

Spanish Stock Exchanges - IPO Overview

1. Regulatory Background

1.1 Overview of Regulatory Background

Spain has several stock exchanges united in the *Bolsas y Mercados Espanoles (BME)*, a company controlled by the companies that manage each of the stock exchanges. Shares and securities convertible into shares can be listed on the stock exchanges of Madrid, Barcelona, Bilbao, and Valencia, and traded in a national market called the *Mercado Electronico Interconectado (SIBE)*.

The following regulations govern listing requirements:

- Law 24/1988, of 28 July, on the Securities Market (as amended by, among others, Law 37/1998, of 16 November; Law 44/2002, of 22 November; Royal Legislative Decree 5/2005, of 11 March; Law 47/2007, of 19 December; and Royal Legislative Decree 1/2010, of 2 July).
- Royal Decree 1310/2005, of 4 November, implementing partially the Law 24/1988, of 28 July, on the Securities Market, concerning the admission to trade of securities in official secondary markets, of initial public offerings and the required prospectus to such effects, that is further developed by a Ministerial Order EHA/3537/2005, of 10 November. Royal Decree 1310/2005 has implemented in Spain the contents of Directive 2003/71/CE of 4 November 2003 (the Prospectus Directive).
- Royal Decree 1333/2005, of 11 November, implementing the Law 24/1988, of 28 July, on the Securities Market, regarding market abuse.
- Royal Decree 1362/2007, of 19 October, implementing the Law 24/1988, of 28 July, on the Securities Market, regarding the transparency requirements in relation to information about issuers whose securities are admitted to trading on a secondary market or another regulated market in the European Union.

1.2 Regulatory Entities

The regulatory bodies involved are the *Comision Nacional del Mercado de Valores (CNMV)*, the Securities Exchange Commission, and the stock exchange on which the applicant intends to be listed.

1.3 Required Approvals

Any issue or public offer of sale of securities is subject to the prior registration with the CNMV on information on the issuer (company law, registration data and financial statements) and of a prospectus that must contain all information relating to the issuer and the securities which may be important for the investor.

Rules governing primary and secondary offerings are basically the same.

2. Listing Criteria

2.1 Suitability / Eligibility of Listing Applicant

An issuer must comply with the following particular requirements in order to be listed in each of the Spanish stock markets:

Mercado Primario (Primary market):

The issuer must be validly incorporated in accordance with the law of the country of its registered address and be operating in accordance with its constitutional documents. The shares cannot discriminate or create or impose special rights or obligations to shareholders being in an identical situation. Bondholders must have equal treatment in respect of their rights under the relevant bonds.

In the event of issued shares, the minimum amount of the issue is € 6,000,000. Shares must be freely transferable. In the event of bonds, the minimum amount of the issue is € 200,000.

Mercado Secundario (Secondary market):

- A minimum share capital of € 150,254.
- At least 20% of the securities representing its share capital placed at the disposal of a counterpart company for circulation on a secondary market.

2.2 Track Record Requirement

The company must have been trading for at least two years if there have been profits, otherwise five years.

The time requirements for innovative high-growth companies and other types are the same.

2.3 Minimum Market Capitalisation

There is no minimum market value for the securities to be listed, although a figure of less than €50,000,000 would be unusual.

2.4 Sufficiency of Working Capital

There are no prerequisites for working capital even though this should be determined to be as sufficient for the normal feasibility of the company.

The accounting information and the auditing must sufficiently demonstrate the working capital of the company.

All the reports except for the audit report must be signed by the board of directors of the company. The signature of the accountants is not required.

2.5 Eligibility for Electronic Settlement

Securities must be eligible for electronic submission.

3. Overseas Companies

Foreign companies can list on condition that they:

- comply with the requirements established for domestic companies;
- comply with the foreign legislation to which they are subject; and
- provide the information stated above.

Foreign companies already listed elsewhere can list on condition that they comply with the requirements stated above. The CNMV has 30 days to confirm whether the documentation supplied by the issuer complies with applicable regulations. In practice this requires more time, and, therefore, in order to avoid delays, prospective issuers usually approach the CNMV on an informal basis before initiating the filing process so that the approval occurs shortly after filing.

In order to make a public offering of foreign securities in Spain, the offer must be backed up by the designation of one or several management, linking and custodian entities of the buyers of the offer. In addition, all the documentation must be translated by a sworn translator and properly legalised.

Prospectuses registered in European Union member state enjoy the benefits of the European Union passport, following the provisions of the Prospectus Directive. That means that companies wanting to offer their securities to investors of another European Union member state either by public offer or by being admitted to trading will no longer have to ask each member state for regulatory approval of their prospectus once their prospectus has been registered in one European Union member state (the state of origin). That is also valid for non-European Union companies that select a member state for the issuing of securities and wish to offer their securities in another member state.

Under Royal Decree 2590/1998 any offer of securities in Spain which is advertised to the public in Spain is subject to Spanish regulations on issues and public offers of securities. For such purposes public advertisement is defined as any means of communication addressed to investors in this country to promote the subscription or the acquisition of securities. Occasional telephone calls, faxes, letters, e-mail originated by the issuer or the offeror or internet ads are deemed to be a public advertisement.

Nevertheless, under article 38 of Royal Decree 1310/2005, the following situations are not considered as an offer of securities:

- Securities exclusively offered to qualified investors.

- Issues addressed to less than 100 investors per member country of the European Union, without including qualified investors.
- Issues addressed to investors acquiring each of them securities for an amount of at least € 50,000.
- Issues which require, for each security, a disbursement of a nominal value of at least € 50,000.
- Issues whose aggregate amount is less than € 2,500,000 (said limit to be considered within a period of 12 months).

If any of the circumstances above apply, there is no need to file a notice with the CNMV.

4. Shareholding Requirements

4.1 Public Float

There is no requirement for a certain percentage of shares to be in public hands.

4.2 Restrictions on Major Shareholders

There are no restrictions on the number of shares that may be held by major shareholders.

4.3 Spread of Shareholders

In the second market, at least 20% of the securities representing an issuer's share capital need to be placed in the market. If the threshold of 30% of the shares in the capital of a listed company is exceeded by a shareholder (or group of related shareholders) a takeover bid becomes mandatory (there are exceptions and specific rules on the matter).

4.4 Post IPO Lock-up

There are no regulations imposing a "lock-up" on shareholders for a period after listing although such "lock-ups" may exist under contractual arrangements. However, companies must notify the CNMV of any shareholder who might accrue more than 5% of the company's share capital (1% in the case of banks, but the notice is required by the Bank of Spain).

5. Listing Procedure and Timetable

The flotation process begins with the filing of the issue with the CNMV. After the approval and registration of the documentation of the issue with the CNMV, the issuer has one month to initiate the subscription / purchase process, which shall not be open for more than one year. The prospectus and other materials need to be publicised before the commencement of the subscription / purchase process. The

CNMV then has 30 days to confirm whether the documentation supplied by the issuer complies with the applicable regulations.

5.1 Marketing the Offer

In general terms, the marketing process is as follows: the main marketing material of the issue is the aforementioned prospectus. Nonetheless, the issuer may publicise the issue in other terms, such as by editing a booklet or advertising in newspapers. These materials are subject to approval by the CNMV.

5.2 Required Documentation

Several pieces of information need to be disclosed (company law, registration data and financial statements) and a prospectus must be drafted with information on the security to be floated and the conditions of its placement. Forms should comply with Order EHA/3537/2005, of 10 November, of the Spanish Ministry of Finance.

6. Documentary Requirements

6.1 Contents of the Main Listing Document

The prospectus will provide information on the value and the placement conditions. In light of this report, a favourable report by the stock exchange in which the applicant is registered and the verification made by the CNMV of the report and the prospectus, which in some cases must be registered with the CNMV, will be required.

6.2 Other Documents

No other documents are required although it may be advisable to prepare more informative documents for the market and for the future shareholders of the company it intends to attract, such as triptychs, informative reports and forecasts.

6.3 Articles / Constitutional Documents

It is necessary that the shares be bearer shares and that the articles of association of the company admit the free acquisition of shares.

7. Financial Information

7.1 Audited Financial Statements

In order to be listed, financial information is required for the last three financial years as well as the audit reports for the last two financial years.

7.2 Applicable Accounting Standards

The accounting information must comply with the general Spanish accounting legislation.

7.3 Period Covered by the Accounts

The reports must refer to the last three accounting financial years.

Once the company is listed, it must provide properly audited annual accounting information (annual accounts, management report and audit report), half yearly and quarterly financial statements, forecasted earnings and other relevant information to the stock exchange in which it is listed and to the CNMV.

7.4 Overseas Companies

There are no special requirements for foreign companies although these must produce financial statements adapted to the Spanish accounting legislation.

7.5 Pro Forma Financial Information

Companies are not permitted or required to include pro forma financial information.

7.6 Interim Financial Information

It is not mandatory to contribute half yearly or quarterly accounting information in the application for listing. However, this must be provided once the company is listed on the Spanish market.

8. Parties Involved

8.1 Professional Advisers

Although there is no legal requirement to appoint a sponsor or financial adviser, it is advisable. In the case of foreign companies it is necessary to have management, linking and depositary entities.

A financial adviser, sponsor or broker must be an investment services provider authorised by the CNMV or a financial institution (banks and other financial entities).

The following are also required:

- Lawyers to prepare the corporate and commercial documents (agreements of the shareholders' meeting or the board of directors, the approval of accounts, etc.) as well as the legal documentation for the filing of the issue with the CNMV and the drafting of the prospectus.
- Auditors to issue reports on the financial accounts and reports submitted.
- Accountants and financial experts to prepare the financial accounts and reports.

9. Listing Costs

9.1 Listing Fees

[Please see attachment 1].

9.2 Sponsor's Fees

The cost of the sponsor's fees depends on the amount and the nature of the operation. Nonetheless, there are three basic commissions, of which the total amount should not be less than €100,000.

9.3 Lawyers' and Accountants' Fees

The cost of lawyers and accountants depends on the amount of the operation. This could start at €40,000 for lawyers and €30,000 for accountants.

10. Corporate Governance Requirements

There are no formal requirements as regards the composition of the managing body of the company, although this normally takes the form of a board of directors. There must also be several committees, such as the Corporate Governance Committee and the Audit and Remuneration Committee.

11. Continuing Obligations

The company must hand over financial information to the CNMV and to the market in which it operates, quarterly, half-yearly and annually. In addition, any shareholder, or the company, must notify the stock exchange and the CNMV when any member of the board of directors owns more than 5% of the company's share capital.

12. Our Office

We can offer legal advice to a foreign client wishing to list on any of the Spanish stock markets. For further information please contact Alfonso López-Ibor Aliño (alfonso.lopezibor@ventura-garces.com).

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2010/2011/2012 CNMV Fees. Summary chart

This summary was prepared by the Economic Management Department and is not of an official nature.

Translator's note: CNMV, or Comisión Nacional del Mercado de Valores, is Spain's National Securities Market Commission.

Fee	Event Subject to Fee	Fee Base	Rate	Minimum / Maximum / Set Fee (in euros)		
					From 01/01/2010	From 01/01/2011
1	Share or securities issue prospectuses with final maturity or repayment term longer than eighteen months, and initial public offerings of this same type of securities.	Par value of the issue, effective value of the public offering, amount of the increase in the par value of the issues (if there is an increase in their initial par value).	0.14 * 1,000	Minimum set fee (R.V.):	1,742.78	1,760.21
				Minimum set fee (R.F.):	1,045.03	1,055.48
				Maximum set fee (R.V.):	69,727.25	70,424.52
				Maximum set fee (R.F.):	41,836.35	42,254.71
2	Share or securities issue prospectuses with final maturity or repayment term equal to or less than eighteen months.	Par value of the issue	0.04 * 1,000	Minimum set fee:	1,045.03	1,055.48
				Maximum set fee:	41,836.35	42,254.71
3	Supplements to or modifications of registered prospectuses that do not affect the par value of the issue or issues, except for incomplete prospectuses.	Par value of the issue		Set fee:	162.86	164.49
4.1	Prospectuses of listing for trade on stock exchanges of securities with repayment terms or maturities longer than eighteen months issued by residents in Spain and traded on Spanish stock exchanges.	Par value of the listing	0.03 * 1,000	<div>Minimum set fee (R.V.): 1,742.78 1,760.21</div> <div>Minimum set fee (R.F.): 1,045.03 1,055.48</div> <div>Maximum set fee (R.V.): 21,436.40 21,650.76</div> <div>Maximum set fee (R.F.): 9,646.38 9,742.84</div>		
4.2	Prospectuses of listing for trade on stock exchanges of securities with repayment terms or maturities longer than eighteen months issued by non-residents in Spain and traded on non-Spanish stock exchanges	Par value of the listing	0.02 * 1,000			
5	Prospectuses of listing for trade on stock exchanges of securities with repayment terms or maturities less than eighteen months	Par value of the listing	0.01 * 1,000	Minimum set fee:	1,045.03	1,055.48
				Maximum set fee:	9,646.38	9,742.84

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Fee	Event Subject to Fee	Fee Base	Rate	Minimum / Maximum / Set Fee (in euros)		
					From 01/01/2010	From 01/01/2011
6	For registration of organizations or institutions.	Share capital or net worth at the time of registration.	0.5 * 1,000	Maximum set fee:	4,507.59	4,507.59
7	For registration of documents in the relevant CNMV registries.			Set fee:	162.86	164.49
8.1	Authorization of takeover bids (purchase).	Effective value of the maximum number of securities covered by the bid.	0.225 * 1,000			
8.2	Authorization of takeover bids (share exchange, or mixed exchange / purchase).	Effective value of the maximum number of securities covered by the bid.	0.30 * 1,000			
				Minimum set fee:	3,485.56	3,520.42
				Maximum set fee:	69,727.25	70,424.52
9	Supervision of the activity of Collective Investment Institutions.	Total assets of the company or value of the investment fund's holdings as of the last day of the quarter.	0.01 * 1,000			
10	Supervision of the activity of SGIICs (collective investment institution management companies), SGCs (investment management companies) and SGFTs (securitization funds management companies).	Claimable internally generated funds, according to applicable standards, on the last day of each of the months of the calendar quarter.	0.125 * 1,000	Minimum set fee:	177.81	179.59

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Fee	Event Subject to Fee	Fee Base	Rate	Minimum / Maximum / Set Fee (in euros)		
					From 01/01/2010	From 01/01/2011
11	Supervision of the activity of stockbrokers and securities firms	Average of claimable internally generated funds, according to the standards in force, on the last day of each of the months of the calendar quarter	0.7 * 1,000			
12	Supervision of the activity of stock exchange members	Number of purchase and sales transactions on the members' own account, or in whose transmission they participate or intermediate, except for public debt, classified according to type and the actual amount of each transaction.	Fixed amount rates:			
				Fixed income transactions:		
				Up to €30.05	0.000000	0.000000
				From €30.06 to €300.51	0.007112	0.007183
				From €300.52 to €1,502.53	0.014223	0.014365
				From €1,502.54 to €3,005.06	0.021336	0.021549
				From €3,005.07 to €6,010.12	0.035562	0.035918
				From €6,010.13 to €15,025.30	0.106684	0.107751
				From €15,025.31 to 30,050.61	0.177805	0.179583
				From €30,050.62 to €45,075.91	0.213367	0.215501
				From €45,075.92 to €150,253.03	0.248929	0.251418
				From €150,253.04 to €300,506.05	0.284489	0.287334
				More than 300,506.06	0.355612	0.359168
				Variable income transactions:		
				Up to €30.05	0.000000	0.000000
				From €30.06 to €300.51	0.014223	0.014365
				From €300.52 to €1,502.53	0.035562	0.035918
				From €1,502.54 to €3,005.06	0.071123	0.071834
				From €3,005.07 to €6,010.12	0.142242	0.143664
				From €6,010.13 to €15,025.30	0.355612	0.359168
				From €15,025.31 to 30,050.61	0.711223	0.718335
				From €30,050.62 to €45,075.91	0.853468	0.862003
				From €45,075.92 to €150,253.03	0.995712	1.005669
				From €150,253.04 to €300,506.05	1.137957	1.149337
				More than 300,506.06	1.280201	1.293003
				Minimum fixed fee:	17.80	17.98

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Fee	Event Subject to Fee	Fee Base	Rate	Minimum / Maximum / Set Fee (in euros)		
				From 01/01/2010	From 01/01/2011	
13	Supervision of the activity of members of unofficial organized secondary markets. Members of the AIAF market (Spain's Association of Financial Asset Brokers)	Number of purchase and sales transactions on the members' own account, or in whose transmission they participate or intermediate, except for public debt, classified according to type and the actual amount of each transaction.	Fixed amount rates:			
			Fixed income transactions:			
			Up to €30.05	0.000000	0.000000	
			From €30.06 to €300.51	0.007112	0.007183	
			From €300.52 to €1,502.53	0.014223	0.014365	
			From €1,502.54 to €3,005.06	0.021336	0.021549	
			From €3,005.07 to €6,010.12	0.035562	0.035918	
			From €6,010.13 to €15,025.30	0.106684	0.107751	
			From €15,025.31 to 30,050.61	0.177805	0.179583	
			From €30,050.62 to €45,075.91	0.213367	0.215501	
			From €45,075.92 to €150,253.03	0.248929	0.251418	
			From €150,253.04 to €300,506.05	0.284489	0.287334	
			More than 300,506.06	0.355612	0.359168	
Minimum fixed fee:				17.80	17.98	
14	Supervision of the activity of the members of official futures and options markets	Fixed amount rates:				
1	Supervision of the members of MEFF RF	Number of contracts derived from public debt	0.005376	0.005430		
2	Supervision of the members of MEFF RV	Number of contracts derived from variable income with a par value <= €6,010.12	0.001920	0.001939		
3	Supervision of the members of MEFF RF	Number of contracts derived on the basis of the MIBOR (Madrid Interbank Offered Rate)	0.010668	0.010775		
4	Supervision of the members of MEFF RV	Number of contracts derived from variable income with a par value > €6,010.12	0.017781	0.017959		
5	Supervision of the members of MFAO	Fixed rate	17.80	17.98		
			Minimum fixed fee:	17.80	17.98	
15	Supervision of the activity of the organizations participating in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (formerly members of SCLV) [Securities registration, compensation and settlement company]	Par value of the variable income securities that the company maintains as a balance on its own account and of third parties in the cited service.	0.012 * 1,000	Minimum fixed fee:	17.80	17.98
		Par value of the fixed income securities that the company maintains as a balance on its own account and of third parties in the cited service.	0.006 * 1,000	Minimum fixed fee:	17.80	17.98

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16.1	Supervision of the process of listing for trade of securities issues with repayment terms or maturities longer than eighteen months, in the AIAF (Association of Financial Asset Brokers) market, issued by residents in Spain and traded on Spanish stock exchanges.	Par value listed for trading	0.03 * 1,000			
16.2	Supervision of the process of listing for trade of securities issues with repayment terms or maturities longer than eighteen months, in the AIAF (Association of Financial Asset Brokers) market, issued by non-residents in Spain and traded on non-Spanish stock exchanges.	Par value listed for trading	0.02 * 1,000			
				Minimum fixed fee:	1,045.03	1,055.48
				Maximum fixed fee:	9,646.38	9,742.84
17	Supervision of the process of listing for trade of securities issues with repayment terms or maturities equal to or less than eighteen months, in the AIAF (Association of Financial Asset Brokers) market.	Par value listed for trading	0.01 * 1,000	Minimum fixed fee:	1,045.03	1,055.48
				Maximum fixed fee:	9,646.38	9,742.84
-	Fee for issue of certifications relative to the information included in the CNMV's public records.			Variable fee: €0.06 per page + fixed fee of:	14.24	14.38