



ALBANIAN SECURITIES EXCHANGE
BURSA SHQIPTARE E TITUJVE

LISTING
at
**Albanian Securities
Exchange**

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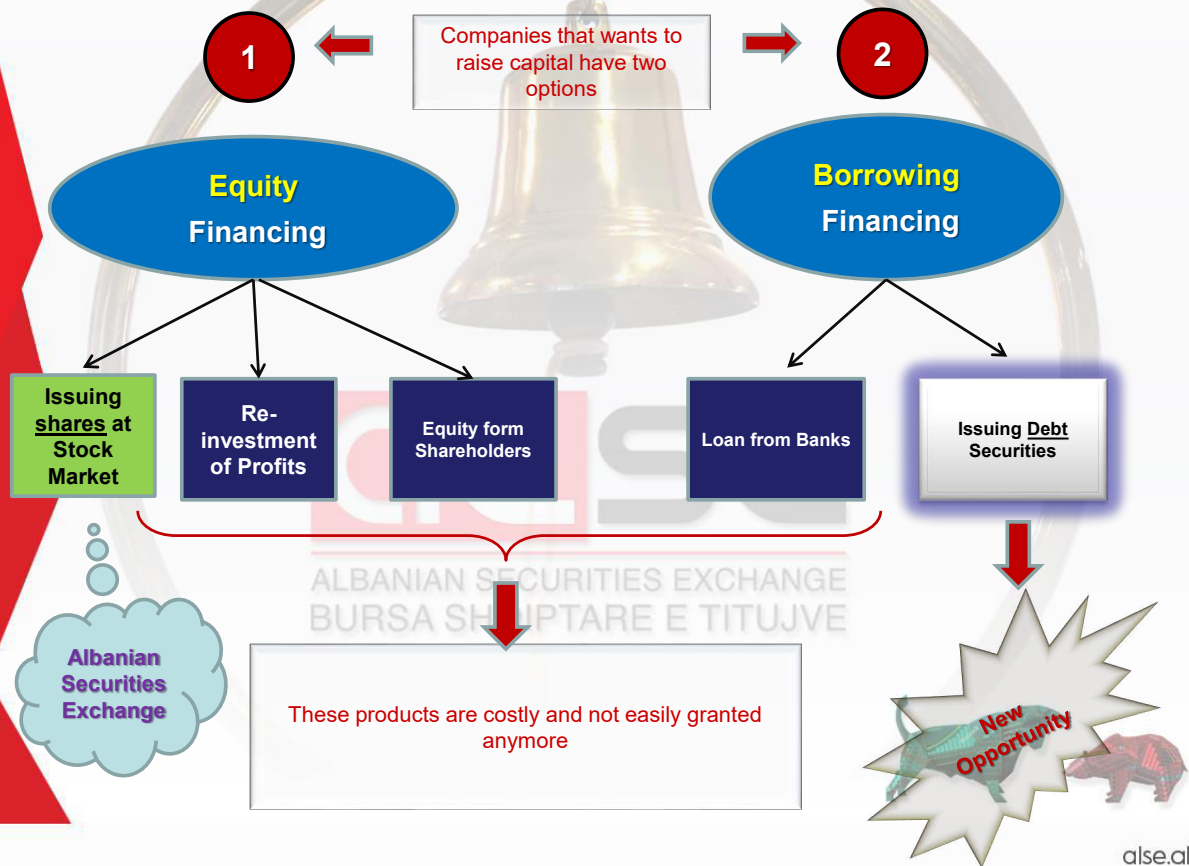


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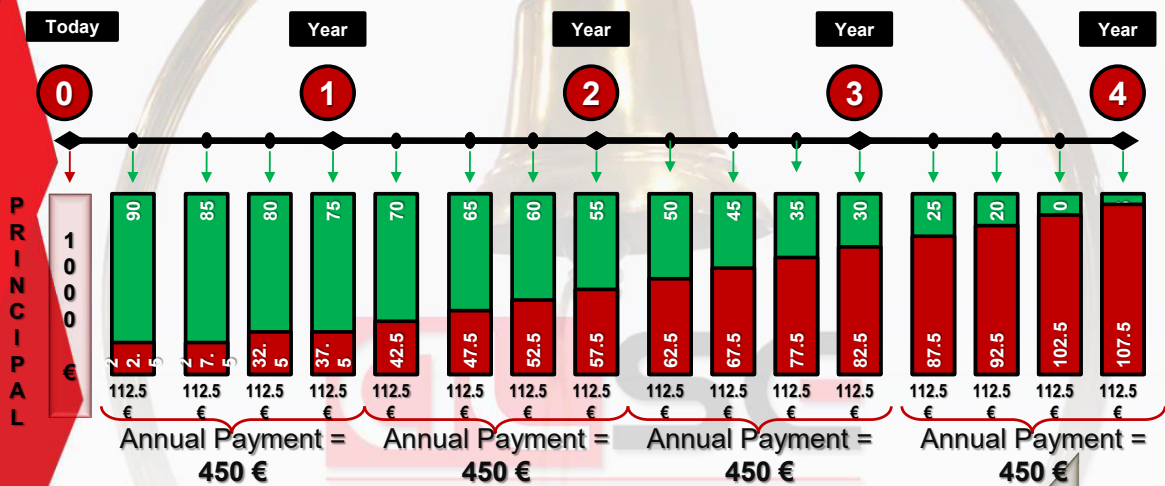
BASIC CONCEPTS

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FINANCING METHODS



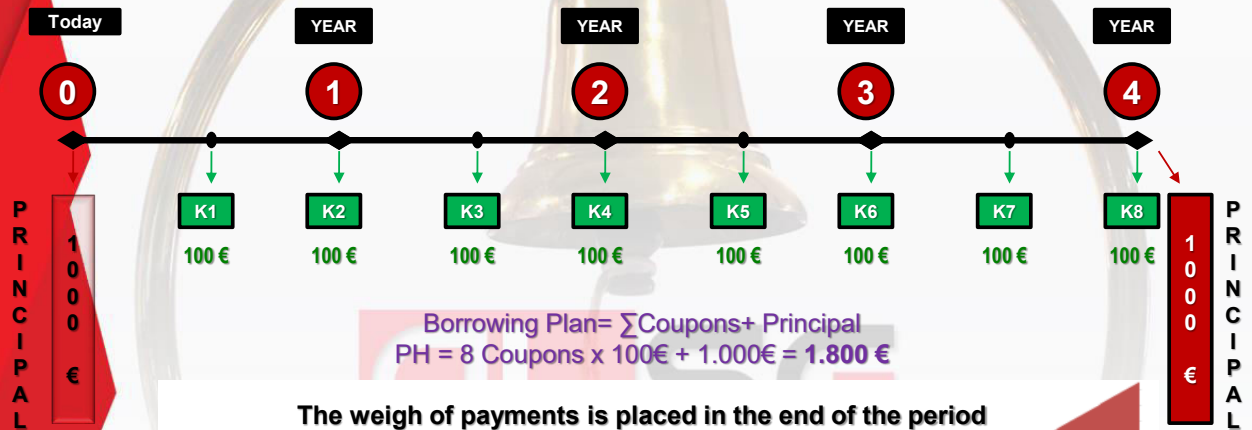
Borrowing through BANKING LOANS



The weight of payment is uniformly distributed over maturity time

Principal is paid in addition to interest

Borrowing through CORPORATE BONDS

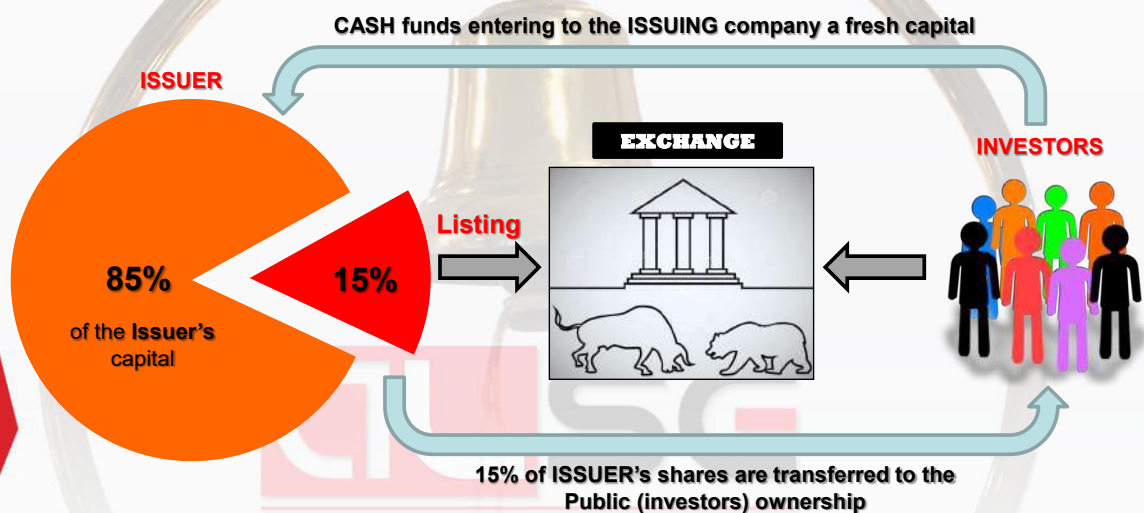


During the lifetime of the bond only coupons are paid

Principal is paid at maturity date

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FINACING through issuing COMPANY SHARES



ADVANTAGES

1. Cheaper financing costs (compared to borrowing)
2. Rises huge amounts of funds and capital
3. Fresh capital (funds) entering to the issuing company which do not to be paid back .

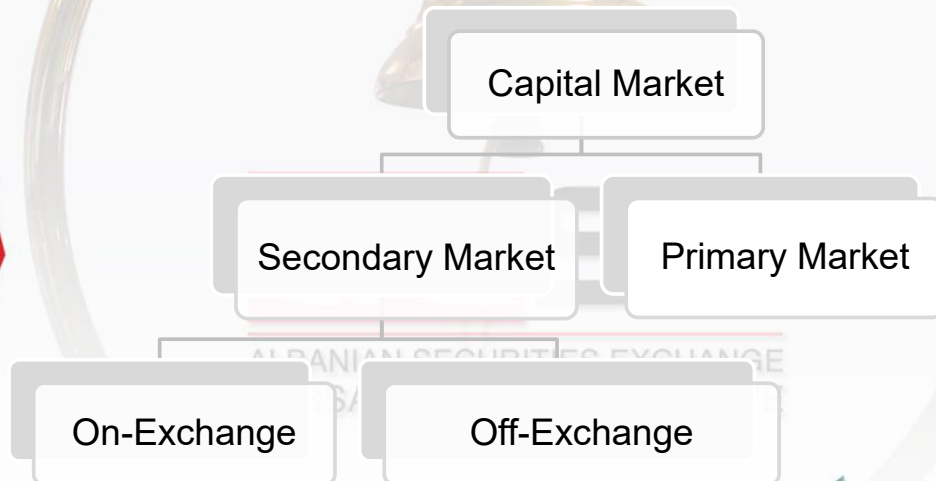
DISADVANTAGES

1. Higher transparency and financial accountability for the Issuer
2. Giving up 15% of the company (decision-making, dividends etc) .

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CAPITAL MARKET

The capital market is the place where governments and businesses sell securities to have more money to finance their activities, and buyers or investors buy these securities in order to benefit from the interest they derive from.



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Primary and Secondary Market

Primary Market– makes possible the issuance of new securities (trading for the first time).

Before this process, the issuing entities (Issuers) must meet the necessary requirements for listing these securities in an Exchnage. The issuer commits an investment bank, a brokerage firm or other securities firm to manage those issues on their behalf.

Secondary Market– makes possible the trading of existing securities that were previously issued in the primary market. It's the market where the securities' ownership changes frequently.

The secondary market is a very liquid market, in which is made a transparent assessment of the performance of listed/quoted companies.



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What is the Exchange? Characteristics and its organization

The Exchange is a market established and organized specifically to meet the flows of demand and offer for securities of transferable assets issued by joint stock companies, the state and other entities public.

Main Functions of Securities Exchange:

Capital Increase – enables companies and other organizations to ensure financial means by offering officially tradable securities.

Investment Tool – gives the possibility to those who possess free funds and liquidity to choose between a wide and selected range of securities, the most appropriate asset to engage their capital and achieve the expected rate of return.

Liquidity Tool - guarantees the regular contracting of officially tradable securities and provides a quick and easy *cashing* process.



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Why a Business / Legal Entity chooses to use the Exchange?

Rising Funds - to use them as funds to invest in increasing the volume of activity of the legal entity. (Entities in the expansion phase and lack of capital needed to finance this growth)

Realize Profit- to evaluate their business at market price and to convert into liquid income (*cashing*) the real value of the holdings of the shareholders in the company (companies that have been successful in the market and are in a maturity stage)

Prestige - companies or legal entities that do not need to raise funds, or to convert the value of their holdings into liquidity, look at stock market listing as a prestige and positive advertisement for their business.



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Private Placement

Private Placement represents a direct sale offer of securities only to a small group of large investors, or a limited number of institutional investors.

- Limited number of investors (less than 100 investors);
- Investors are mainly institutional (but not limited to):
 - a) Banks
 - b) Pension Funds
 - c) Venture Capital etc.
- Contains liquidity risk as it is difficult to find buyers.



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Initial Public Offer (IPO)

The Initial Public Offer (IPO) represents the first public sale of shares of an company that may be a privatized enterprise or a private company that is created as a public shareholding company.

- There should be **more than 100 investors**;
- Provides **higher transparency** for the public;
- Requests parallel **listing on the Securities Exchange**;
- Companies have more responsibility;
- Companies are advertised in the media.

NOTE: Initial Public Offering is considered any issue of securities of all classes (including debt securities) to the public. Under the Albanian Law on Securities, it is considered that a securities offering is a Public Offer when it is offered by means of public media (media) of at least 100 investors.



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STEPS BEFORE LISTING

What should a business do to issue securities with Public Offering

Before deciding on a Public Offering, an issuing business should:

- Have at least 3 years from the establishment as a business,
- Be profitable at least the last financial year before listing,
- Have audited financial statements under International Financial Reporting Standards (IFRS)

Before starting the process of the Public Offering of its securities a business should follow the following steps:

- Step 1:** Change the legal status of the company in Joint Stock Company . (if it is an Ltd.),
- Step 2:** Take approval of the governing bodies (Assembly of Shareholders) on issuing
- Step 3:** Choose a financial intermediary (Bank or Brokerage Firm), which conducts the Due-Diligence and determining the price of the securities.
- Step 4:** Decide which of the methods of Public Offer will choose to use with or without Underwriting
- Step 5:** Determine which bank will be used as a Trading Agent (if different from underwriter making Due-Diligence)
- Step 6:** Prepare the Prospectus document (informative issuing passport) to submit it to AFSA (Albanian Financial Supervisory Authority)
- Step 7:** Prepare the Listing Securities file on Stock Exchange
- Step 8:** Receive written approval from AFSA for the Prospectus
- Step 9:** Start preparations for media publication of the Public Offering process (Road-Show)
- Step 10:** Starting the Public Offering process at the bank's agent counters. Closing the Offer
- Step 11:** To be listed on the Stock Exchange, and start trading the securities.

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STEPS TO BE LISTED ON THE EXCHANGE

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Documentation required for listing in ALSE

- Written application, using the standard form approved from ALSE
- Listing/Quoting agreement, using the standard form approved from ALSE
- Copy of the signed contract between Applicant and his first listing/quoting Agent (for that kind of securities)
- Copy of prospectus approved from AFSA or in exclusion case from this obligation, an equivalent document
- Copy of decision from the authority or Issuers respective authorities containing resolution which authorize application for admission in listing and/or quoting, and issuing of securities
- Contract of the Applicant with Clearing and Settlement member CSM or ALREG (as appropriate), for Clearing and Settlement securities, or corporative actions and dividend payments (if any)
- Historical extract updated from National Business Center (*business register*).
- Copy of Applicant's NUIS (*fiscal code*).
- Copy from the tax authority that the Applicant has paid fiscal obligation

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Content of the Prospectus

Data on the securities for which the prospectus is published and the manner and terms of their issue, which include:

- The type and characteristics of the securities, their total number, and the description of the rights they hold.
- A summary that briefly sets out the key features and risks of the securities holder, the guarantors and the offered securities .
- Start date of signing, signing and payment period

Data on the issuer's financial position (Financial Statements) for the previous financial year and the subsequent financial year, up to the last quarter, as well as the name of the accounting expert certifying the statements.

Data on members of decision-making bodies, supervisors or executives of the issuer.

The following statement of persons signing the prospectus:

- The prospectus is signed by the representative or legal representatives of the issuer or by all members of the relevant issuer's governing body

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Initial Public Offering Securities Issuance Process (IPO)

- The issuer takes the decision for IPO and listing on the Exchange
- The issuer prepares the Prospectus with the information requested by the AFSA.
- The issuer determines a financial intermediary (usually a bank) that re-established "Due-Diligence + Price"
- The issuer determines a commercial bank that re-launches the bid on the counter
- AFSA approves the prospectus.
- The issuer applies for securities listing in a Stock Exchange
- The commercial bank "Road-Show*" for investors and closes the Public Offer
- The issuer receives the funds in his account as Investors receive Securities in their accounts held by the Custodian.



Road-Show* - Advertising of Companies that are Participating in the IPO in order to attract potential investors.

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Types of Securities on the ALSE

- **Shares**
Shares are securities of joint stock companies (corporations) that provide ownership elements to the possessor. The trading of stocks takes place in the securities market, which is also known as a stock exchange, the possession of a shareholder's ownership can bring income that he receives in the form of a dividend.
- **Bonds**
Bonds are debt securities issued by joint stock companies that do not give their holder any property ownership but provide their buyer with the benefit of interest during the maturity period and at the end of the maturity period the principal payment.
- **Commercial Papers**
Are short-term debt securities issued by businesses.



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Underwriting methods of Issuing Securities

Best Efforts Method:

- The Financial Intermediary (FI) does not keep the risk of the Securities Issuer
- FI guarantees it will strive with all the best ways to sell issued securities
- FI does not guarantee the sale as well as does not buy unlisted securities.

Underwriting Method:

- For new securities that are not known, underwriting is suggested
- FI buys the entire IPO at a higher price than the market price, taking on the risk of not selling them in the secondary market
- FI can only take this risk or share it with other Financial Intermediaries .



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LISTING CRITERIA IN ALSE

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Criteria for Listing Shares at ALSE

Standard Market + Main Market

GENERAL CRITERIA		
Issuer has to : <ol style="list-style-type: none"> 1) To be registered as a Joint-Stock Company (S.A) for listing on Main and Standard Market 2) Submit Prospectus and receive approval from AFSA (Albanian Financial Supervisory Authority) 3) The listing/quoting applicant's securities should be freely payable and transferable 		
SPECIFIC CRITERIA		
Requirements	STANDARD MARKET	MAIN MARKET
Minimum running activity since foundation	3 years	5 years
Positive financial results	Last year	Last 2 years
Audited annual reports based on IFRS for	Last 2 years	Last 3 years
Minimal capital value	€ 1.000.000	€ 2.000.000
Free float ratio	15 %	25 %
Minimal number of shareholders	100	250
Exception in case	Free float ratio does not reach the level of 15 % but minimally completes the amount € 250.000	Free float ratio does not reach the level of 25% but at least it is 15% and completes the amount € 2.000.000
Liquidity criteria	Not required	<ol style="list-style-type: none"> a) The average minimum number of the executed transactions in shares during the last year. b) Average minimum monthly trading volumes of shares traded during the last year. c) Average minimum monthly market penetration during the last year.

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Shares Listing Criteria at ALSE

Entry Market

GENERAL CRITERIA
Issuer has to: <ol style="list-style-type: none"> 1) To be registered at least as a Limited Company (Ltd.) 2) Submit prospectus and receive approval from AFSA (Albanian Financial Supervisory Authority) 3) The listing applicant's securities should be freely payable and transferable
SPECIFIC CRITERIA
<ol style="list-style-type: none"> 1) Companies that does not comply with the criteria of being listed in the Standard and Main Markets 2) Are part of a private placement 3) Are start-ups and do not have an activity history 4) Their issuers do not have a positive financial result during the last year 5) Have been part of a privatization process 6) Submit a detailed business plan approved from AFSA

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Criteria for listing Private Debt Securities at ALSE Standard Market + Main Market

GENERAL CRITERIA		
Issuer has to: <ol style="list-style-type: none"> 1) To be registered as a Joint-Stock Company (S.A) in order to be listed in Main and Standard Markets 2) Submit prospectus and receive approval from AFSA (Albanian Financial Supervisory Authority) 3) The listing applicant's securities should be freely payable and transferable 		
SPECIFIC CRITERIA		
Type of Securities	STANDARD MARKET	MAIN MARKET
SHORT TERMS SECURITIES (Commercial Papers) of private debt up to the amount:	1.000.000 € - 3.000.000 €	3.000.000 € <
LONG TERM SECURITIES (Corporate Bond) of private debt up to the amount:	1.000.000 € - 10.000.000 €	10.000.000 € <



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Criteria for listing Private Debt Securities at ALSE Entry Market

GENERAL CRITERIA
Issuer has to : <ol style="list-style-type: none"> 1) To be registered at least as a Limited Liability Company (Ltd.) just in case of issuing commercial papers, or as a Joint-Stock Company (S.A) with a private offer in order to issue all the other securities and <u>be quoted on Entry Market</u>
SPECIFIC CRITERIA
<ol style="list-style-type: none"> 1) Short-term private debt securities (Commercial Papers) with a nominal value of every issued class of securities up to two hundred thousand (200.000) Euro



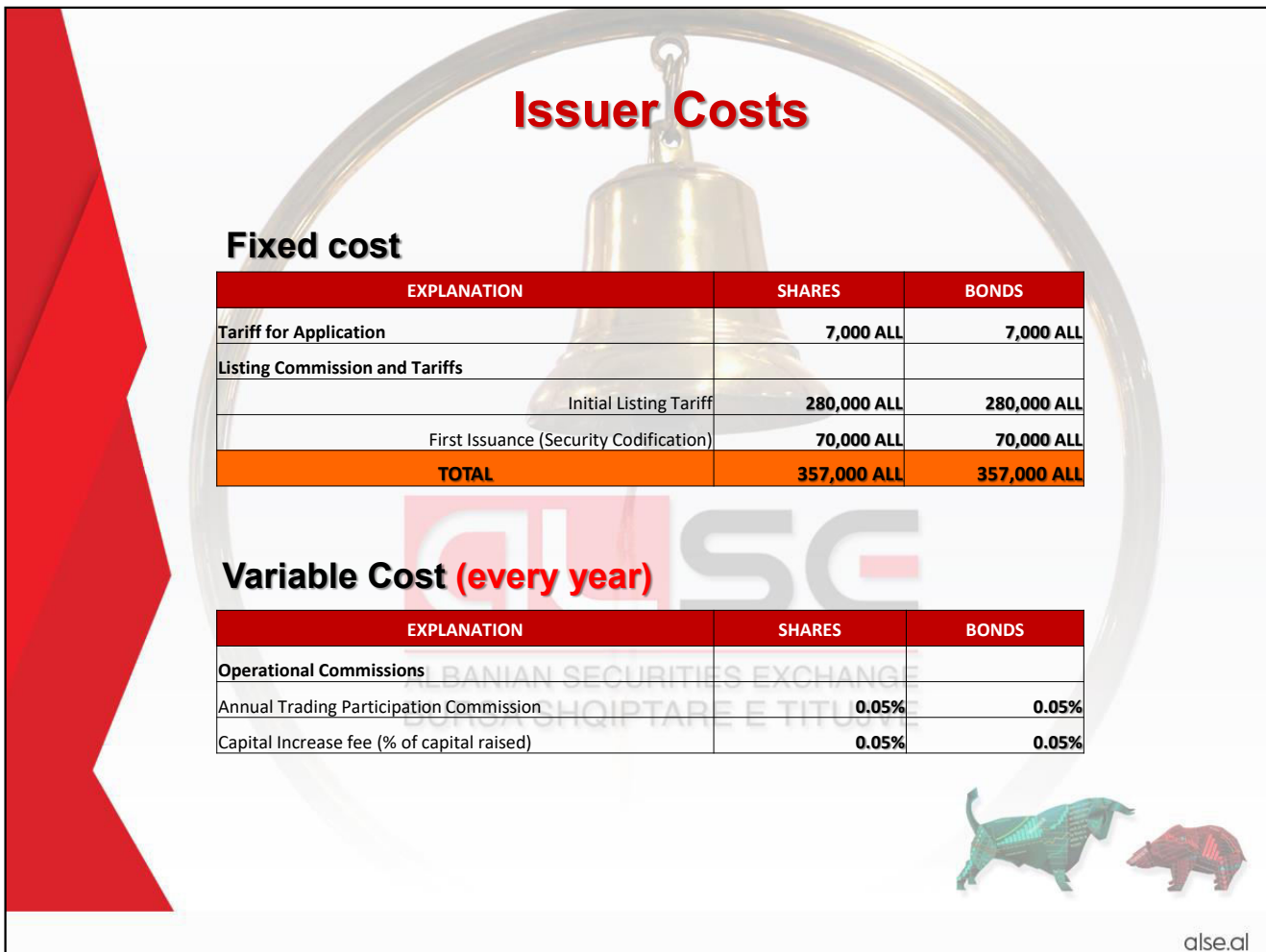
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COSTS & OBLIGATIONS OF THE ISSUER

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Issuer Costs

Fixed cost

EXPLANATION	SHARES	BONDS
Tariff for Application	7,000 ALL	7,000 ALL
Listing Commission and Tariffs		
Initial Listing Tariff	280,000 ALL	280,000 ALL
First Issuance (Security Codification)	70,000 ALL	70,000 ALL
TOTAL	357,000 ALL	357,000 ALL

Variable Cost (every year)

EXPLANATION	SHARES	BONDS
Operational Commissions		
Annual Trading Participation Commission	0.05%	0.05%
Capital Increase fee (% of capital raised)	0.05%	0.05%

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Continuous Obligations of the Issuer

- Equal treatment of Securities holders
- Informing the market and public with the necessary information that may affect the price level
- Informing Albanian Securities Exchange for the company's corporate actions
- Publication of Annual Financial Statements

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Interested in Listing ?

Contact :

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▶ TRADING

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▶ MEMBERSHIP

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