

FAQs

**Scale,**  
the new listing segment

Version as of 28/02/2017

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## Introduction

On 1 March 2017, Deutsche Börse AG will launch Scale, a new exchange segment to enhance access to investors for small and medium-sized enterprises (SMEs) and growth companies, and to replace the Entry Standard for shares and corporate bonds. The General Standard and Prime Standard will not be affected by Scale. This document answers questions on the introduction of the new SME segment. Questions are organised into the following areas:

1. General questions
  2. SME-appropriate inclusion prerequisites and follow-up inclusion obligations
  3. DirectPlace subscription functionality
  4. Deutsche Börse Capital Market Partners
  5. Research report
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## 1 General questions

### 1.1 What is Scale and why is Deutsche Börse AG creating a new segment?

- Deutsche Börse AG is providing access for investors and companies in Germany and in international markets, offering them support to help with their growth and sustainable company development. Deutsche Börse AG aims to create an ecosystem for growth. Scale will expand Deutsche Börse's current range of capital market financing services for small and medium-sized enterprises (SMEs). Scale includes target services such as the Deutsche Börse Capital Market Partners, research reports and the DirectPlace subscription functionality. Scale is part of the Open Market and is exchange-regulated market within the meaning of § 2 para. 5 of the Wertpapierhandelsgesetz (WpHG, German Securities Trading Act).
- Key performance indicators (KPIs) specifically designed to SMEs help to underpin the segment.
- Deutsche Börse AG supports the German government's aim of promoting German innovation and growth and ensuring the future competitiveness of the German economy.
- Scale aims to meet the MiFID II guidelines for certified SME growth markets to ensure it will be able to meet future demand for the promotion of smaller and medium-sized enterprises in the EU.

### 1.2 What are Scale's main target groups?

- Scale targets SMEs – i.e. companies that require growth capital and also the mid-cap sector in Germany and Europe that as a result of developments such as Industry 4.0 and digitisation now has an increasing need for investment.
- Scale does not require any industry specifications.
- Scale investors include: institutional investors, asset managers, family offices, retail investors/high net-worth individuals (HNWIs).

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**1.3 What are the differences between Entry Standard and Scale in terms of concept?**

Scale will...

- **be more closely regulated at sub-segment level in terms of inclusion prerequisites and follow-up obligations** than the former Entry Standard. This will be backed up by a statutory framework and the Market Abuse Directive (MAR), which will now also apply to exchange-regulated markets such as ad-hoc disclosure and insider lists;
- **provide new services:** share/bond KPIs for use in company selection, support from Deutsche Börse Capital Market Partners and DirectPlace subscription to support issue placement;
- **ensure issuer suitability** provided by Deutsche Börse Capital Market Partners.

**1.4 How is Scale different?**

What does Scale offer:

- **Quantitative KPIs:** Indicators used in Scale point to how a company's business model developed precious to IPO. Inclusion in Scale will depend on the achievement of minimum performance levels, measured using the segment's KPIs. This will ensure that only companies that can already demonstrate positive performance and have business models that have ideally already been tested by investors will be included in the segment.
  - **Regulation:** Proportionate transparency for inclusion prerequisites and follow-up inclusion obligations regulated by Deutsche Börse AG and flanked by a statutory framework. Since the MAR came into effect, comprehensive EU standards now also apply to exchange-regulated markets, such as ad-hoc publicity or insider lists. The current view on European level is positive towards SME growth segments.
  - **Target group:** The segment is geared towards SMEs, of which growth companies are only a sub-group since Scale includes mid-sized companies as well as young, fast-growing companies.
  - **Diversification:** Deutsche Börse AG's Scale is reaching out towards many investors, including institutional, semi-institutional and retail investors.
  - **Distribution of duties:** Scale research is organised by Deutsche Börse AG. Deutsche Börse Capital Market Partners support companies during the process, taking them by the hand and ensuring quality.
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**1.5 What will the end of Entry Standard mean for companies?**

- Entry Standard will run up to and including 28 February 2017.
- Entry Standard companies will become Basic Board companies on 1 March 2017.
- Under grandfathering arrangements, current Entry Standard companies will be able to opt for inclusion in Scale under facilitated prerequisites until 24 March 2017. After this date, regular prerequisites will apply.

**1.6 What will happen to an Entry Standard company that does not meet the requirements for Scale?**

It will automatically become a Basic Board company. The Basic Board will not appear as a separate transparency segment even though Basic Board companies must continue to publish their financial reports.

**1.7 Is there a Scale index?**

- It is planned to introduce an index when there is a large enough number of listed companies in Scale.
- Deutsche Börse AG believes that the new index will be an important benchmark to track SME companies in Germany.

**1.8 Where can I find information on Scale?**

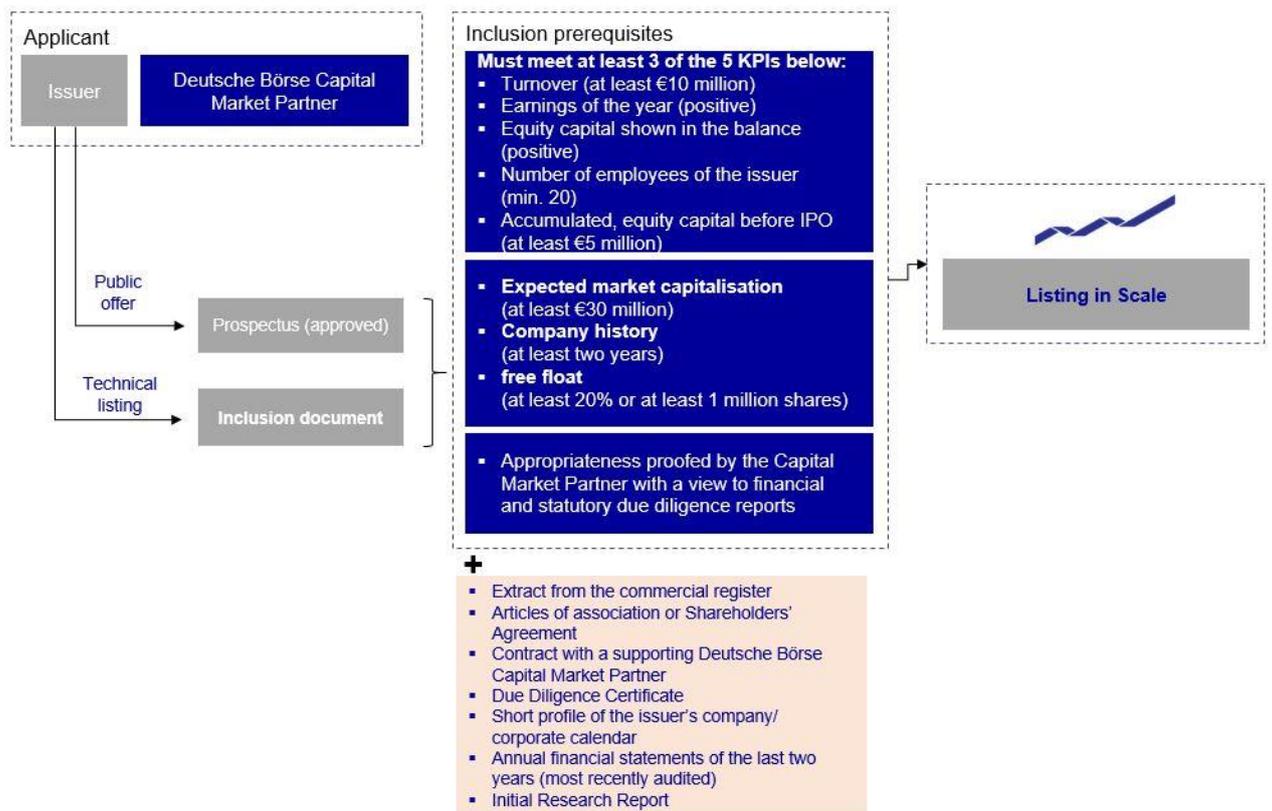
## Websites:

- [www.deutsche-boerse-cash-market.com/scale](http://www.deutsche-boerse-cash-market.com/scale)
  - [www.boerse-frankfurt.de/shares](http://www.boerse-frankfurt.de/shares)
  - [www.boerse-frankfurt.de/bonds](http://www.boerse-frankfurt.de/bonds)
  - Deutsche Börse Issuer Services:  
Hotline: +49-(0) 69-2 11-1 88 88  
E-Mail: [issuerservices@deutsche-boerse.com](mailto:issuerservices@deutsche-boerse.com)
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## 2 SME-appropriate inclusion prerequisites and follow-up inclusion obligations

### 2.1 What are the inclusion prerequisites for Scale?

- The main inclusion prerequisites for shares are:



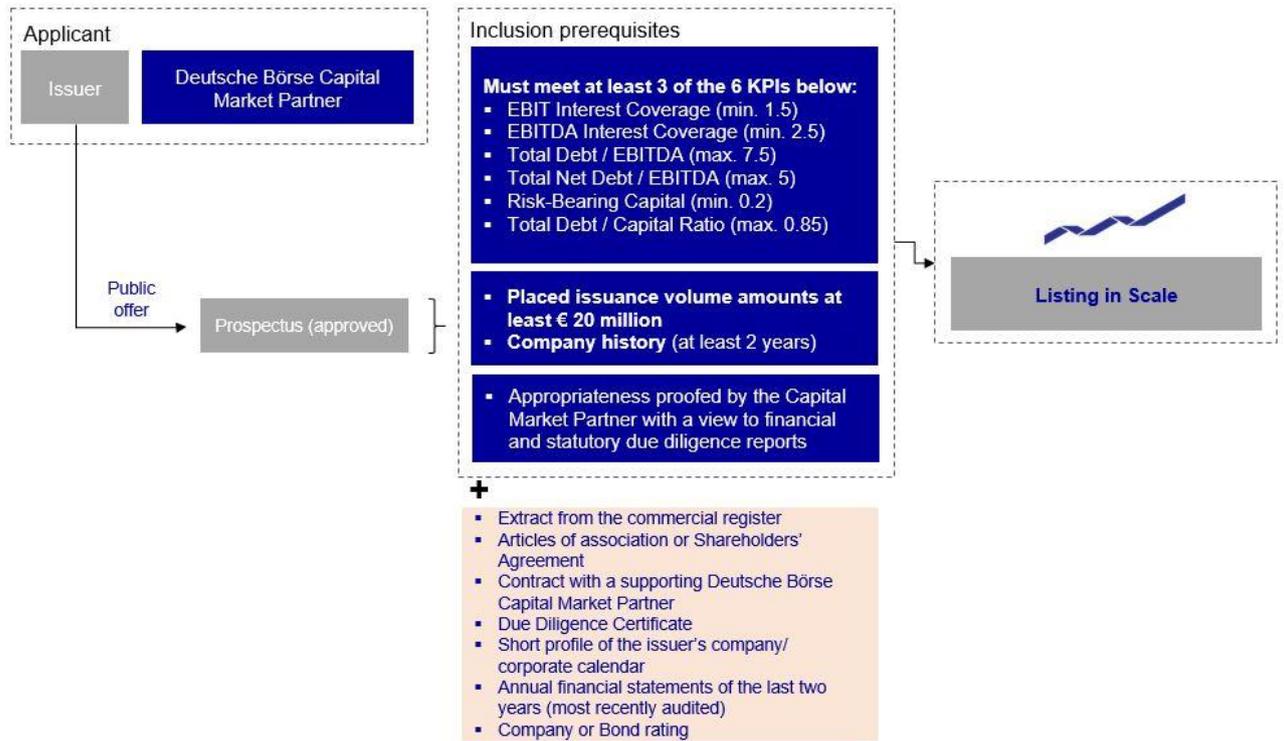
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- The main inclusion prerequisites for bonds are:



## 2.2 Will Entry Standard companies be automatically included in Scale?

Securities listed in Entry Standard up to and including 28 February 2017 will automatically become listed in Basic Board on 1 March 2017 but they will not be automatically included in Scale since this will require an application from the issuer. Under the grandfathering arrangements, the issuer will be eligible for facilitated inclusion prerequisites. The inclusion application form is available on Deutsche Börse AG websites.

## 2.3 How can I apply for facilitated inclusion in Scale?

Issuers listed in Entry Standard up to and including 28 February 2017 can opt for facilitated inclusion of their securities in Scale by filling in the application form available on Deutsche Börse AG websites and sending it to [listing@deutsche-boerse.com](mailto:listing@deutsche-boerse.com).

## 2.4 Is an inclusion in Scale without a prospectus allowed?

- If a prospectus is not a legal requirement, shares and certificates representing shares (but not bonds) can be included in Scale based simply on an “inclusion document”. This must at least contain the information required by Deutsche Börse AG and shown in the Deutsche Börse AG Terms and Conditions in Appendix 2. The inclusion document must be checked by the Deutsche Börse Capital Market Partner filing the application for completeness, consistency and comprehensibility.
- In some circumstances the facilitated Scale inclusion prerequisites will also apply to shares and certificates representing shares that have already been approved by a German or international stock exchange recognised by Deutsche Börse AG.

## 2.5 Will share or bond inclusion in Scale be subject to minimum company size requirements?

In the case of shares and certificates representing shares, forecast market capitalisation at inclusion in trading must be at least €30 million. In the case of bonds, placed issuance volume must be at least €20 million.

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## 2.6 What are the share and bond inclusion and listing fees for Scale?

- The **inclusion fee** for **shares** includes a €20,000 fixed fee plus a variable fee that depends on the market capitalisation of the applying issuer (see below).

Market capitalisation (€ million)		Fee per commenced €1 million
over	up to and including	
0	30	0
30	50	700
50	100	350
100	250	250
250		0

Example:

Based on a market capitalisation of €260 million, the inclusion fee would be calculated as follows:

Minimum inclusion fee (€):	20,000
"+/-"	
Variables (€):	
30 x 0 =	0 +
20 x 700 =	14,000 +
50 x 350 =	17,500 +
150 x 250 =	37,500 +
10 x 0 =	0 =
Sub-total:	69,000
Total inclusion fee (€):	89,000

- The **inclusion fee** for **bonds** will be €10,000.
- The annual **listing fee** for **shares** will be €20,000.
- The annual **listing fee** for **bonds** will be €10,000.
- Deutsche Börse AG offers a range of new services that contribute to segment transparency, making companies more visible to investors and making listing in this segment attractive prospect. The listing fees are moderate in comparison to other international fees.

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## 2.7 How does Scale fit into the Regulated Unofficial Market?

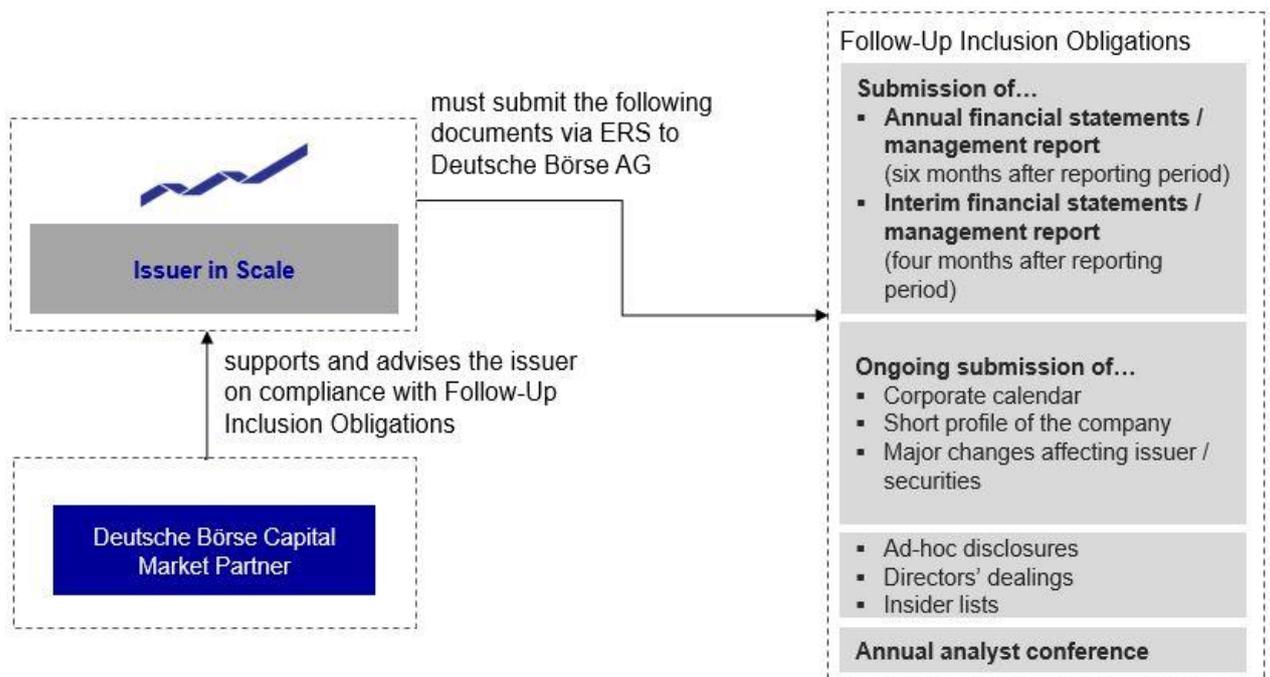
Deutsche Börse AG refers to the Regulated Unofficial Market as the Open Market. Scale is a segment of the Regulated Unofficial Market. Entry Standard, the current transparency segment for primary listings on the Open Market will be replaced by Scale. With Basic Board, a basic segment will be available to Entry Standard issuers who do not meet Scale inclusion prerequisites, allowing them to retain a listing on Frankfurter Wertpapierbörse (FWB®, the Frankfurt Stock Exchange). There will be no change to Deutsche Börse AG's Quotation Board segment in which securities can be included at the application of a trading member.

## 2.8 How can an issuer listed on another stock exchange be included in Scale?

No prospectus will be required if the issuer meets certain requirements. The issuer will however require a Deutsche Börse Capital Market Partner to support it throughout the financial and legal due-diligence process.

## 2.9 Which are the issuer's follow-up inclusion obligations in Scale?

- The main follow-up inclusion obligations for shares are:



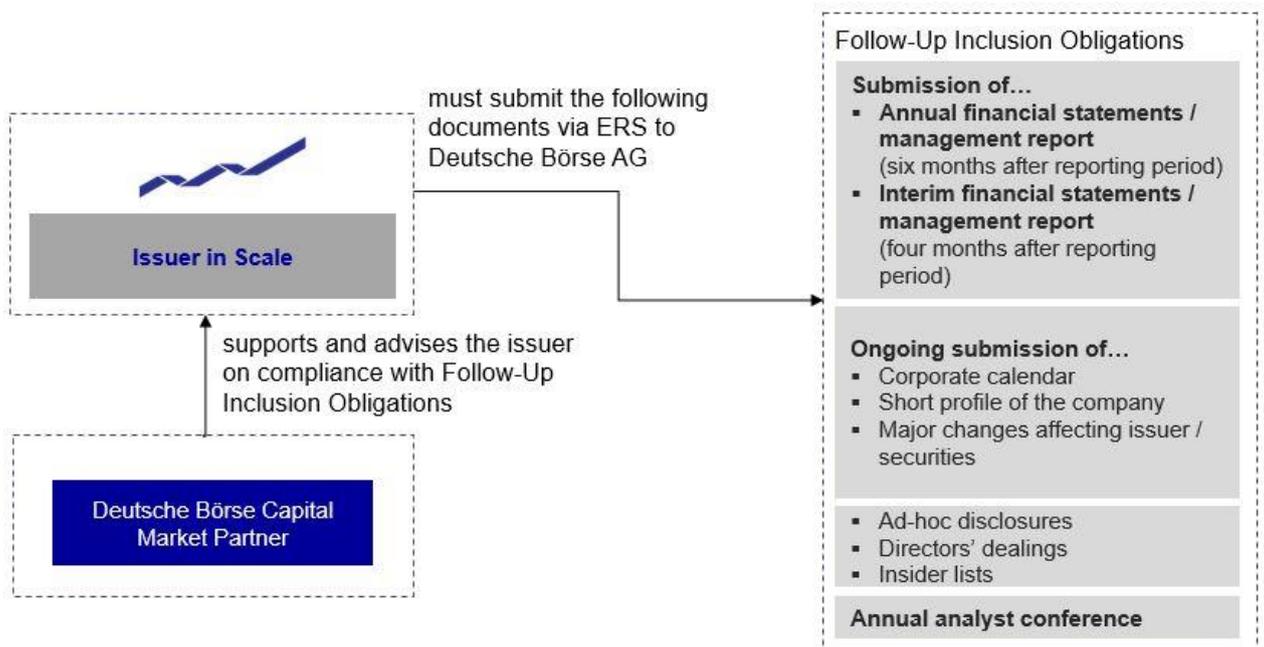
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- The main follow-up inclusion obligations for bonds are:



- By comparison with Entry Standard, the following follow-up inclusion obligations in Scale will apply to both shares and bonds: holding of an annual analyst and investor event, and a duty to report changes concerning the issuer and/or included securities. The deadline for interim financial statements and interim management report has been extended from three to four months. In addition, annual and interim financial statements and management reports must now be submitted to Deutsche Börse AG but on the other hand the issuer's duty to publish annual financial statements and management reports on its own websites will no longer apply. Issuers will of course be free to publish these statements and reports on their websites. On inclusion in Scale, bond issuers will no longer have to submit their corporate key figures to Deutsche Börse AG, as previously required under Entry Standard.

**2.10 Which accounting standards will apply if a company is listed in Scale or on Basic Board?**

- Issuers registered in an EU Member State or an EEA Member State must prepare their financial statements and management reports either in accordance with the International Financial Reporting Standards (IFRSs) as required under Regulation (EC) 1606/2002, or under the national law of the state in which they are registered.
- Issuers registered in a third country must prepare their financial statements and management reports as required under IFRS or accounting standards recognised as equivalent under Decision 2008/961/EC as amended by Commission Implementing Decision 2012/194/EU, or in accordance with the Handelsgesetzbuch (HGB, German Commercial Code).

**2.11 Can investor/analyst conferences be organised by conference call?**

Annual investor/analyst conferences can be organised by conference call or as a webcast so long as the issuer's management body also takes part. If it does not, the investor/analyst conference must be held face-to-face, e.g. at the German Equity Forum.

**2.12 Why was the deadline for publishing the interim financial statement extended by one month?**

By extending the deadline for interim financial statements and the management report we have become early adopters of the EU regulations that will standardise growth markets for smaller and medium-size enterprises (SMEs) under the Markets in Financial Instruments Directive (MiFID) II. This supports the aim of certification of Scale as an European SME-Growth Market. The extension also sets the segment apart from the stricter duties of the Regulated Market, where the deadline is three months.

**2.13 Do EU investor protection regulations apply to Scale?**

The MAR and its disclosure obligations also apply to Scale issuers and include:

- a. Ad-hoc disclosures
- b. Directors' dealings
- c. Insider lists

**2.14 How can an issuer delist from Scale and when will the delisting become effective?**

An issuer can delist from Scale by sending Deutsche Börse AG an official letter of termination by e-mail to [listing@deutsche-boerse.com](mailto:listing@deutsche-boerse.com), by fax to +49-(0) 69-2 11-1 35 95 or by post to Deutsche Börse AG, Listing Services, 60485 Frankfurt/Main, Germany. The notice period is three months.

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**2.15 Will delisting from Scale completely delist the company?**

When a company is included in Scale it is simultaneously included in Basic Board. Termination of inclusion in Scale will not affect inclusion in Basic Board, leaving the listing of the security unaffected.

**2.16 When will a downgrade to Basic Board occur and what are the criteria for reinclusion in Scale?**

- Under certain circumstances, e.g. the start of insolvency proceedings against the issuer, Deutsche Börse AG may terminate the inclusion of a security in Scale. For further details, see § 27 para. 2 of the Deutsche Börse AG Terms and Conditions (version as from 1 March 2017).
- Re inclusion in Scale is possible at the earliest six months after it has been left and requires that:
  - a. the reason leaving Scale no longer exists; and
  - b. Deutsche Börse AG to be unaware of any reason that might prevent proper fulfilment of Scale obligations.

**2.17 What is the fee for terminating a Scale listing or for switching from another exchange? Is the full quarter charged?**

The duty to pay the listing fee ends at the end of the calendar quarter in which the notice period ends under § 27 para. 1 of the Deutsche Börse AG Terms and Conditions or in which the termination becomes effective. This means that the full quarterly listing fee for any quarter in which there is a Scale listing must be paid. There is no pro-rata reimbursement of listing fees.

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### **3 DirectPlace subscription**

#### **3.1 What is the benefit for issuers of the mandatory use of the DirectPlace subscription functionality?**

- DirectPlace can:
  - a. potentially increase the range of placements for a securities issue,
  - b. offer a target-group-specific investor mix due to a broader diversification of the investor base (semi-institutional or retail investors).
- As part of the issue process, Deutsche Börse AG supports subscription by providing information services across a range of media (online, print, video).
- DirectPlace means subscription is made on the primary market at the issue price. Deutsche Börse AG allows investors to subscribe securities via their online brokerage account.
- When using DirectPlace, the website [www.boerse-frankfurt.de](http://www.boerse-frankfurt.de) is the main source of information and provides all the important information on the issue.

#### **3.2 Can a public offer be made without using the DirectPlace subscription functionality?**

In case of public offers requiring a prospectus for shares, certificates representing shares and bonds the use of the DirectPlace subscription functionality is mandatory.

#### **3.3 Have the order book managers also to be the Specialists?**

Order book managers and Specialists can be different.

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## 4 Deutsche Börse Capital Market Partners

### 4.1 What advantages do Deutsche Börse Capital Market Partners offer companies?

- The company receives targeted support from a proven capital market expert in the area of equity and debt capital financing.
- The Deutsche Börse Capital Market Partner is familiar with the necessary listing processes, in particular listing documents, inclusion prerequisites and follow-up inclusion obligations.
- As a network member, the Deutsche Börse Capital Market Partner has direct contact with Deutsche Börse AG's primary market area.
- The individual Deutsche Börse Capital Market Partners has access to other Deutsche Börse Capital Market Partners within the network to share relevant expertise.

### 4.2 Can an application be filed without a Deutsche Börse Capital Market Partner?

All applications must be filed together with an applying Deutsche Börse Capital Market Partner. Companies already listed in Entry Standard can file an application on their own but must provide proof that they have a contract with a supporting Deutsche Börse Capital Market Partner.

### 4.3 What is the difference between an applying Deutsche Börse Capital Market Partner and a supporting Deutsche Börse Capital Market Partner?

- Applications for the inclusion of shares, certificates representing shares and bonds in Scale must be made by the issuer together with an applying Deutsche Börse Capital Market Partner. Applying Deutsche Börse Capital Market Partners are lending or financial services institutions that have been recognised as Deutsche Börse Capital Market Partners by Deutsche Börse AG. The criteria for recognition as a Deutsche Börse Capital Market Partner and a list of recognised Deutsche Börse Capital Market Partners will be published online by Deutsche Börse AG. Applying Deutsche Börse Capital Market Partners primarily carry out the relevant legal and financial due diligence inspections, certify the suitability of the issuer for Scale to Deutsche Börse AG and advise and support the issuer as part of the inclusion procedure.
  - Throughout inclusion in Scale, the issuer must maintain a contract with a supporting Deutsche Börse Capital Market Partner who will provide advice and support before, at and during inclusion in Scale on follow-up inclusion obligations as required under exchange and general law. The supporting Deutsche Börse Capital Market Partner will ensure compliance with the duties to provide notification and disclosure to Deutsche Börse AG as part of its ongoing contract with the issuer, to whom it will also provide consultation and support. In addition to lending and financial services institutions, supporting Deutsche Börse Capital Market Partners may also be law and audit firms.
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## 5 Research report

### 5.1 Why does Deutsche Börse AG require a research report for inclusion in trading in Scale and who must prepare it?

- The research report is required so that investors can better assess the securities within Scale and in order to provide transparent and comparable information.
- In terms of scope, research reports are designed to give investors a quick and informative overview of the companies in Scale.
- Research reports are prepared by two research providers, Edison and Morningstar, which are mandated by Deutsche Börse AG.

### 5.2 What will the research reports contain?

- Both quantitative and qualitative research is provided for all companies in Scale.
- The quantitative research report is two pages long and is produced entirely electronically every day.
- The qualitative research report contains among other things an analyst's assessment of the company's business model and its competitive position. It is initially 8-10 pages long and will be updated twice a year (approximately four pages per update).
- Research reports will not include investment recommendations and do not replace any additional research reports that the issuer may commission.

### 5.3 What are the benefits of the research report for investors?

- Research reports are prepared electronically/digitally in their current version.
- They include an analyst's assessment of the company's business model.

### 5.4 Can an existing contract with an analyst company replace the research commissioned by Deutsche Börse AG?

- Research commissioned by the issuer cannot replace Deutsche Börse AG's research report service. Deutsche Börse AG aims to provide uniform and standardised information on companies in the segment. Companies are free to provide the market with additional research reports.
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### 5.5 Why did Deutsche Börse AG decide for two research providers?

- The dual approach gives the capital market both qualitative and quantitative research on companies in Scale with basic information for different investor groups and requirements.
- Deutsche Börse AG sees this combination of different approaches as an opportunity to provide the German capital market with a full set of independent research reports for the first time and to offer the market different perspectives on companies and their business models.

### 5.6 Is a research report a requirement for the inclusion of a security in the segment?

The information required to prepare the research report must be provided by the issuer to the research provider. Inclusion in Scale is subject to previous submission of a research report to Deutsche Börse AG by the research provider. A research report will be prepared both at the start of and also during inclusion. Bond issuers will be subject to the requirement that already applies to Entry Standard of maintaining current and valid company or bond ratings at all times.

### 5.7 When and how do I receive my research reports if I am a company switching from Entry Standard to Scale?

- Edison: Each issuer in Scale will receive an initial research report prepared by Edison. Once the application for inclusion in Scale has been received, the data will be forwarded to the research provider. The publication deadline will be agreed individually with the issuer. The issuer must give the research provider the information required for the research report.
- Morningstar: Each issuer in Scale will receive a quantitative research report. For issuers included in Scale in March, the quantitative research report will be published starting in March 2017 and will be updated daily no earlier than 10 a.m.

### 5.8 How do issuers receive research report updates?

The research report will be regularly updated throughout inclusion. The issuer must give the research provider the information required for the research report update by the deadline set by the research provider.

If you have any questions, please contact us at +49-(0) 69-2 11-1 88 88 or e-mail us at [listing@deutsche-boerse.com](mailto:listing@deutsche-boerse.com).

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