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SECP LOWERS MANDATORY OFFER SIZE FROM 90% OF VOTING SHARES OF TARGET COMPANY TO 62.5% TO HELP REVIVE THE NATIONAL ECONOMY THROUGH FACILITATING THE REHABILITATION OF SICK UNITS

ISLAMABAD – JUNE 24, 2009: The Securities and Exchange Commission of Pakistan has lowered the mandatory offer size from 90% of the voting shares of the Target Company to 62.5%, by making amendments to the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008 (Takeover Regulations), SECP has taken this step to help revive the national economy through facilitating the rehabilitation of sick units and creating an investment friendly climate in the country.

The change in the mandatory offer size is the result of a complete revamping of the prescribed method of calculation of offer size, provided in Regulation 14. As per the amended Regulation 14 public offer to acquire at least fifty percent of the remaining shares shall be mandatory. This shall result in lowering of the total acquisition size from 90% of the voting shares to range between 62.5% to 85% of the voting shares, depending upon the existing shareholding of the acquirer in the Target Company and size of the share purchase agreement. Accordingly minimum level of acceptance has been redefined to read as thirty five percent of the remaining voting shares to maintain an exist for the Acquirer who is unsuccessful in acquiring control through public offer.

The amendments have also been introduced in the pricing mechanism contained in Regulation 13. These are aimed at adding clarity. The prescribed pricing formula ensures that the general public gets an equitable price in case of a mandatory public offer. The minimum offer price in case of public offer shall be “highest amongst” the negotiated weighted average price under a share purchase agreement; the highest price paid by the acquirer or persons acting in concert with the acquirer for acquiring the voting shares of target company during six months prior to the date of public announcement of offer; the average share price of target company as quoted on the stock exchange during the last six months; the average share price of target company as



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quoted on the stock exchange during four weeks preceding the date of public announcement of intention and the price per share calculated on the basis of net assets valued by a valuer whose name appears on the list of SBP approved list of valuers.

In another effort to facilitate the small shareholders tendering of physical shares to the manager to the offer has also been allowed. Moreover, Credit rating of commercial bank, providing bank guarantee for the purposes of Takeover Ordinance, has been changed from A and AA, being symbols used for long term credit rating, to A1 and A2 respectively being synonymous symbols used for short term credit rating. Furthermore, Schedule VIII – Offer Timetable has been amended to accommodate 21 days notice period for book closure as stipulated in the Listing Regulation of the Stock Exchanges.

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