

Taking Your Company Public



The Frankfurt Stock Exchange
Primary & Dual Listings

Accessing the European Capital Markets the right way

Summer 2012

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Listing Service

Global Strategy Connections Ltd is pleased to offer listing and capital market services to our clients, taking companies public on the Frankfurt Stock Exchange. In conjunction with our associates, we offer a professional service with the highest levels of integrity.

If you are unable to borrow money for your company as have in the past from your bank, you are not alone. Increasingly, business owners, like you, are using the capital markets to bypass the banks and seek funding directly from investors, both retail and institutional.

We have a formula to help you take advantage of this opportunity for the lowest possible cost and with minimum risk, as outlined towards the end of this document.

Assuming that there is a match between your company's stage of growth and our requirement to work only with those who can be successful, we would be delighted to build a strong and mutually beneficial working relationship.

Choice of Exchange

The Frankfurt Stock Exchange is one of Europe's most liquid trading platforms. Internationally, it competes with stock exchanges such as Paris, London or New York but generally offering faster and more cost effective entry to the capital markets. Frankfurt is recognised as part of a peer group of exchanges, unlocking the possibility of dual listing internationally in the future, if the issuer is on an appropriate segment.

Going Public in Frankfurt

The admission of shares to trading in the Open Market (Entry Standard) is relatively straight forwards and should take no more than 4 months, subject to the full co-operation of the client and availability of all the required documentation.

International issuers would generally require a holding company structure to be set-up that meets the requirements of the exchange. The existing asset (your business) would then be acquired by the holding company, in exchange for shares, which are later made available in electronic form for trading on the exchange. In that way, your ownership of the company transfers from a direct ownership to an indirect ownership through shares. There will be no impact on the operational requirements of the business.

The application for inclusion in exchange trading is filed by Global Strategy Connections Ltd and its associates with the Frankfurt Stock Exchange. We monitor closely compliance with the transparency requirements and will be a key contact and coordinator between the company and Deutsche Börse (owners of the Frankfurt Stock Exchange) during the listing process.

Key application documents:

1. A prospectus approved by Germany's national supervisory authority, BaFin. We provide this as part of our package but will require the Company's audit and other documentation.
2. Up-to-date extract from the Company's commercial register entry
3. Company's valid articles of association
4. Audited (consolidated) financial statements together with the (consolidated) management report of the Company. You will be required to provide up to 3 years of audited financials, ideally prepared by a leading accounting firm. Please check with us on our recommendations.
5. Applicant's formal declaration to comply with the Entry Standard regulations and monitoring of the transparency requirements to be fulfilled by the company.
6. Company's written declaration of consent to the inclusion of the shares in Entry Standard.
7. Brief but compliant company profile for publication on the Company's website.
8. Evidence of a contract engaging Global Strategy Connections Ltd and our associates.
9. Chinese companies should be structured as a Wholly Owned Foreign Enterprise (WOFE)

Valuation of the Company

Analysts are the most Important Interface between Company and Investors. Analysts value the company in research reports and determine an appropriate price for the company's shares. The most common methods for valuing an enterprise are the market comparison approach and the discounted cash flow method. With the market comparison approach, valuation parameters (e. g. price /earnings ratio) of comparable companies – the “peer group” – are applied to variables of the company being valued (e. g. projected earnings after taxes). With the discounted cash flow method, the expected future cash flows of the company are discounted by an appropriate cost of capital rate to the valuation date.

Global Strategy Connections Ltd and our associates will provide a professional valuation of the Company as part of our package, backed by a reputable Germany Bank. This will give your offering much more credibility and will also be the first step in the capital raise itself. Once available, the report will be distributed to more than 1,500 institutional investors who subscribe to receive our reports. If the opportunity matches the investor criteria, this can unlock the significant investment your Company is looking for. We recommend that reports be written at a regular interval, to reflect the new developments within the company, keeping investors fully informed. Pre-IPO reporting will help to establish a credible share price that reflects the Company's growth potential.

Dual listing on the Frankfurt Stock Exchange

If an issuer has stock listed on another exchange, the Company could also have their shares listed on the Frankfurt Stock Exchange. This only applies to companies listed in stock exchanges that are considered to maintain the same or higher transparency standards. We have a full list of qualifying exchanges that can be supplied upon request.

Dual listing essentially involves making shares from the original issue available in Frankfurt too. The process is very quick and extremely cost effective. If your company wants to develop a global reputation and increased investor awareness, this is a great way to raise your profile and gain access to one of Europe's largest capital pools.

We strongly recommend having a stock report prepared by our analysts, to raise the profile of the company and benefit from the exposure you will receive to institutional investors during this process. This is more effective and targeted than most investor relations programs. Above all, it is measureable, allowing you to gain a clear understanding of the effect that professional endorsement can have on your share price.

Although this could be considered a one-time expense, we recommend that reports are commissioned on a regular basis, to keep investors up to date with the growth story of your business. Our reports carry the endorsement of a major German Bank and the attention that they receive is reflective of this. Our mailing list is packed with the brand names of some of the largest financial institutions in the world.

If your primary listing is in a country within the European Economic Area, it may even be possible – under certain circumstances – to use the prospectus from the initial listing. In the case of foreign issuers, the prospectus can basically be prepared in English, but a German summary must be included. We can assist with this if required.

Communication

Listed Companies need to communicate professionally and maintain the highest levels of transparency if they are to be successful in attracting investors. An IPO on the Frankfurt Stock Exchange is certainly a milestone in a company's history, but that is the start of the journey not the end.

To capitalise on the time and money spent on a listing, communication with investors should be crystal clear. Keep the information flowing and you will see a buoyant share price; go quiet and you can watch your investors rethink their investment and vote with their feet.

From the date of its IPO or when exchange trading starts, every public company has an additional product: its own shares. Like any other product or service the company offers, the shares need to be advertised and supported. This is commonly referred to as investor relations (IR).

It is the task of investor relations to justify the confidence investors show in the Company's shares and to maintain it in the long term. Many companies will hire an expert to advise and act on their behalf, issuing press releases and organising roadshows or conferences. The IR representative should have a degree of control over the issue of corporate communications, to ensure that the Company complies with the standards expected of it.

As a part of this process, the Company will need a corporate website, complete with an investor relations area. The IR area should contain company news, the prospectus and a variety of other documents. It needs to be fresh and well managed, as this is a window through which investors can view how the company operates and what it considers important. If your company signs a major new contract or appoints a new member of the board, these things should be communicated in a timely manner through the IR page. Get this right and the battle is half won.

The Next Steps

In order to prepare for a listing, the first thing on the agenda is to ask yourself a few hard questions.

- Do you and the management team have the experience needed to be successful?
- Does your company have an attractive growth story and excellent prospects in the next five years?
- Are you prepared to reveal the inner most secrets of the finances of the company for public scrutiny?
- Are you prepared to maintain the highest standards of communication?

If the answer to all these questions is yes, you are already in a good position to raise capital through a stock exchange listing. A brief outline of the road map is below:

1. After a preliminary assessment, an agreement is signed engaging Global Strategy Connections Ltd as your listing partners and initial fee paid to escrow
2. An analyst will be engaged by Global Strategy Connections Ltd to prepare a pre-IPO report
3. If the analyst's report is as expected, a second escrow payment is made to cover listing costs and the listing process commences. The Company must at this point urgently commission an audit if not already in hand.
4. Once all required documentation is on file, the prospectus will be prepared and submitted for approval
5. Filing with Deutsche Börse
6. Prospectus and listing approval from BaFin/Deutsche Börse
7. IPO

The reason for engaging the analyst at such an early stage is to determine the quality of the Company, the prospects in the coming years and a fair valuation which will enable a share price to be accurately calculated. This will also allow both parties to test the relationship and get to know each other a little, before embarking on the listing. By filtering companies that are not going to be successful in the capital markets in this way, Global Strategy Connections Ltd ensures that it works only with the best candidates. From the Company's side, this ensures that its exposure to risk and expense is both managed and extremely limited. We hope you would agree that this demonstrates the highest level of professionalism and integrity.

Glossary

Ad hoc disclosure

Obligation of an issuer to publish company news items that could influence the stock market price without delay. It is regulated in the German Securities Trading Act (§15 WpHG).

Authorized / contingent capital

For a capital increase from authorized capital, the share capital is raised by issuing new shares. In the case of a capital increase from contingent capital, it is raised by converting a convertible bond or bond with warrants. Capital increases are generally resolved by the Annual General Meeting.

BaFin

The German Federal Financial Supervisory Authority (BaFin) is an independent public law institution and is subject to the legal and functional oversight of the Federal Ministry of Finance. Its primary objective is to guarantee the proper functioning, stability and integrity of the German financial system

Basel II

International capital adequacy guidelines that oblige banks to align their capital provision more closely with the risk of their creditors

Beauty contest

Process through which the banks to form the Syndicate are selected; it involves presentations by the individual banks

Benchmark

Neutral point of reference (e.g. sector indices) for judging the success of an investment in securities, funds or securities portfolios

Blue chips

Top-quality shares. The key criteria are high public awareness, prime-rated creditworthiness and regular dividend payments

Bookbuilding

Price discovery procedure to place shares. In contrast to the fixed-price method the investors are included in the price discovery process and the issue price is determined by balancing the investor and the issuer's interests.

Contingent capital > Authorized / contingent capital

Corporate governance

Management and supervisory structure of a company

Designated Sponsor

Bank or financial services provider that furnishes binding bid and sell quotes for particular securities in the order book, either upon request or at its own initiative

Disclaimer

Indication of exclusion of liability

Due diligence

Investigation of business concept, financial statements, taxes, legislation

Entry Standard

Transparency level. Subsegment of the Open Market. Access to the capital market of Deutsche Börse for small and medium-sized companies as an alternative to the EU-regulated markets

Fixed-price method

In contrast to the bookbuilding procedure, the issue price is agreed between the syndicate bank and the issuer

Free float

The shares in a company that are freely tradable on the market and held by a large number of shareholders (as a rule each of the shareholders holds less than a 5 percent stake in the company)

Fundamentals

Earnings figures of a company

General Standard

Transparency standard of Deutsche Börse in which the requirements of the Regulated Market apply

Greenshoe

Over-allotment option which gives issuers the right to sell additional shares if demand for the securities is in excess of the original amount offered

IFRSs (International Financial Reporting Standards)

Accounting standards issued by the International Accounting Standards Board (IASB), a body of auditors, financial analysts etc. from various countries organized under civil law and based in London

Institutional investors

Institutions such as banks, fund managers and financial services providers that invest large amounts in the capital markets

IPO

Initial Public Offering. The first public offering of securities of a company when going public

Issue

Flotation of new shares

Issuer

Stock corporation that issues shares

Listing

Admission to exchange trading and commencement of quotation at an exchange Offering phase In the offering and subscription phase, the terms and conditions of the issue are announced together with the offer to sell shares

Order book

Ledger (nowadays in electronic form) that provides an overview of orders for a trading instrument, e.g. a specific share; updated every second in the case of liquid shares

Prime Standard

Transparency level. Deutsche Börse listing segment for companies fulfilling the highest international transparency requirements. In addition to the Prime Standard transparency requirements, the requirements of the EU-regulated market apply

Private placement

Special form of IPO: securities are admitted to private trading and only to a limited number of sophisticated investors

Public offering

The opposite of private placement. Securities of a company are offered publicly

Quotation

Provision of bid and sell prices, manually or automatically (quote machines)

Regulated Market

"Regulierter Markt". Market segment of the Frankfurt Stock Exchange. Admission requirements and post-admission obligations for shares traded on the Regulated Market are governed by legal regulations

Roadshow

Company presentation for marketing their own shares in the different financial centers

Segment

On the Frankfurt Stock Exchange: Prime Standard, General Standard and Entry Standard

Speaker training

Dress rehearsal for the Executive Board's presentations at roadshows or analyst meetings

Statutory market segments

On the Frankfurt Stock Exchange: Regulated Market and Open Market

Stock Report

Deutsche Börse's tailored information offering for issuers. Includes data for calculating an issuer's share price and stock exchange turnover, as well as comparative figures for the respective sector

Transparency level /standard

The three segments of the Frankfurt Stock Exchange, the Prime Standard, General Standard and Entry Standard, represent three transparency levels or standards from the perspective of investors and issuers

US GAAP (Generally Accepted Accounting Principles)

The officially recognized United States standards for external corporate reporting, not codified in law. The Financial Accounting Standards Board (FASB) based in Norwalk / Connecticut is responsible for the further development of these standards.

About Us

A unique company dedicated to helping individuals and corporations, make more money, save money & become more efficient.

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