



SHEVCHENKO DIDKOVSKIY & PARTNERS
ATTORNEYS AND COUNSELORS AT LAW

IPO as a Mechanism for Attracting Investment

IPO

BENEFITS/CHALLENGES

- Access to equity capital markets to fund future growth
- Attractive valuation and liquidity for shareholders
- Operational and management control
- High international profile and publicity
- Reputational benefits for marketing and regulatory review
- Higher share value
- Development of internal accounting and reporting standards
- Dependency on capital market condition
- High degree of finance transparency and disclosure
- Established corporate governance policies and protection of minority rights
- Compliance with listing rules
- Offering size of at least USD 100 mln.
- 3-year internationally audited accounts
- Restructuring of business operations
- Long preparation period



IPO Types

- Direct

- Same restrictions as for direct Eurobonds issue

- Indirect

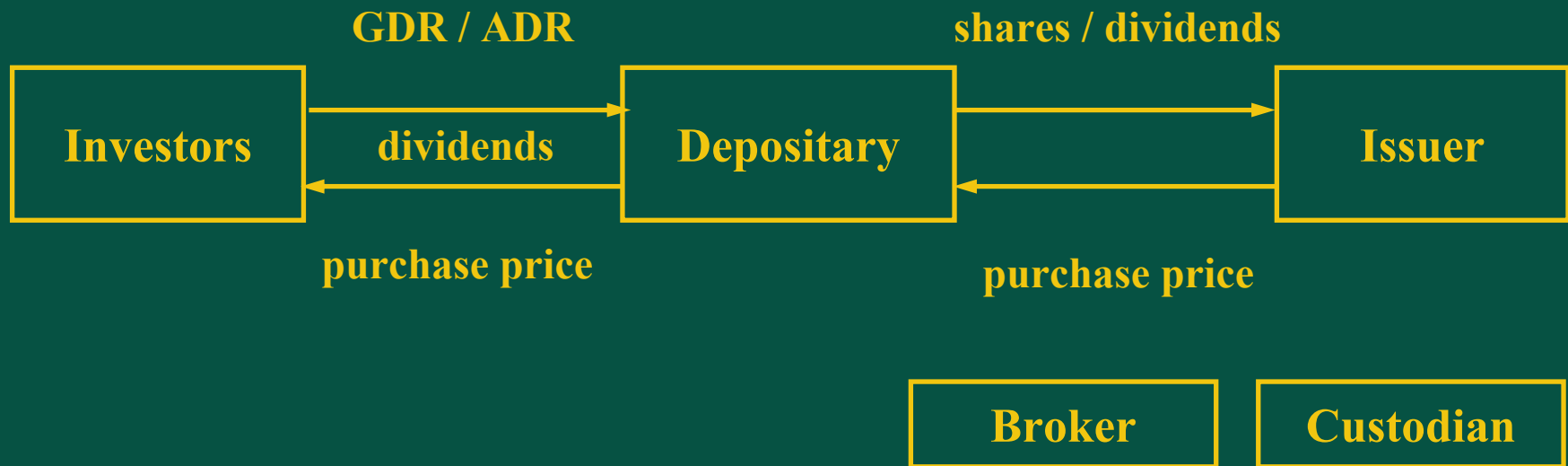
- SPV controlling the “Issuer” (**Ukrproduct Group**)
- SPV controlled by the “Issuer”
- Jurisdiction

- ADR (New York, NASDAQ, PORTAL)/GDR (London, Frankfurt, Berlin, Luxemburg, USA)

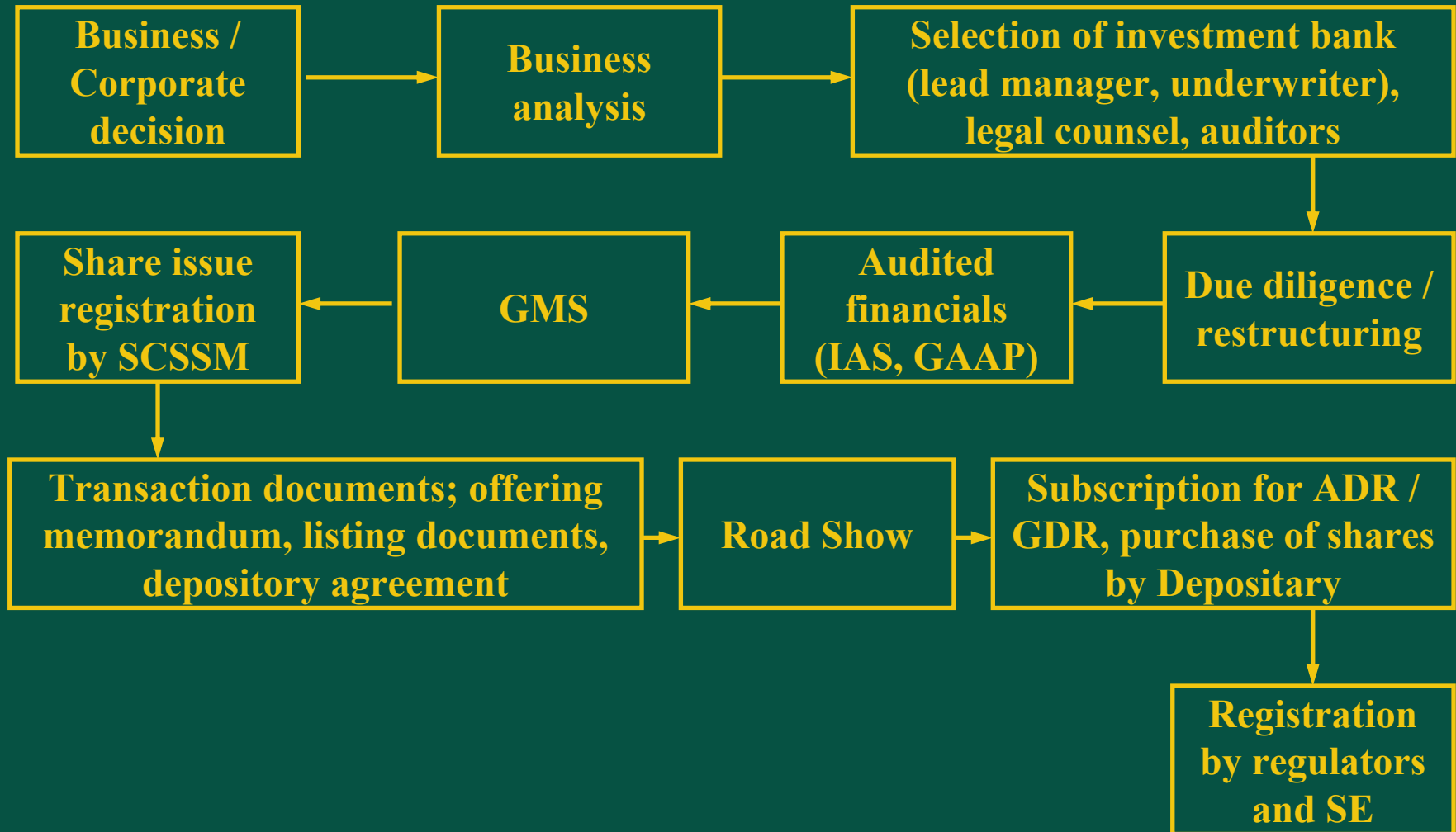
- Negotiable certificates representing ownership of shares in a foreign corporation for US and/or international investors
- Main Market vs. Alternative Investment Market at SE (London, Luxemburg)
- Sponsored and unsponsored programs
- 4 levels for sponsored programs:
 - **I** – existing shares, OTC, release from data disclosure, not expensive private placement (37 issues for Ukrainian companies: Ukrneft, Styrol, Dneproenergo, Azovstal, Centroenergo, etc.)
 - **II** - existing shares, listing at SE
 - **III** – public placement of new and existing shares at SE
 - Unregistered underwritten private placement (**Rule 144A/Res S**) among QIB – qualified institutional buyers (USD 100 mln.) data disclosure is not required



IPO GDR / ADR STRUCTURE



IPO GDR/ADR STAGES



IPO

Legal issues

- **ACQUISITION OF SHARES:** brokers and investment accounts
- **NON-DOCUMENTARY SHARES**
- **ANTIMONOPOLY FILING**
- **BENEFICIARY HOLDING OF SHARES** under the depository agreement vs. “true ownership” under Ukrainian corporate law
- **SPLIT VOTING RIGHT** and other corporate rights
- **DISCRETIONARY PROXY PROVISION** in the depository agreement (management voting rights)
- **ADR/GDR HOLDERS** may seek protection in international dispute resolution forums
- **TAX ON DIVIDENDS**



IPO

	Jurisdiction	Tax on Dividends		
		Full Rate (%)	Reduced Rate (%)	Reduced Rate Applies if beneficial owner of dividends is a holder of at least:
1	Belgium	15	5	20% of the issuer's capital
2	Cyprus	0	0	—
3	Germany	10	5	20% of the issuer's capital
4	France	15	5	10% of the issuer's capital
			0	50% of the issuer's capital and the investment equals to 5 mln. francs.
5	Kingdom of Netherlands	15	5	20% of the issuer's capital
			0	50% of the issuer's capital and the investment equals to USD 300.000
6	Switzerland	15	5	20% of the issuer's capital
7	United Arab Emirates	15	5	10% of the issuer's capital
8	United Kingdom	10	5	20% of the issuer's capital
9	USA	15	5	20% of the issuer's capital



IPO COST/TIMING

- **Ukrprodukt IPO**
 - GBP 6 mln. Placement
 - total cost: GBP 700,000
 - timing: 1 year

