

GEDİK & ERAKSOY

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Amendments to Borsa Istanbul's Listing Directive relating to listings on the Star and Main Markets

The Directive on Listings has been amended with regards to the conditions of listing on the Star Market and the Main Market.

Borsa Istanbul Directive on Listings (the **Directive**) regulates the rules and procedures for listings of capital market instruments based on Borsa Istanbul A.Ş.' Regulation on Principles of Stock Market Activities. The listing regulation was abolished by the Directive in 2015. Certain requirements in connection with listings on Borsa Istanbul A.Ş. (**BIST**) in the Star Market and the Main Market have been changed with the amendments made to the Directive on 25 October 2016, 31 July 2017 and 13 October 2017.

Net profit instead of EBITDA

With the amendment made on 25 October 2016, the requirement that "EBITDA must have been earned" is replaced with the requirement of having "net profit in the annual financial statements, which is subject to independent audit". Previously, net profit requirement was only sought for companies in the finance sector.

Application Conditions for listings on the Star Market

On 31 July 2017, an alternative solution was brought in for companies that apply to be listed on the Star Market. If the conditions of (i) having made a net profit in the last two audited annual financial statements; and (ii) the ratio of shareholders' equity to capital in the latest audited financial statements being 0.5%, are not met, pursuant to the amendment, the board of directors of BIST may adopt a decision for listing the relevant company's shares on the Star Market, taking into account the information that the company submits regarding its activities, financial structure and utilisation of public offering income. The conditions that must be met for applying this alternative option are as follows:

- having net profit in the last audited annual financial statement and the relevant interim period financial statements;
- the ratio of shareholders' equity to capital in the last audited financial statement is higher than 0.5%;
- the public offering is not solely conducted through sale of shares by shareholders; and
- other conditions listed for the Star Market in the table below are satisfied.

As per the amendment, BIST, by taking into account the projections provided by the company, may use the non-cash depreciation and redemption share amounts while calculating the operation profit.

The requirements to be met for initial listing on the Star and Main Markets are shown in the following table:

	Star Market Group 1	Star Market Group 2	Main Market Group 1	Main Market Group 2
The market value of shares to be offered to the public	At least TRY250 million	At least TRY100 million	At least TRY50 million	At least TRY25 million
The total market value	At least TRY1 billion	At least TRY400 million	There is no total market value requirement	There is no total market value requirement
Having net profit in audited annual financial statements	For the last two years	For the last two years	For the last two years	For the last two years
The minimum ratio of offered shares to the paid-in capital	5%	10%	15%	25%
The ratio of shareholders' equity to the capital according to the most recent audited financial statements	more than 0.75	more than 1	more than 1	more than 1.25

Alternative Condition for being listed on the Star Market for companies with consolidated financial statements

According to the Directive, total shareholders' equity is used for calculating the ratio of shareholders' equity to the capital in companies that prepare consolidated financial statements.

While evaluating applications made for listing on Star Market Group 1 and Group 2, provided that the shareholders' equity is positive, but the ratio of shareholders' equity to the capital is smaller than 0.75; and 1, respectively; in order to be listed in accordance with the application made to the BIST, the shareholders' equity, which is calculated by adding the premiums gained from public offering and the nominal value of increased capital, must be greater than 1.

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