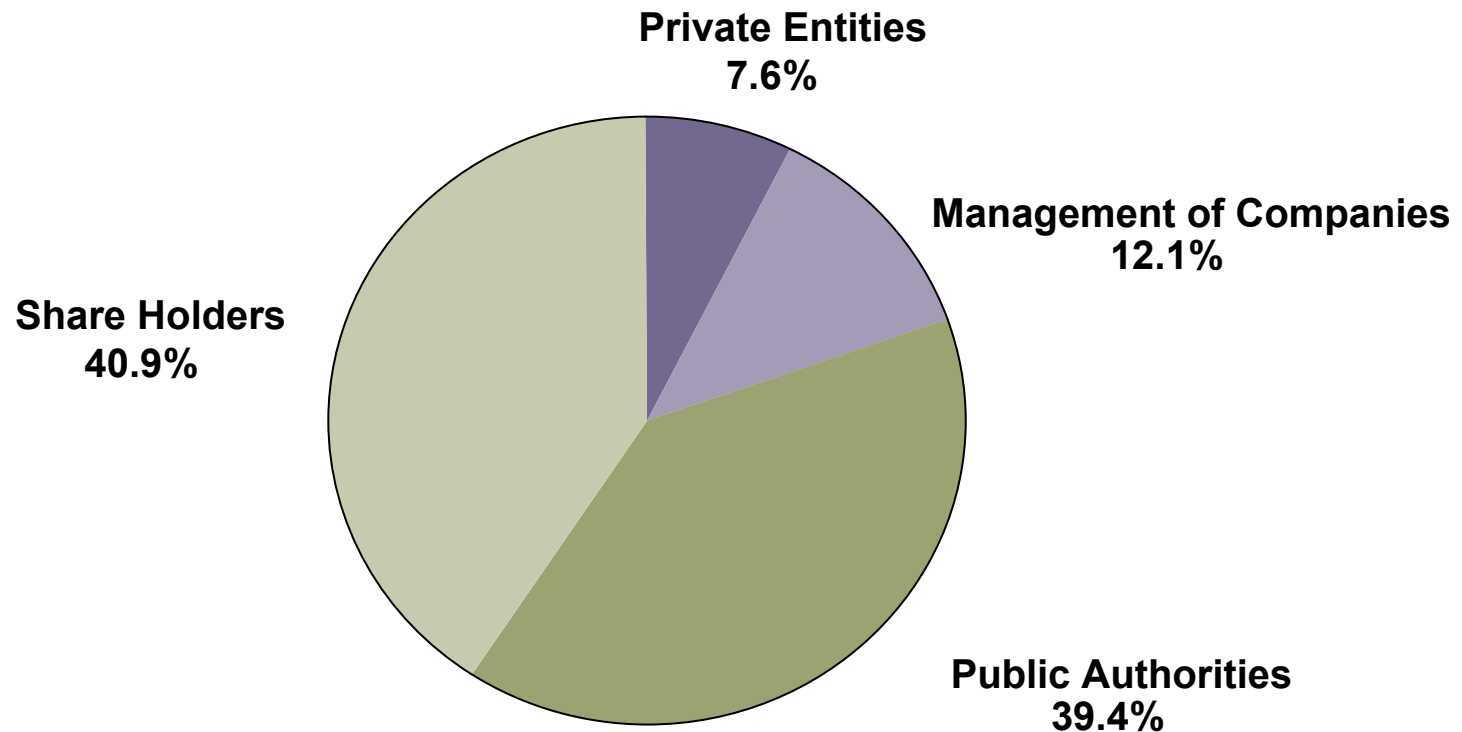
Who is likely to bring actions against them?

- Directors and officers face actions from most third parties including and in particular:
 - shareholders
 - regulators/government bodies
 - employees
 - customers
 - competitors
 - co-venturers

Shareholders and regulators represent biggest risk

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Complainer Distribution



Source: Loss & Litigation Report Gen Re January 2004

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IPO Exposures

Directors and officers are particularly exposed when undertaking IPOs.

- there are heightened levels of disclosure required in the offering documentation
- they are newly exposed to foreign listing rules and securities laws
- there is a broadened base of potential claimants in new shareholders

Often point at which companies first buy D&O

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US issues

Listing in the USA means exposure to shareholder class action law suits in the USA

- average size of settlement USD24.6million
- total number of actions against international companies (i.e. non US domiciled) 33 in 2004
- increase of 550% since 1996

Source: Cornerstone Research and AIG

Exposures and risks are increasing significantly

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Sample Class action targets 2003-5

Astra Zeneca Plc Elan Corp

Rhodia SA

Daimler Crysler AG

Adecco SA

Infineon Technologies AG

Nokia Oyj

Yukos

Vimpel-Communications

Royal Dutch Petroleum Co

Core Laboratories

Barrick Gold Corp

Bayer AG

Allianz AG

Parmalat SpA

UBS AG

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Top ten European settlements

Company	Country	Amount	Year
Lernaut & Hauspie N.V.	Belgium	USD539,100,000	2003
Daimler Chrysler	Germany	USD300,000,000	2003
Deutsche Telekom	Germany	USD120,000,000	2005
Otto GmbH	Germany	USD104,000,000	2005
Elan Corp	Ireland	USD75,000,000	2004
Alcatel	France	USD75,000,000	2001
Deutsche Bank	Germany	USD58,000,000	2002
CBT Group PLC	UK	USD32,000,000	2004
Skillsoft PLC	UK	USD32,000,000	2003
Baan	Netherlands	USD32,000,000	2003

Aon Kiev **How does D&O insurance protect against these exposures?**

D&O policies cover:

- all D&Os of parent company and subsidiaries
- for allegations of wrong doing instigated by third parties
- in the course of performing their duties as D&Os

Policy pays costs and expenses in defending D&Os and any judgement or settlement subject to the policy terms and conditions

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How does D&O insurance work?

The policy will either:

- pay directly to the individual D&O where they cannot be indemnified by their company (A side)
- reimburse the director or officers company for any indemnification it has advanced to the director or officer (B side)

Policy should cover claims bought anywhere in the world

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Principle benefits

D&O insurance provides:

- protection of personal assets when the director or officer's company cannot indemnify
- balance sheet/earnings protection for the company where it can indemnify
- ability to attract and retain quality director and officers

Many directors and officers will not serve without it

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Who buys D&O?

In our experience

- vast majority of FTSE, NASDAQ and NYSE listed companies
- most large European public companies
- increasing numbers of CIS domiciled foreign listed companies, especially in Russia

A must have product for personal liability

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Frequently asked questions

Q. Who pays the premium?

A. In the majority of jurisdictions, almost always the company

Q. Are all directors and officers covered?

A. Yes including all past, present and future directors and officers. They do not need to be named in the policy

Q. Does the policy cover fraud?

A. It will pay costs and expenses defending allegations up until a conviction or a finding in favour of the director or officer

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Frequently asked questions

- Q. What are the risk factors that determine the premium changed?**
- A. Ownership structure, where listed, activities, where the company operates, total assets, turn over, financial solidity

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Aon's team

- 44 strong team specialising in D&O and related products in London
- We handle D&O from most jurisdictions in the world
- We have a dedicated specialist IPO unit
- We are currently placing D&O and IPO insurance programmes in Russia and Kazakhstan

Global facing team with country and product specialisation

Ukrainian ADRs

<u>Company Name</u>	<u>Country</u>	<u>Sector</u>
AZOT	UKRAINE	CHEMICALS
CENTRENERGO	UKRAINE	ELECTRIC UTILITY
DNIPROAZOT JSC	UKRAINE	MINING
DNIPROENERGO	UKRAINE	ELECTRIC UTILITY
DNIPROKOKS JSC	UKRAINE	MINING
DNIPROSHYNA OJSC	UKRAINE	AUTO PARTS & EQUIPMENT
DONETSK METALLURGICAL PLANT	UKRAINE	MINING
ILLICH IRON & STEEL WORKS OF MARIUP	UKRAINE	MINING
JSC NIKOPOL FERROALLOY PLANT	UKRAINE	MINING
KHARTSYZSK PIPE PLANT	UKRAINE	METAL FABRICATION
KHMELNITSKOBLENERGO	UKRAINE	ELECTRIC UTILITY
KONDFIL KHMELNITSKY CONFECTIONARY JSC	UKRAINE	FOOD PRODUCTS & SERVICES
KONZERN GALNAFTOGAZ	UKRAINE	RETAIL SERVICES
KRYVVI RIH CEMENT OJSC	UKRAINE	BUILDING PRODUCTS & MATERIALS
MARGANETSKY GOK	UKRAINE	MINING
NAFTOKHIMIK PRYKARPATYA REFINERY JSC	UKRAINE	OIL & GAS
NYZHNODNIPROVSKY TRUBOPROKATNY ZAVOD	UKRAINE	METAL FABRICATION

CONTINUATION Ukrainian ADRs

<u>Company Name</u>	<u>Country</u>	<u>Sector</u>
ODESKABLE OJSC	UKRAINE	TELECOMMUNICATIONS
ORDZHONIKIDZEVSKY GOK	UKRAINE	MINING
POLTAVA GOK	UKRAINE	METAL PRODUCTION & DISTRIBUTION
STAKHANOV FERROALLOY PLANT JSC	UKRAINE	MINING
STIROL CONCERN	UKRAINE	CHEMICALS
SUKHA BALKA JSC	UKRAINE	MINING
SUMY NVO FRUNZE	UKRAINE	ELECTRONICS
UKRHUDOZHROM JSC	UKRAINE	APPAREL
UKRNAFTA JSC	UKRAINE	OIL & GAS
UKRTELECOM	UKRAINE	TELECOMMUNICATIONS
VEKSEL AZOVSTAL	UKRAINE	MINING
ZAKHIDENERGO	UKRAINE	ELECTRIC UTILITY
ZAPORIZHSTAL	UKRAINE	MINING
ZAPORIZHZHYA FERROALLOY PLANT JSC	UKRAINE	MINING
ZAPOROZHSKIY TRANSFORMATOR	UKRAINE	MINING
ZHYDACHIV PULP	UKRAINE	PAPER & PULP PRODUCTS
ZHYTOMYRGAZ JSC	UKRAINE	GAS PRODUCTION & SERVICES

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