

[2] Some offerors print an **indicative price range** in their prospectus (**non binding** in the majority of cases) to serve as a reference for potential buyers.

[3] Don't «inflate» your order. Your intermediary may advise you to put in for more shares that you really want in case allocation is on a pro rata basis. However, this practice can easily backfire. For instance, if demand is cooler than expected or there is an increase in the shares allotted to the retail tranche, you may end up with more shares than you want, and find yourself overdrawn in your cash account. As well as costing you in commissions, if your account is overdrawn, your intermediary may opt to sell the shares on their first day of trading (at a profit or a loss). So you could end up paying a sale commission plus administration and custody fees, as well as facing a tax bill for the operation.

[4] Intermediaries can ask you to advance funds to cover payment of the share price, meaning some of your money will be tied up from the moment you place an order.

[5] Floor and ceiling amounts may be set for both initial and firm orders. For the purpose of these limits, especially the ceiling, individual and joint bids from the same source are added together.

[6] If you wish to make various bids using different accounts with overlapping holders, it is wise to first work out your future costs in administration and custody fees. Unifying these accounts later under a single holder may turn out costlier and more complex than you think.

[7] Your intermediary may urge you to make a reservation so your order is ready when the placement period begins. If you decide to reserve, be sure to check out the final offering conditions before you confirm. Remember these conditions can change right up to the moment the prospectus is filed with the CNMV. **Never sign an order to take up a public offering until you have read through the prospectus and/or summary.**

[8] Take note of the percentage of the offering earmarked for each tranche and whether this allocation may be redistributed. Watch out particularly for any reduction in the qualified investor tranche and corresponding increase in the volume of the retail tranche, as this may mean the offering has not proved popular with the big investors.

[9] During the placement period, you are very likely to hear unsubstantiated claims about the offering. Remember that treating rumour as news is at the root of many bad decisions.

[10] Shop around before you choose an intermediary. Although purchase commissions are normally waived in this kind of transaction, you will still have to pay for the administration, custody and any subsequent sale of the shares you acquire.

The aim of this leaflet is to inform the general public about different aspects of the securities markets. Its text is for information purposes only and, as such, cannot constitute a support for subsequent legal interpretations, which must rely exclusively on the prevailing regulations.

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Public share offerings/rights offerings





What is a public offering?

A public offering of shares is when the public is given the opportunity to acquire or subscribe for a company's shares. In most cases, an offering prospectus must be filed with the CNMV.



Types of public offerings

Public offerings can be of one of two types: share offerings or rights offerings.

► **Public share offerings:** a transaction whereby one or several shareholders offer their shares for sale. The amount of share capital does not change, only its ownership changes hands (wholly or in part).

Set out below are some of the reasons for launching a public offering:

- ▶ A company wishes to float on the stock market and needs to meet the «sufficient distribution» condition (stipulating that at least 25% of the shares to be admitted to trading must be in public hands).
- ▶ A significant shareholder wishes to dispose of a share block.
- ▶ A company opts to sell the treasury shares in its portfolio. In this case, it is the company and not its shareholders that makes the public offering.

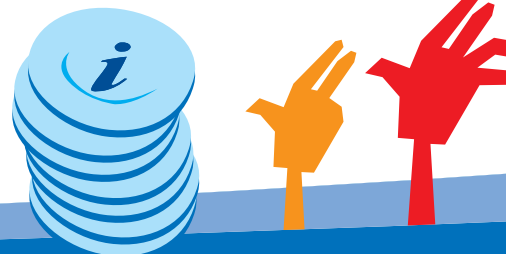
► **Rights offerings:** whereby a company offers newly issued shares deriving from a capital increase. Their aim is generally to raise funds for business projects, so buyers should take time to analyse how the money they contribute will be spent.



Features of a public offering

- ▶ **Tranches:** the different investor publics at which an offering is targeted. The possible tranches of a public offering are: retail tranche (small investors), qualified investors tranche and issuer's employee tranche.
- ▶ **Maximum retail price:** the maximum amount minority investors must pay for each share they are allotted. This will also be the price factored in prorated distribution, in the event that the offering is oversubscribed.
- ▶ **Retail price:** the lower of the following prices: 1) the maximum retail price and 2) the price set for the qualified investors tranche.
- ▶ **Initial and firm orders:** expressing the investor's wish to take part in a public offering. Initial and firm orders differ in their timing. *Initial orders* can be placed from when the prospectus is filed with the CNMV to when the maximum retail price is set, and are accordingly **withdrawable**. *Firm orders* are entered once the maximum retail price has been set, and are **binding** on their issuer.

They can be submitted at the offices of placing agents, or else by telephone or online provided the placer has the appropriate means to ensure their security and confidentiality.

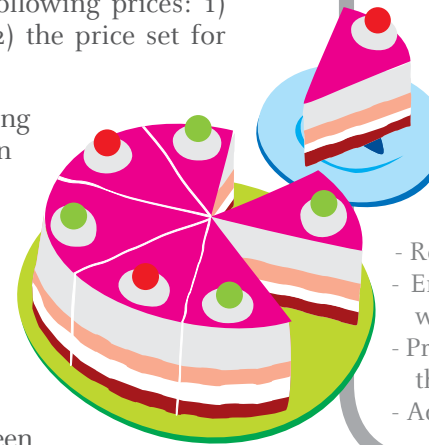


- ▶ **Withdrawal period:** the time during which investors who have issued *initial orders* can indicate that they no longer wish to participate in the offering.
- ▶ **Prorated distribution:** a procedure for allotting shares among the retail public when the scale of demand (initial and firm orders) outstrips the supply available for that tranche. Investors who have formulated initial orders will have preference in any prorating round.

Calendar of a public share offering/rights offering

The retail tranche of the transaction generally takes in the following stages:

- Prospectus filed with the CNMV
- Initial order period opens
- Initial order period ends
- Setting of maximum retail price
- Reception of firm orders
- End of reception period for firm orders and withdrawal of initial orders
- Prorated allotment (if necessary) and setting of the retail price
- Admission to stock market trading



Before you decide...

- [1] Read through the **offering prospectus** and **summary** which the company must make publicly available, e.g., through its website or the registers of the CNMV. These documents will fill you in on the nature and risks of the operation.

