



The NewConnect Handbook



Table of contents

I. Offerings of shares: Key information	4
Introduction (Bartosz Krzesiak – Navigator Capital S.A.)	4
How to prepare an offering on NewConnect	5
Advisors in the introduction of shares to trading on NewConnect (Sebastian Huczek – INC S.A.)	10
Selecting your advisors	11
Authorised Advisor	12
How to select an Authorised Advisor?	12
Other partners in going public	13
Timeline of an offering and introduction of shares to trading on NewConnect (Michał Więzik – Beskidzkie Biuro Consultingowe sp. z o.o.)	15
Timeline: An example	16
Step 1: Preparation	16
Step 2: Execution	17
Step 3: New listing	17
II. Legal information	18
Legal acts governing offerings of shares and introduction to trading on NewConnect (Sebastian Huczek – INC S.A.)	18
Share issue: Key regulations	19
Transformation of the legal status	20
Articles of association, share issue resolution	21
Conditions of introduction of shares to trading	22
Why would GPW refuse to introduce a company's shares to trading?	24
Due diligence, offering documents, responsibility (Paweł Sobkiewicz – PKF Consult sp. z o.o.)	25
Due diligence: Characteristics	26
Share offering documents, responsibility for information	27
III. Offering of shares	29
Who is an offering addressed to? (Sebastian Huczek – INC S.A.)	29
Investors: Key differences	31
The offering process (Sebastian Huczek – INC S.A.)	32
Offering of shares	33
What regulations apply to an offering of shares?	33
Public offerings up to EUR 1 million	34
IV. Companies listed on NewConnect	35
Disclosure requirements of NewConnect-listed companies (Bartosz Krzesiak – Navigator Capital S.A., Michał Więzik – Beskidzkie Biuro Consultingowe sp. z o.o.)	35
Communicating with the market	36
Other obligations of companies listed on NewConnect and their persons discharging managerial responsibilities	38
Your partners (Michał Więzik – Beskidzkie Biuro Consultingowe sp. z o.o.)	40
How do I work with an Authorised Advisor?	41
How do I work with a Market Maker?	42
IR of NewConnect-listed companies (Bartosz Krzesiak – Navigator Capital S.A.)	43
Benefits of active investor relations	44
Relations with institutional investors	44
Relations with individual investors	45
Abbreviations, definitions, regulations	46
Publication Partners	48

Background

Dear Reader,

NewConnect was established in 2007 as a stock market operated by the Warsaw Stock Exchange in the alternative trading system model. The market offers less strict formal requirements compared to GPW's regulated market, both in terms of the conditions of introduction of shares to trading and subsequent disclosure requirements for companies, as well as lower costs of floating and listing, while providing listed companies with access to investor capital and brand promotion opportunities. NewConnect is designed specifically for small companies whose listing opens genuine opportunities of raising capital by issuing shares while the acceptance of disclosure standards applicable to public companies and resulting experience open the door to listing on GPW's Main Market.

In July 2019 NewConnect received an SME Growth Market status. As a result, listed companies can use regulatory facilitation with regard to certain disclosure requirements under European Union regulations. EU's efforts in support of the growth of SMEs suggest that further regulatory facilitation may be offered in the future to companies listed on SME Growth Markets in order to improve access of SMEs to capital.

This Handbook addresses the question how to become listed on NewConnect; how to prepare for and successfully complete an offering of shares; what conditions must be met to introduce shares to trading; and how to comply with obligations vis-à-vis investors. The transparent structure of this Handbook provides easy access to key legal, procedural and organisational advice in that regard.

The Handbook has been created by GPW in partnership with practitioners – experts representing NewConnect Authorised Advisors participating in the Board of Authorised Advisors, GPW's advisory body supporting the development of the alternative trading system. Their expertise and well-established experience make this Handbook the best repository of practical advice about the introduction and listing of companies on NewConnect.

We hope that this Handbook will introduce shareholders and managers of companies to each step in the journey to listing and will help them understand the benefits of being a public company, making it easier to decide on becoming listed on NewConnect and, in the future, on the GPW Main Market.

Editors

GPW Listing Department, Board of Authorised Advisors

Warsaw, November 2020

I. Offerings of shares: Key information

Introduction



I. Offerings of shares: Key information

Introduction

/ How to prepare an offering on NewConnect

/ Why should I go public?

The status of a public company offers a range of benefits which are beyond the reach of many private companies and extend to the company, its shareholders, and employees. Such benefits are particularly ample if your company attracts investor confidence necessary to raise capital and grow company value, including the value of stock held by current owners.

/ Benefits for your company

	▼ Raising growth capital
	▼ Credibility and brand promotion
	▼ Improved balance sheet structure, additional rounds of financing

/ Raising growth capital

Companies typically go public in order to raise capital for growth. As a result, your company can step up the implementation of its development strategy and grow its shareholder value. Companies may also decide to raise equity for instance to finance research and development or to invest in fixed assets. Companies with a well-established position which attract investor confidence may decide to use cash raised in a share issue in order to finance acquisitions (public companies may also pay for acquisition targets with their own shares).

/ Credibility and brand promotion

If you compare two companies, a public company typically inspires more credibility than a private company. Credibility is an invaluable asset, especially during a market downturn. Credibility earned by being listed on NewConnect strengthens your relationships with counterparties and may help to grow your sales or secure better more attractive terms of financing from financial institutions. Brand promotion, in turn, usually helps B2C public companies.

/ Improved balance sheet structure, additional rounds of financing

A share issue will strengthen the balance sheet of your company, improving your chances of raising (additional) debt finance. With time, as your company wins the confidence of new shareholders (especially mutual funds), you may arrange additional rounds of financing including subsequent equity or bond issues. When it comes to bonds, public companies can place bonds at lower rates and, in time, issue unsecured bonds, as well.

/ Benefits for shareholders

 Current owners retain control Market valuation Shares are transferrable

/ Current owners retain control

Although you will attract new shareholders, you will still retain control of your company as new shareholders typically represent minority interest. Public companies typically sign no investment agreements between current owners and new shareholders which would define the terms of governance and control.

/ Market valuation

Shares of public companies are priced on a daily basis. Notwithstanding periods of higher volatility, share prices tend to approach fundamental value in the long term. As such, market quotes reflect your company's value and the results of growth strategies pursued by management.

/ Shares are transferrable

In case of new share issues, investors usually expect the company's key shareholders and managers to lock up their shareholding within a window of 12 to 18 months. That reassures the new shareholders that the founders of the company's success will not be leaving in foreseeable future.

If a strategic investor wants to buy your company, both the current owners and the minority shareholders may easily sell their stock, typically at a premium over the market price.

/ Benefits for managers and employees

 Equity-based incentive schemes Improved organisation and reputation

I. Offerings of shares: Key information

Introduction

/ Equity-based incentive schemes

Public companies can offer incentive schemes to managers and key staff, much more so than private companies. Incentive schemes award stock to eligible participants at a preferential price, for instance depending on the company's financial performance. As a result, eligible participants become shareholders of your company. Just like current owners, your company's rising share price works to their benefit. Equity-based schemes are a great incentive tool for employers who wish to retain key employees.

/ Improved organisation and reputation

Going public requires some effort in the organisation but it ultimately benefits its structure and operation. Being a public company raises the profile of your company, the more so the bigger its market value.

/ Financing options: equity vs. debt

As companies grow from seed, start-up to mature, they increasingly require external funding. Early on, companies are typically financed by the owners: it is still too early for debt because capital and earnings are small. With growing scale and profits, companies increasingly reach out for bank loans or bonds.

When your company's capex or opex rises as scale grows, those needs may only be met through a new share issue or with debt instruments such as bonds. While somewhat more expensive than bank loans, a bond issue may turn out to your company's advantage. The maturity of bonds is typically up to three years, and they are redeemed in full at maturity (only interest is paid on a regular basis, for instance quarterly).

/ Success factors of a share issue and introduction of shares to NewConnect

Investors search for attractive companies in promising sectors which can grow shareholder value.

Your advisors in an equity issue will develop an attractive investor story, mitigate risks, draft the issue documentation, and carry out the issue of shares.

/ Growing sectors boost company growth

Growing sectors are always on the investors' radar as they provide companies with a solid foundation of above-average growth, which is expected to generate above-average growth of shareholder value. Growing sectors are characterised by less competition and more expansion opportunities while companies get a "second chance" when something goes wrong. Growing sectors often thrive on technological innovation and break-throughs as well as public grants.

/ Strategy of fast growth above benchmarks

Fast company growth in an attractive sector mitigates investment risk. This is why investors look for the most robust players in preferred sectors. As a result investors enjoy higher returns, which also benefits current owners.

/ Scale up: the bigger, the better

Small players may be more exposed to market cycles compared to their larger peers. With growing scale and earnings, your company will attract investors based on a convincing business model and can protect its business.

/ Transparent organisation

Investors search for companies and groups where the economic interest of current owners matches that of investors. That is why you should ensure transparency of relations among group members, owners, and managers who might have interest in third-party entities.

/ Stable shareholders

As a rule, key shareholders of a young company should be committed to staying onboard for at least several years. Investors usually expect the company's key shareholders and managers to lock up their shareholding within a window of 12 to 18 months after the issue.

/ Corporate governance: rights of minority interests

The rights of minority shareholders (new investors who provide capital) must be respected by current owners in order to build long-term trust. Compliance with corporate governance standards helps company valuation and secures attractive terms of further funding.

/ Selection of the right advisors

Your advisors, in particular your Broker and Authorised Advisor, are key to the success of your company's offering and new listing. It is crucial that you pick the right partners. They will be instrumental in raising sufficient capital and securing successful floatation on NewConnect. Go to pages 11 and 12 of this Handbook to find out more about the role of advisors.

I. Offerings of shares: Key information

Introduction

/ Characteristics of offerings on NewConnect

According to applicable regulations, practically each offering is a public offering. However, a public offering may not necessarily require a prospectus to be prepared and approved by the Polish Financial Supervision Authority (KNF). For instance, no prospectus is required where the offering of securities is addressed to fewer than 150 investors. Smaller offerings may only require simplified documentation:

- / an offering which raises no less than EUR 100 thousand but less than PLN 1.0 million in the last 12 months requires no prospectus or information memorandum: it only requires the publication of a document containing details of the offering (including key information about the issuer, offered shares, planned use of cash raised, key risks),
- / an offering which raises no less than EUR 1 million but less than PLN 2.5 million in the last 12 months only requires an information memorandum which need not be approved by the Polish Financial Supervision Authority (KNF).

Offerings up to EUR 100 thousand require only very basic documentation. However, investors should always receive a reliable offering document containing a complete description of the company, its potential and risks. The quality of documentation is a key success factor of the issue while protecting the company (through a description of risks) against potential claims of investors if something goes wrong and risks to which the company or its sector is exposed materialise.

/ The right size of your offering

Shares of companies are acquired by individual investors as well as institutional investors such as mutual funds. Demand from individual investors is estimated at no more than several million PLN per issue. If you are planning to raise more equity, you will need to attract mutual funds as your investors.

/ Costs of an offering

The cost of preparing and completing an offering of shares typically runs up to several percent of the capital raised. The cost depends mainly on the offering size, complexity and procedure, as well as the responsibilities of project participants.

The main costs of preparing and completing of an offering of shares include: success

- / fee which depends on the offering value;
- / company presentation and offering documentation;
- / company valuation and research report, if any.

I. Offerings of shares: Key information

Advisors in the introduction of shares to trading on NewConnect



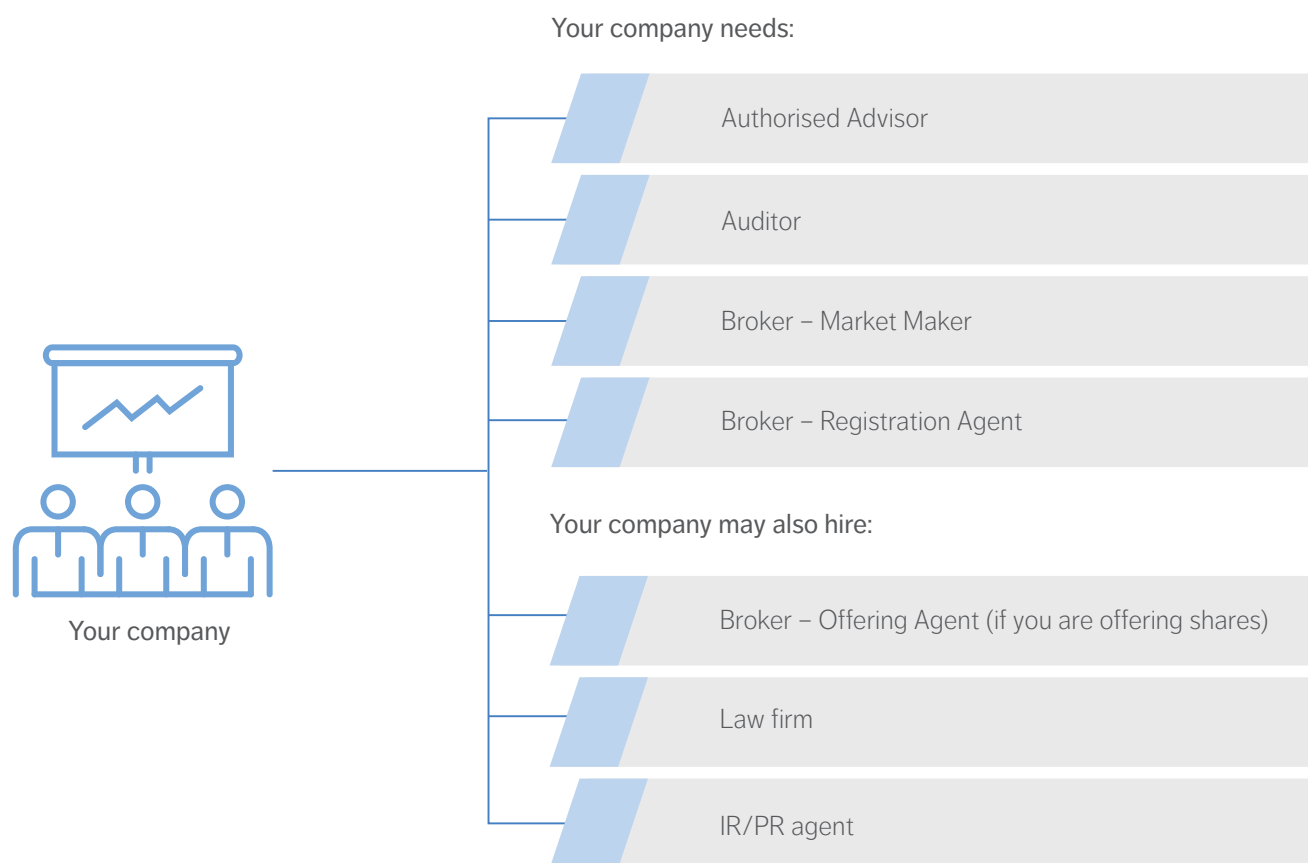
I. Offerings of shares: Key information

Advisors in the introduction of shares to trading on NewConnect

/ Selecting your advisors

The introduction of shares to trading on NewConnect is a fairly straightforward process but its success hinges on the contribution of professional advisors. Practically in every case your company will need an Auditor, an Authorised Advisor, and a Broker. They are all professionals licensed (authorised) by public institutions or the organiser of trading (GPW).

Companies going public sometimes work with law firms as well as investor relations and public relations consultants.



A single advisor may be authorised to provide more than one service (e.g. Authorised Advisor + Broker).

/ Authorised Advisor

You will be required to have an Authorised Advisor for the purposes of the introduction of shares to trading and in the first three years after going public.

/ Who is an Authorised Advisor?

An Authorised Advisor is a company authorised as such by the Warsaw Stock Exchange subject to applicable requirements and GPW's oversight. The up-to-date list of Authorised Advisors and their statistics (numbers of companies introduced to the market) are available on the NewConnect website.

Authorised Advisors may be consultancies, brokers, auditors, and law firms.

An Authorised Advisor is required to have at least two Certified Advisors in the Alternative Trading System. A Certified Advisor is someone who has passed GPW's examination and has been entered into GPW's register.

/ What does an Authorised Advisor do?

- 1 check if you can be listed on NewConnect
- 2 prepare the Information Document and have it authorised
- 3 prepare and train you in requirements for public companies
- 4 assist you in meeting the disclosure requirements after you go public, and support your presence on the public market

That is the least an Authorised Advisor will do. In practice, however, Authorised Advisors co-ordinate the entire process of introduction to trading and, if so authorised, act as broker or market maker.

/ How to select an Authorised Advisor?

- Remember that the experience and expertise of your Authorised Advisor is instrumental to the success of the process.
- The price should not be the only criterion: quality is key.
- The functions of Authorised Advisors require an individual approach to each issuer.



You have to work with an Authorised Advisor within three years after going public (but you may change your Authorised Advisor in the meantime in accordance with generally applicable regulations and your contract with an Authorised Advisor). After the first three years, many companies decide to continue their relationship with an Authorised Advisor rather than hiring experts to monitor (frequently changing) capital market regulations.

I. Offerings of shares: Key information

Advisors in the introduction of shares to trading on NewConnect

/ Other partners in going public



AUDITOR

If your company is a joint-stock company or a different type of company whose financial statements have been audited, you are all set. If your company has no audited financial statements for the last financial year, you need to hire an auditor to audit the financial statements and issue an opinion.

If your company has subsidiaries, you need to prepare consolidated financial statements and have them audited (the consolidation obligation is somewhat broader than for private companies).

The regulations impose no requirements as to the kind of auditor: any authorised auditor or audit firm will do.



BROKER – OFFERING AGENT

If your company is planning to issue shares and you need an intermediary, or the public offering will exceed EUR 1 million, you need to hire a Broker to act as your Offering Agent.

The section dedicated to offerings of shares provides more details.

NEW YORK

LONDON

WARSAW



BROKER – MARKET MAKER

Every company floated on NewConnect must sign an agreement with a broker – Market Maker. The Market Maker supports liquidity in accordance with the GPW regulations by buying and selling small blocks of the company's shares on NewConnect for its own account.

The list of Market Makers is available at newconnect.pl



BROKER – REGISTRATION AGENT

Before your company can be floated, its shares must be dematerialised in KDPW.

You will in principle need to hire a Broker who will make sure that shares registered in KDPW are recorded in the relevant securities accounts of the shareholders.

This is a one-time job.

If the company has issued certificated shares, the Broker will accept them for safe-keeping until the KDPW procedure is completed.

I. Offerings of shares: Key information

Timeline of an offering and introduction of shares to trading on NewConnect



I. Offerings of shares: Key information

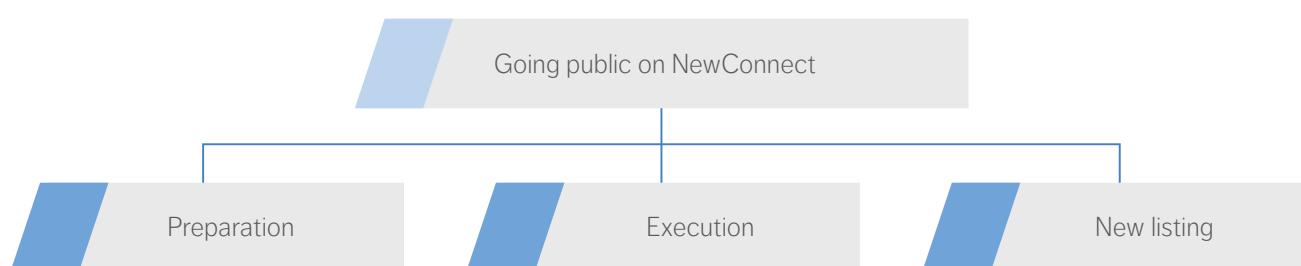
Timeline of an offering and introduction of shares to trading on NewConnect

/ Timeline: An example

A company going public typically aims to raise equity capital for growth, investment projects, or current operations. Therefore, time is of the essence. As the last step in the process, the actual flotation takes relatively little time, much less than the process of raising funds in an offering of shares.

Every complex business procedure requires competent advisors. The introduction of your company's shares to organised public trading is no exception. Even if you have a close understanding of the capital market, your company may be hard pressed to manage every step in the process, which requires expertise in finance, law, public trading in securities and, in the case of a public offering of shares, a broker's licence.

The process of going public consists of three key steps: preparation; execution; new listing.



/ Step 1: Preparation

The preparatory phase is the key to the process of going public. This is when you make crucial decisions which will determine the success of your company's share offering and raising of capital. The time and efforts you need to invest in the procedure of going public depend on those decisions. True to its name, the preparatory phase will prepare your company and yourself as owner or manager for the key part of the process of going public: execution also known as offering.



Remember: You need to hire the right advisors with the necessary experience and expertise to ensure that the process of your company going public is efficient and effective.

First of all, you need to pick an Authorised Advisor. Your Authorised Advisor will accompany you throughout the process of going public and thereafter, assisting you with disclosure requirements and supporting the presence of your financial instruments on NewConnect. If you pick the right Authorised Advisor, it will be much easier to select other advisors as Authorised Advisors typically work with partners who will cover all other requirements.

The next step in the preparations is to conduct a due diligence and prepare a report. The report will tell your Authorised Advisor whether your company meets the conditions necessary to go public on NewConnect or what needs to be done to meet those conditions.

Once you meet the conditions necessary to go public, you need to know how much your company is worth. You can then decide how much of your company must be sold to raise the necessary funds. The valuation is also necessary to determine the issue price of new issue shares at which investors will buy your company's stock.

Once the valuation is in place and you accept the issue price, you can move to the second step: execution also known as the offering of shares.

Duration:
2-4 months, including

approx. 1-3 months – selection of advisors, signing contracts,
approx. 1 month – due diligence and report,
approx. 14 days – company valuation.

/ Step 2: Execution

Execution is the longest step in going public. It involves the drafting of documentation necessary to offer shares as well as the technical implementation of the process. The documents will be prepared by your advisors. However, notwithstanding all the details you provide during the due diligence and valuation, the advisors may request additional clarifications and/or documents. Every document is different in purpose and thus in scope.

Once all the documents are in place, you can offer your shares. Depending on the offering procedure (which depends mainly on the offering value), you may carry out the offering yourself or hire authorised professional advisors to do it for you.

Duration:
approx. 2-4 months
(depending on the
offering procedure),
including:

approx. 1 month – preparation of documents,
approx. 14 days to approx. 3 months – technical offering procedure.

/ Step 3: New listing

The final step in going public is the new listing, which involves a number of procedures carried out by capital market institutions (GPW, KDPW) in order to introduce your shares to trading on NewConnect.

The key part of new listing is filing an application for the introduction of shares on NewConnect with the Warsaw Stock Exchange. Attached to the application is among others the relevant information document prepared in co-operation with the Authorised Advisor. The Authorised Advisor will represent you in all procedures handled by the Exchange and the other capital market institutions.

The introduction of shares to NewConnect is complete when the Exchange Management Board passes the relevant resolution. You can then prepare for the official opening of trade in your shares on NewConnect. The Authorised Advisor will help to ensure that your company's new listing is publicised and attracts positive investor interest.

Duration:
approx. 3 months,
including:

approx. 1 month – preparing an information document,
approx. 1-2 months – NewConnect introduction procedure

II. Legal information

Legal acts governing offerings of shares and introduction to trading on NewConnect



II. Legal information

Legal acts governing offerings of shares and introduction to trading on NewConnect

/ Share issue: Key regulations

New listing on NewConnect typically follows the issue of shares so your company may raise equity. A share issue is governed by several pieces of legislation.



The Act on Trading in Financial Instruments, which provides who may take part in an offering.



Regulation 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, which provides how a prospectus is prepared for a public offering of shares.



The Act on Public Offerings, the Conditions of Introduction of Financial Instruments into an Organised Trading System, and Public Companies, which defines certain requirements for raising equity, in particular through public issues.



The Commercial Companies Code, which defines the requirements for issue resolutions, the registration of shares, and the framework of the offering procedure.



Restrictions concerning issues of shares preferred in price.

Furthermore, the ATS Rules apply, in particular the minimum dispersion requirement and the minimum own capital requirement set therein.

/ Transformation of the legal status

Only joint-stock companies are eligible to be listed on NewConnect. As a result, any company with a different legal status must first be transformed into a joint-stock company.

/ Who can transform into a joint-stock company?

- / limited liability company (spółka z o.o.);
- / partnerships, e.g. open partnership (spółka jawna);
- / civil partnership (spółka cywilna);
- / a natural person carrying out economic activity.

/ Transform or set up a new business?

Transformation of the legal status preserves the company's track record. Although it has new registration details, a joint-stock company is the legal successor of an older company. As such, all of its predecessor's contracts automatically continue.

A new company has no official history and must take over or acquire all contracts, permits and licences.

A newly formed company cannot present financial statements for the last financial year under the ATS Rules. As a result, it has to wait approximately one year before its shares can be introduced to trading on NewConnect.

/ How to transform into a joint-stock company?

- 
- Draft a transformation plan.
 - Request the court to appoint an auditor to audit the transformation plan.
 - After the auditor issues an opinion, notify company partners of the planned transformation twice, in a two-week interval.
 - Company partners pass a resolution to transform the company.
 - Request the court to register as a joint-stock company.

An individual who carries out economic activities submits a notarised transformation declaration after the transformation plan is prepared and audited. Otherwise, the transformation procedure is roughly equivalent to that followed by companies.

The transformation procedure takes several months (4-6 months on average).

II. Legal information

Legal acts governing offerings of shares and introduction to trading on NewConnect

/ Articles of association, share issue resolution

In preparation for flotation on NewConnect, you need to draw up your company's articles of association.

The articles of a joint-stock company which is to be listed on the market must reflect the specificity of a public company:

- / protect founders' interests,
- / while respecting the rights of minority shareholders.

When a company is being transformed into a joint-stock company, it is best to draft the articles of association during the transformation

If the company is transformed into a joint-stock company, review the articles of association and modify them, if necessary, before the introduction to trading. The Supervisory Board of a public company must comprise at least five members; if the articles of association provide otherwise, the articles must be amended. The minimum par value of shares listed on NewConnect is PLN 0.10

To raise capital, your company needs to pass a resolution concerning a new share issue before it is floated on NewConnect. The resolution is passed by the company's general meeting as a joint-stock company's decision-making body.

A resolution on a new share issue should specify:

- / the quantity of shares to be issued,
- / the issue price calculation formula,
- / the offering procedure,
- / the authorisation for the management board to carry out the offering,
- / approval of the dematerialisation and introduction of shares to trading on NewConnect.

/ Conditions of introduction of shares to trading

/ Part 1

The ATS Rules define the minimum criteria for your company's shares to be introduced to trading.

/ The key criteria include:



Time in business: the company's information document must include its audited financial statements for the last financial year.

As such, the company must be in business for at least one year. In case of transformation of the legal status, the company's track record, for instance as a limited liability company, is included in that period.



Dispersion of shares: shares must be held by a required number of investors:

- / at least 15% of shares to be introduced must be held by at least 10 investors, each holding no more than 5% of the total vote ("small investors");
- / small investors cannot be the company's related parties, e.g. managers or their close relatives.



Shares to be introduced must represent at least 15% of the company's share capital.



Shares cannot be preferred in price in a period of 12 months.



No bankruptcy or restructuring proceedings may be pending against the company.



Par value at least PLN 0.10 per share



Own capital at least PLN 500,000, which may include receipts from a share issue prior to new listing on NewConnect

II. Legal information

Legal acts governing offerings of shares and introduction to trading on NewConnect

/ Part 2

/ Are you ready for listing?

The regulations also impose additional conditions: the preparation of an information document, having an Authorised Advisor and a Market Maker, the registration of shares with KDPW, no restrictions on the transferability of shares.

However, even if those conditions are met, your company's shares will not be automatically introduced to trading.

As the organiser of NewConnect, GPW decides whether shares may be introduced to trading based on a thorough review of the company's documentation and position. GPW may, and will, ask questions about your company's activity. If GPW concludes that the introduction of financial instruments to NewConnect would pose a risk to the safety of trading or the interest of trading participants, GPW will not approve such company to be floated on NewConnect.

/ Why would GPW refuse to introduce a company's shares to trading?



Unclear development plans



Risks to the company's liquidity



Doubtful capital or personal relations



No track record



Reservations as to how the share capital was paid up, in particular in case of high-value contributions in kind or debt conversion



High-risk business sector



The auditor's reservations about the financial statements



Strong preference given to majority shareholders

II. Legal information

Due diligence, offering documents, responsibility



II. Legal information

Due diligence, offering documents, responsibility

/ Due diligence: Characteristics

Due diligence is a multifaceted analysis of the company, typically carried out in connection with a planned equity deal. Due diligence is a tool mitigating investment risks. In preparation for the listing of shares on NewConnect, companies are required to provide the Authorised Advisor and investors with information concerning the issuer, its business and sector.

Due diligence typically covers four areas:

1 business

2 financial

3 tax

4 legal



Business due diligence usually focuses on three aspects:

- analysis of the company's market
- analysis of the competitive landscape
- analysis of sales of products and services



Financial due diligence covers:

- financial audit to check legal compliance of the financial statements
- business review of the financial statements: realistic financial assumptions and projections



Tax due diligence aims to:

- review tax accounts according to applicable regulations
- identify potential tax risks and impact on the company's financial standing



Legal due diligence checks the legal status of:

- the company and its business
- the company's assets
- the company's contracts

/ Share offering documents, responsibility for information

The new listing of shares on NewConnect typically follows an offering of shares. In an offering, your company raises equity to finance the implementation of its growth strategy.

Under the applicable regulations, practically every offering of shares in a public offering. Offering shares is a licensed activity reserved to brokers.

The legal basis of offerings is defined by:

- / Regulation (EU) 2017/1129 of the European Parliament and of the Council, known as the Prospectus Regulation,
- / the Polish Act on Public Offerings, the Conditions of Introduction of Financial Instruments into an Organised Trading System, and Public Companies, known as the Offering Act.

The type of document which has to be prepared in connection with a public offering of shares depends mainly on the amount of cash your company wants to raise, who the offering is addressed to, and the legal basis.

The table below presents the details.

	Type of public offering	Addressed to no more than	Offering value (including other such offerings in the last 12 months)	Legal basis	Offering document
1	Offer addressed to fewer than 149 persons in the last 12 months	149 in the last 12 months	N/A	Article 1(4)(b) of the Prospectus Regulation; Article 3(1a) of the Offering Act	N/A (tender offer)
2	Offer addressed to at least 149 persons in the last 12 months	N/A	N/A	Article 1(4)(b) of the Prospectus Regulation; Article 3(1a) of the Offering Act	Information memorandum approved by KNF; referred to in Article 38b
3	Offer up to EUR 100 thousand	N/A	up to EUR 100 thousand		N/A (tender offer)
4	Offer from EUR 100 thousand to EUR 1 million	N/A	EUR 0.1-1.0 million	Article 37a of the Offering Act	Offering document
5	Offer from EUR 1 million to EUR 2.5 million	N/A	EUR 1.0-2.5 million	Article 37b of the Offering Act	Information memorandum not approved by KNF
6	Offer with a prospectus	N/A	N/A	Article 3(1) of the Prospectus Regulation	Issue prospectus approved by KNF
7	Offer exempted from the prospectus obligation	N/A	N/A	Article 1(4)(a) and (c)-(j) of the Prospectus Regulation	N/A (tender offer)

The parameters of a planned public offering also determine the obligations applicable to the accompanying promotion. Disclosure requirements imposed by the Polish Financial Supervision Authority (KNF) vary depending on the size of the offering: from a simple notification of the planned offering and the responsible participants to advance presentation of the timeline, promotion materials, expected purpose and participants of the offering.

II. Legal information

Due diligence, offering documents, responsibility

/ Financial statements

Any document prepared in connection with an offering of shares should include the company's audited financial statements. Depending on the document, the financial statements may be presented for one, two, or three financial years.

/ Responsibility for information

The company is responsible for all information presented in the documents prepared in connection with an offering of shares. The responsibility of other parties involved, such as a law firm, a broker or a financial advisor, is typically limited to the scope of documents they produce.

When an application for the introduction of shares to NewConnect is filed, the company and its Authorised Adviser present declarations among others to the effect that all conditions have been met as regards the introduction of shares and the relationships between the company and its shareholders and Authorised Advisor, and to the effect that the presented information document contains all necessary information concerning the company's business and risks.

III. Offering of shares

Who is an offering addressed to?



III. Offering of shares

Who is an offering addressed to?

Companies which issue shares, or company shareholders who sell their shares, address the offering to specific groups of investors.

A company's offering may be addressed to:

- / unspecified investors,
- / specific individuals or entities.

In either case, you should consider what investor profile your company has in mind

/ Consider the following:



**Institutional
investors**

Institutional investors include funds established as diverse legal structures: mutual funds or alternative investment firms.



**Individual
investors**

Individual investors are natural persons, who are sometimes less experienced investors.



**Industry
investors**

Industry investors are entities or individuals active in the same sector as the issuer.

/ Investors: Key differences

Each group of investors focuses on somewhat different aspects of the issue and the company.

/ Institutional investors

Institutional investors typically consider a very broad range of data and indicators, including the company's corporate governance and transparent organisation.

/ Individual investors

Individual investors vary considerably. Some of them are very experienced and affluent while others are beginners or have little savings. They typically do not engage in in-depth company analysis and focus instead on the key financial indicators and value drivers.

/ Industry investors

Industry investors typically focus mainly on the company's technical profile, technologies, markets and customers.

/ In any case, remember to make sure that:

- 1 Data provided during the offering are true, fair and complete
- 2 Potential risks are disclosed
- 3 Realistic projections are presented

III. Offering of shares

The offering process



III. Offering of shares

The offering process

/ Offering of shares

What is an offering of shares?

In an offering, a company (or its Broker) distributes communication which offers its shares, describes the terms and conditions of the offering and the profile of offered securities to the extent necessary for investors to make informed decisions.

What information is necessary for investors to make informed decisions?

According to the interpretation of the Polish Financial Supervision Authority (KNF), the price and the type of securities and the name of the company are all the information necessary for investors to make informed decisions.

/ What regulations apply to an offering of shares?



Polish regulations have been harmonised with the EU Prospectus Regulation since 30 November 2019.

Every joint-stock company which issues shares engages in an offering of shares. If an offering is addressed to more than one person, it is a public offering within the meaning of the Polish Offering Act and the EU Prospectus Regulation.

However, not every public offering requires the preparation and KNF's approval of a prospectus. The following exceptions from the obligation to prepare a prospectus are key:

- / an offering addressed to fewer than 150 persons. Such offering (previously known as a "private offering") requires no prospectus or other documents. Note:
 - / the limitation of 150 addresses covers a period of 12 months; consequently, a company may complete any number of such offerings within 12 months but the offerings cannot be addressed in total to more than 150 persons (investors) within such period of 12 months;
 - / such offering cannot be publicly advertised in any way.
- / an offering worth between EUR 100 thousand to EUR 1 million – only a simplified offering document must be prepared. The EUR 1 million limit also applies within a period of 12 months. Such offerings may be advertised publicly;

- / an offering worth between EUR 1 million and EUR 2.5 million – an information memorandum must be prepared but it is not approved by KNF. The EUR 2.5 million limit also applies within a period of 12 months. A Broker is required to act as an agent. Such offerings may be advertised publicly;
- / an offering worth less than EUR 100 thousand requires no document.



The value limits represent the value of an offering to be raised by the company rather than the amount actually raised.

/ Public offerings up to EUR 1 million:

In practice, one of the key exemptions from the obligation to prepare a prospectus applies to public offerings worth up to EUR 1 million.

What is the process and the formal requirements for issuers?

- the issuer passes a resolution concerning a share issue
- a notice is published in Monitor Sądowy i Gospodarczy as required under the Commercial Companies Code
- the issuer publishes the offering document which presents the key information concerning the company and the issue
- after which the issuer may open subscription for shares (which may take up to 3 months)
- the issuer may advertise such public offering but the advertising must not be misleading as to the issuer's standing and has to be consistent with the offering document
- the completed issue is registered by the court in KRS

A broker need not participate in the process. However, if an issuer wishes to hire specialised professionals as agents offering its shares, it may approach a competent Broker.

IV. Companies listed on NewConnect

Disclosure requirements of NewConnect-listed companies



IV. Companies listed on NewConnect

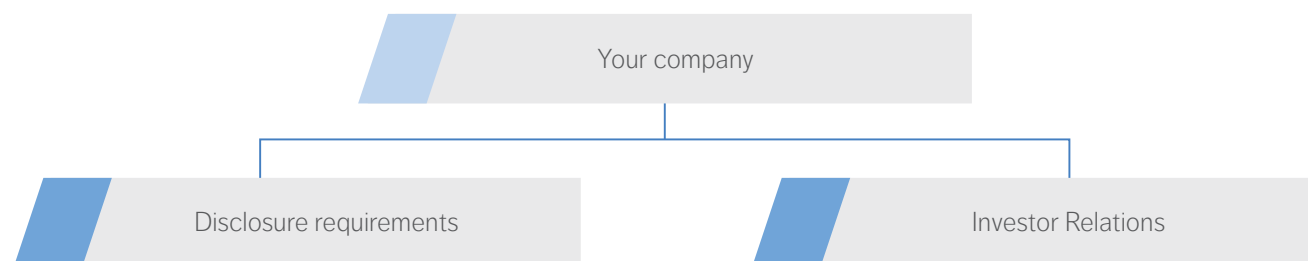
Disclosure requirements of NewConnect-listed companies

/ Communicating with the market

The capital market is built on trust. It will take time and consistent effort to build trust in your company. For that purpose, your company needs to comply with disclosure requirements and engage in investor relations (IR), described in greater detail on page 44.

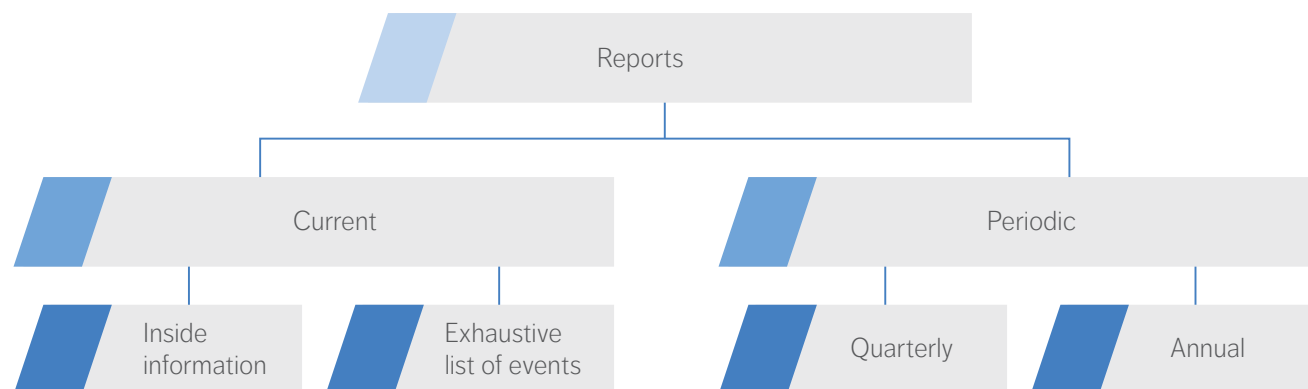
When investors decide to buy or sell shares, they typically rely on information provided directly by the company. That is why you have to provide them with all the information necessary for investors to make informed decisions, including financial and business information. Remember: good name and reputation are very fragile. Communicating with the market is a must under any circumstances.

/ Communicating with the market



To comply with disclosure requirements, your company needs to publish specific disclosures in current and periodic reports. Reports are published via dedicated systems which will be available to your company even before the first day of trading on NewConnect.

/ Disclosures and reports published by companies



Remember: Due compliance with the disclosure requirements is a tool of strong investor relations and communicating with shareholders, necessary to maximise the benefits of being a public company.

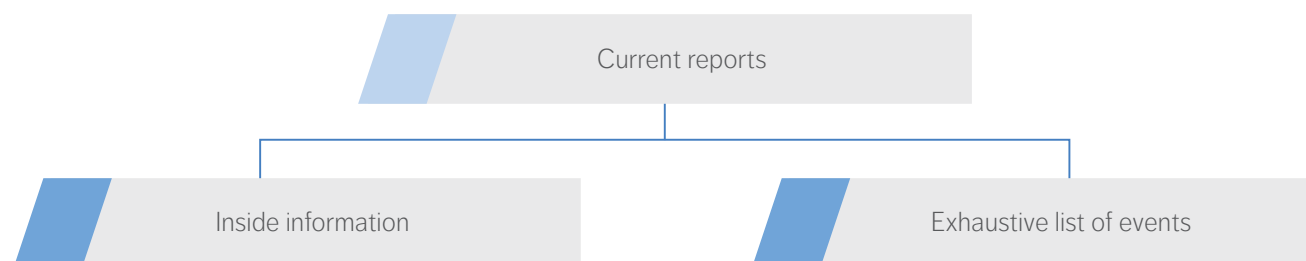
/ Current and periodic disclosures and reports

The key channel of your company's communication with the market is the publication of key business information in current reports and the disclosure of financial information in periodic reports. That is how you will communicate key events of relevance to investors.

/ Current disclosures

Current disclosures cover events which must be reported. The NewConnect regulations lay down an exhaustive list of events which must be disclosed to the public. Your company will also be required to disclose inside information.

/ Current reports



Inside information is a notion which not expressly specify which events must be disclosed; instead, it sets out criteria which, when met, define inside information. To determine whether your company is required to publish a report, each event must be considered on a case-by-case basis to decide whether it has or could have a significant impact on the business, assets or financial standing of your company and a potential significant effect for the price of shares and consequently investment decisions. If so, it is inside information subject to most urgent disclosure to the public. For instance, signing a big contract or raising significant funding is, in principle, inside information.

Apart from inside information, your company is also required to report events which typically do not represent inside information but are enumerated in an exhaustive list of events that mainly involve changes to the legal status of companies. For instance, such events include changes on the management board or the supervisory board of your company and the registration of changes to the share capital.



Remember: If you have any doubts concerning a disclosure procedure or the interpretation of the criteria of inside information, you can always approach your Authorised Advisor who guides your company on NewConnect.

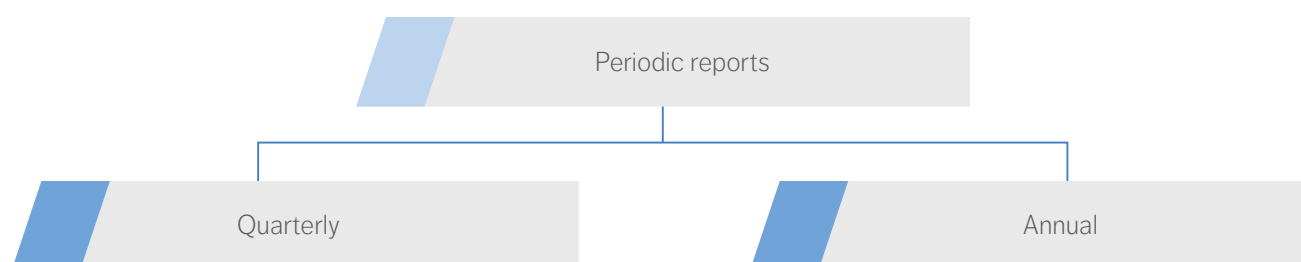
/ Periodic disclosures

To give investors an insight into your company's financial standing and outlook, you will be required to disclose regular financial information. Financial information is disclosed in periodic reports: quarterly reports, published after the end of each quarter, as well as annual reports, which present and summarise your company's activity during the year.

IV. Companies listed on NewConnect

Disclosure requirements of NewConnect-listed companies

/ Periodic reports



In addition to hard data, quarterly reports should present among others the issuer's comments concerning reported financials as well as details of the shareholding structure of your company. Quarterly reports typically span from several to several dozen pages. Importantly, financial information presented in quarterly reports need not be audited or reviewed by an auditor.

Annual reports, which cover an annual reporting period, typically include several enclosures and are more extensive than quarterly reports. Unlike quarterly reports, annual reports include the complete financial statements, the management report, and the auditor's report.

Periodic reports must be published within strict deadlines. You will be required to publish quarterly reports within 45 days after the end of a quarter and annual reports within five months after the end of a financial year. Remember: if your company holds subsidiaries, you will also need to publish consolidated quarterly and annual reports of the group.

/ Other obligations of companies listed on NewConnect and their persons discharging managerial responsibilities

/ Notification

Persons discharging managerial responsibilities in your company (to simplify, they include the management board, the supervisory board, and their close persons) are required to notify any transactions in your company's financial instruments. Remember that the requirement only applies after a person's transactions exceed the threshold of EUR 5 thousand during any year. If that happens, such persons are required to notify your company's supervisory authority of all transactions made year to date. Your company will be required to immediately notify investors by publishing a current report. Once a person subject to the notification obligation crosses the EUR 5 thousand threshold, they are required to notify all subsequent transactions of any value until the end of the current calendar year. As a result, shareholders and potential investors have access to complete information concerning transactions of the company's key position holders and their close persons.

Your company will also be required to keep records of persons discharging managerial responsibilities and their close persons (by virtue of family and/or business relations).

/ Closed periods

The issuer's persons discharging managerial responsibilities are not allowed to trade in the company's financial instruments in closed periods of 30 calendar days before the publication of (quarterly or annual) periodic report.

/ Change of holding balances: Statutory thresholds

Your company's shares after new listing will be traded, changing hands as a result of multiple events. A stake in a public company's total vote may change when shares are bought and sold and following other events. Some events depend to some degree on the shareholder's decisions, including the acquisition and registration of new issue shares. Other events are beyond the shareholder's control, such as an increase or decrease of the company's share capital.

Every shareholder whose stake in your company's total vote reaches or crosses a threshold (e.g. 5%, 10%, etc.) is required to immediately notify the supervisory authority and your company within four business days after the change of the stake or after becoming aware of such change and, in the case of changes resulting from transactions concluded at a trading session, within six trading days after the date of the transaction. Similar to notification, your company is required to immediately publish a report containing the information provided by such shareholder.

/ Insider list

Under certain conditions, and in contrast to issuers on the main market, companies listed on NewConnect are exempted from the obligation of keeping insider lists. However, the supervisory authority may at each time require issuers to provide an insider list.

/ Obligations relating to General Meetings

Each company is required to hold a general meeting at least once per year. A general meeting is convened by posting a notice on the company's website and publishing a current report via the investor communication systems. A notice of a general meeting must be issued at least 26 days before the date of the general meeting.

/ Compliance with disclosure requirements: Arrangements and responsibilities

It is key to ensuring compliance with the disclosure requirements that your company establishes close communication with the Authorised Advisor who is responsible for preparing the company (or its group of companies) and its authorities for listing on NewConnect. After the new listing, the Authorised Advisor should assist the company among others in discharging its disclosure obligations. The Authorised Advisor will appoint a staff member as your contact person and recommend that your company also appoints a contact person responsible for on-going close communication with the Authorised Advisor.

The Authorised Advisor will assist you in the implementation of internal regulations and procedures applicable to current and periodic disclosures, including inside information, as well as notifications (handling inside information, list of events, list template, notification form template, information and declaration template). The Authorised Advisor will also support your company with the correct interpretation of the applicable corporate governance standards and good practice.

IV. Companies listed on NewConnect

Your partners



IV. Companies listed on NewConnect

Your partners

Once your company's shares have been introduced to the alternative trading system and your company becomes a public company, you will need the assistance of an Authorised Advisor and a Market Maker. Their functions and responsibilities are described in greater detail in section I of this Handbook. The key point to remember is that close regular co-operation with both of them will help you win the market's trust and attract investors to your company.

/ How do I work with an Authorised Advisor?

To understand the purpose of your relationship, remember the responsibilities of Authorised Advisors:



assist the issuer in meeting disclosure requirements



monitor the issuer's compliance of disclosure requirements



advise the issuer on all aspects of listing of its financial instruments on NewConnect

You now understand that an Authorised Advisor is your guardian on NewConnect, guiding you through the maze of the capital market with all its requirements and restrictions while alerting you to your rights. From the perspective of investors, an Authorised Advisor safeguards close communication between the issuer and the market. An Authorised Advisor also ensures that your company respects the rights of shareholders.

The partnership of your company with an Authorised Advisor rests of several key pillars:

- / on-going communication with the Authorised Advisor handled by a contact person appointed in your organisation;
- / consulting the Authorised Advisor on all matters concerning the capital market;
- / notifying the Authorised Advisor of all material events, especially when you are not sure whether and how to disclose them to the public
- / accepting and following guidance as concerns compliance with the disclosure requirements.



Remember: The Authorised Advisor is responsible, just like you are, for your company's compliance with the disclosure requirements and wants to make sure that your communication with the market follows all applicable rules.

/ How do I work with a Market Maker?

The key function of a Market Maker is to ensure that your shares remain liquid on the market. Market Makers discharge their responsibilities autonomously in accordance with the Alternative Trading System regulations.

In contrast to the effort you have to put in when you partner with an Authorised Advisor, your relationship with a Market Maker is limited to the bare minimum. You simply need to make sure that your company always fulfils the conditions of trading in shares and exercises due diligence to comply with the obligations of organised trade, including mainly disclosure requirements, to avoid any risk that trade in your company's shares could be suspended. If you make sure that trade in your company's shares can continue without interruption, you can leave it to your Market Maker to support the liquidity of your shares.

IV. Companies listed on NewConnect

IR of NewConnect-listed companies



IV. Companies listed on NewConnect

IR of NewConnect-listed companies

/ Benefits of active investor relations

Investor relations may complement your company's disclosure policy, which is largely based on hard law and strictly aimed at compliance with the disclosure requirements. Investor relations are not mandatory. You may engage in IR activities in-house or hire specialised professionals. In this day and age, information and access are crucial but expensive. A company which goes beyond what is strictly required and reaches out to investors with information about its business and environment cuts the distance to its investor base and enjoys genuine benefits.

Alas, public companies often underestimate the importance of investor relations. However, close and regular communication with investors builds trust in your company, which in turn cushions the share price (by protecting it against sharp changes triggered by adverse information) and measurably boosts the issuer's valuation.

Strong investor relations attract investors and build up the company's liquidity. Investor relations may help smaller companies to attract bigger investors who never invest in illiquid securities.

/ Investor relations



/ Relations with institutional investors

Relations with institutional investors are, in a nutshell, all about full access to the company's managers, including CEO and/or CFO, whenever they are needed for a comment. That is particularly relevant in the case of financial underperformance or other unexpected developments, both positive and negative.

Bad news is not nearly as bad as no news. The worst that you can do in a crisis is to bury your head in the sand. Investor relations may warn and prepare investors for bad news (explanations, meetings, access), cushioning the impact (less volatility of share prices). Communication must be on-going and proactive rather than merely reactive. By anticipating questions and expectations of investors and providing regular updates (mandatory current reports as well as additional alerts, newsletter, media presence, etc.), you can avoid having to put out fires and making counterproductive decisions under the pressure of time.

/ Relations with individual investors

It is more difficult to maintain investor relations with individual investors due to their sheer numbers as well as the fact that their community is much more diverse and dispersed than professional institutional investors. Busy company managers cannot be expected to be available day in day out to every individual investor. You will need to hire dedicated IR officers or a third-party IR professional to manage investors' queries and pursue an IR policy, which should include meetings for investors. Individual investors are typically responsible for volatility of share prices, especially in the case of adverse events. Good communication may keep them from hitting the "Sell" button. The corporate website is essential as a direct channel for investors to ask questions and for the company to manage them, as well as operating like a "noticeboard." A well-managed website will relieve your company's resources by providing answers to some if not all of your investors' questions.

Abbreviations, definitions, regulations

ABBREVIATIONS

ATS – the alternative trading system organised by GPW

GPW, Exchange – Giełda Papierów Wartościowych w Warszawie, the Warsaw Stock Exchange

KDPW – Krajowy Depozyt Papierów Wartościowych S.A., Poland's central securities depository

KNF – Komisja Nadzoru Finansowego, the Polish Financial Supervision Authority

KRS – Krajowy Rejestr Sądowy, the National Court Register

Exchange Management Board – the Management Board of the Warsaw Stock Exchange

DEFINITIONS

Market Maker – an exchange member or other entity which supports the liquidity of a financial instrument in ATS on its own account under an agreement with GPW.

Authorised Advisor – an investment firm or other commercial company which provides business services including financial advisory, legal advisory and/or financial audit, entered in the register of Authorised Advisors maintained by GPW, which meets the conditions laid down in the ATS Rules and Exhibit 5 to the ATS Rules.

B2C – business-to-consumer.

Information Document – an information document prepared according to the requirements of Exhibit 1 to the ATS Rules.

Due diligence – a process of detailed analysis carried out to evaluate the quality and stability of a company's results, market position, financial and legal documentation, and to identify and rate financial, business and legal risks of its business.

IR – investor relations, as defined by the National Investor Relations Institute: "Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation."

NewConnect – the market established by the Warsaw Stock Exchange in 2007 under the alternative trading system (ATS) model, dedicated to small and mid-sized companies at different stages of growth and in different sectors.

PR – public relations maintained by an entity with its environment in order to protect its image and foster acceptance and positive perception of the person or organisation.

Seed – early stage in the growth of a company, a business concept.

Start-up – a temporary organisation or a young innovative company looking for a business model to support profitable growth.

REGULATIONS:

Commercial Companies Code, KSH – the Act of 15 September 2000 – the Commercial Companies Code.

ATS Rules – the Alternative Trading System Rules, with Exhibits, in the wording approved in Resolution No. 147/2007 of the Exchange Management Board dated 1 March 2007, as amended.

Prospectus Regulation – Regulation 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

Act on Public Offering – the Act of 29 July 2005 on Public Offerings, the Conditions of Introduction of Financial Instruments into an Organised Trading System, and Public Companies.

Act on Trading in Financial Instruments – the Act of 25 July 2005 on Trading in Financial Instruments.

Publication Partners





newconnect.pl

