

Global Depositary Receipts (GDRs): A Primer

Introduction

A Global Depositary Receipt (GDR) is a negotiable instrument issued by a depositary bank in international markets – typically in Europe and generally made available to institutional investors both outside and within the U.S. – that evidences ownership of shares in a non-U.S. company, enabling the company (issuer) to access investors in capital markets outside its home country.

Each GDR represents a specific number of underlying ordinary shares in the international company, on deposit with a custodian in the applicable home market. GDRs are quoted and traded in U.S. dollars, pay dividends in U.S. dollars and are subject to the trading and settlement procedures of the market in which they are transacted.

GDRs are usually offered to institutional investors through a private offering, in reliance on exemptions from registration under the Securities Act of 1933. These exemptions are Regulation S (Reg. S) for non-U.S. investors, and Rule 144A for U.S. investors that are Qualified Institutional Buyers (QIBs). The availability of these exemptions for GDR deals makes them an efficient and cost-effective means of implementing a cross-border capital-raising transaction.

The predominant listing venues for Reg. S GDRs are the London and Luxembourg Stock Exchanges, with GDRs having also been listed on the Singapore Exchange, Frankfurt Stock Exchange and Nasdaq Dubai. Rule 144A GDRs trade in the U.S. over-the-counter market.

When GDRs are offered simultaneously in Reg. S and Rule 144A form, but in separate and distinct tranches, they exist inside what is known as a bifurcated GDR program. When

the GDRs are offered simultaneously in Reg. S and Rule 144A form, but not in separate and distinct tranches, they exist inside what is known as a unitary GDR program. GDRs can also be offered in Reg. S form only.

Due to the general flexibility afforded by GDRs, issuers from a variety of regions, including Europe, the Middle East and Africa; Asia Pacific; and Latin America, have been utilizing GDR programs to help meet their capital-raising needs on an increasing basis.

Key Roles and Responsibilities

In order to establish a GDR program, the issuer first appoints a team of advisors that typically includes investment bankers, lawyers and accountants. The issuer also selects a depositary bank to manage the implementation of the program. The depositary bank also performs the critical role of liaison among the various parties to the transaction, and will remain integral to the long-term development of the GDR program.

Generally, the functions of the lawyers and accountants will eventually transition to periodic reporting and general legal matters. Investment bankers will typically not be involved with the ongoing management of a GDR program as well; however, the program will become an important consideration for investment bankers if the issuer contemplates going to the capital markets in the future. The depositary bank is the only party to GDR transactions that is engaged on an end-to-end basis.

See the diagram on the reverse side for more detailed information.

GDR Primary Benefits

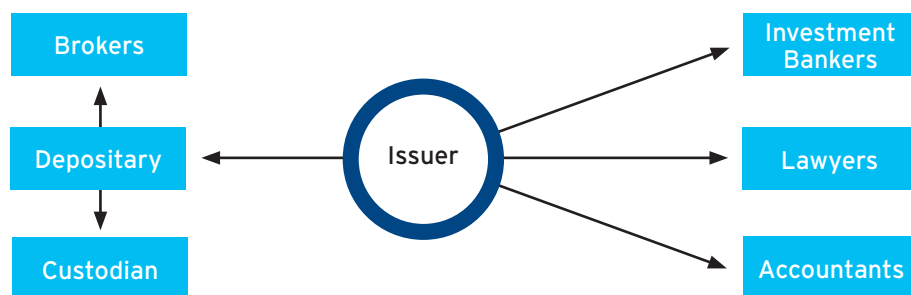
Issuers

- Access capital in international markets
- Conduct a securities offering in an efficient and cost-effective manner
- Expand market for shares, potentially enhancing overall liquidity
- Broaden and diversify shareholder base

Investors

- Globalize/diversify investment portfolio
- Trade, clear and settle according to home market conventions
- Eliminate cross-border custody/safekeeping charges
- Receive dividend payments in U.S. dollars

Issuer Services



Brokers

- Make GDRs available to qualifying investors

Depository

- Advise on GDR program structure
- Appoint local custodian
- Draft Deposit Agreement and associated GDR documentation
- Coordinate with lawyers and investment bankers to ensure that all implementation steps are completed
- Prepare and issue GDRs at closing
- Facilitate ongoing issuance and cancellation of GDRs
- Advise on investor relations strategy

Custodian

- Act as local market agent for the depository
- Receive and hold deposits of underlying ordinary shares for GDR issuances

Issuer

- Determine financial objectives
- Appoint depository bank, lawyers, investment bank and accountants
- Determine GDR program structure
- Provide financial information to accountants and investment bankers
- Develop investor relations strategy

Investment Bankers

- Lead underwriting process
- Establish syndicate of participating banks
- Advise on capital structure
- Advise on GDR program structure
- Obtain securities identification codes
- Obtain electronic depository eligibility for the GDRs
- Coordinate road show
- Price and launch GDR offering

Lawyers

- Advise on applicable securities laws and related matters
- Advise on GDR program (legal) structure
- Negotiate Deposit Agreement
- Prepare closing memorandum and documentation
- Prepare exchange listing agreements
- Assist in the drafting of the offering circular
- Prepare and deliver legal opinions

Accountants

- Prepare financial statements in accordance with relevant international accounting standards
- Review and audit offering circular financial disclosure

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