



**QuarticOn Spółka Akcyjna**

**Annual Report  
for the Year**

**2018**

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**Annual Report of the  
Management Board for  
the Year 2018**



## 1.1

# Letter to the Stockholders

### **Dear Stockholders,**

Last year (2018) was a breakthrough year for QuarticOn S.A. With no doubts, it was a year of hard work that allowed us to strengthen the Company's position on the market and build strong foundations for further business development.

In 2018, the completed development of our new products was really an essential task. The marketing automation that will be soon one of our key sales items as well as the smaller, easier to implement products (banners management or pop-ups) together with constant improvement of our main service—product recommendations—allow us to prepare a set of attractive solutions for our clients. Add our new consulting services related to e-shop optimisation on top of that and we have a truly unique offer on the market.

We did not forget those operating on e-commerce platforms. For these clients, we are preparing applications solving a few of the key issues faced by managers of online shops. Platform integrations allow us to offer a real self-service in SaaS model on the global market. Entering the SaaS sales channels, next to the development of our Partner Channel, is one of the main tasks we have set for the year 2019.

The sales increase of over 30% that we achieved could not be possible without the foreign markets development, especially the Czech Republic market. In 2018, we sold nearly twice abroad than the year before! Even though these results are not consistent among all the foreign markets, I am convinced that development outside of Poland is a great chance for QuarticOn. For this reason, this will be one of our priorities in the year 2019.

The previous year was also a time of major investments into marketing and establishment of a professional team. We have been joined by experts in marketing, management, customer care, new faces appeared in implementation and development teams. Together, we have managed to introduce significant changes to our organisation and now we are able to use its potential as effective as it is possible. In the field of marketing, we have focused on establishing brand recognition and development of inbound sales channel. We recognised it as the right way, bringing us real financial benefits and also this year we are planning a wide range of marketing activities, positioning QuarticOn as an expert of solutions based on artificial intelligence for the e-commerce market.

A German investor—ACATIS Investment—has joined to our shareholders in 2018. We have also made the preparations for entering the NewConnect market of the Warsaw Stock Exchange

and the debut itself took place on 18<sup>th</sup> January 2019. At this point, I would like to thank our shareholders for the trust you have placed in QuarticOn.

Where we are now it wouldn't be possible without our employees, whom I thank for hard work and commitment. People are the foundation of this organisation and thanks to them we strengthen our market advantages every day.

Best regards,



**Paweł Wyborski**

CEO, Founder



## 1.2

# Information about the Company

QuarticOn S.A. (QuarticOn, Company, Issuer) was established after the transformation of the Quartic Sp. z o.o. with the moment of the entry into the National Court Register in February 2018. The legal predecessor of the Company was registered in June 2011, and until 2015 Quartic conducted other core activity: analysing the data collected from e-commerce to increase the effectiveness of online advertising. In 2015, after making a detailed market analysis, the Company decided to focus on the development of a tool based on artificial intelligence (AI) for personalisation of sales processes and internet marketing.

The following persons act on behalf of the Issuer:



**Wyborski Paweł**

President of the Management Board



**Giergielewicz Michał**

Member of the Management Board

## 1.3

# **Information on the Company's subsidiaries**

The Company holds 50% of shares in the company QuarticOn (Shanghai) Company Ltd., however, this company has not started its business operations yet and has had no significant impact on the operations of the Company. QuarticOn is considering using this company in the future to provide its services on Asian markets.

On March 19, 2019, QuarticOn Ltd. with its registered office in London was incorporated. QuarticOn S.A. is a 100% shareholder of this company. As of the date of the report, the Company has not yet begun operating, so revenues and expenses at the end of the first quarter of 2019 amounted to GBP.

According to art 58.1 of the Accounting Act, there is no necessity for consolidation of this subsidiaries.

## 1.4

## Key figures

Due to the application of various exchange rates for individual periods to convert the results from PLN to EUR, the percentage changes differ from those presented in the Polish version of the report.

REVENUES FROM THE SALES OF SERVICE

**€1,070.9k**

**+28%**  
VS YEAR 2017

EBITDA\*

**€-112.9k**

**+22.7**  
VS YEAR 2017

ARPC\*\*

**€0.51k**

**+13%**  
VS YEAR 2017

NET RESULT

**€-416.3k**

**+194.8**  
VS YEAR 2017

\* EBITDA based on *result on sales*  
\*\* ARPC – average revenue per client

## 1.5

# Activities of QuarticOn S.A.

### 1.5.1

## Object of activity



QuarticOn S.A is a technology company creating IT applications operating on the basis of the SaaS models, based on cloud computing. This model operates on the premise that the application is stored and executed on the computers of the service provider, while being made available to users via the Internet. This eliminates the need to install and run programmes on the device of the client. In software as a Service (SaaS) model, the service provider is tasked with installing, managing, updating, troubleshooting the application, not the client. In result, the user surrenders to the provider both the control over the application and the task of ensuring that it will continually operate.

The mission of the company is to provide intelligent and autonomous applications solving defined business-related issues for people managing e-commerce websites, with use of AI algorithms using knowledge obtained from the websites of the client. As QuarticOn Technology is a cloud-based solution operating in the SaaS model, it can be quickly implemented and used in any place in the world. The Company offers its products and services to medium and large online shops.

As of report publication date, QuarticOn’s solution includes over 90 functionalities sorted into packages providing varying scopes of services, for example product recommendations, marketing automation or banner ads. The company operates mainly on the Central European market (Poland, the Czech Republic, the Baltic countries), but it also has clients from Saudi Arabia, Serbia, Hungary and Spain.



## 1.5.2 Development strategy

In accordance to data provided by “eMarketer,” market trends indicate an increase of e-commerce sales by 41% in the next 3 years, which is going to constitute 14% of world’s total retail sales. Almost 80% of US residents do their shopping online. Currently, there are about 2.6 million active online shops. In accordance to a survey carried out in North America among vendors concerning their main strategic goals for the year 2018, most (89%) selected personalising offer for each customer. This task can be solved by QuarticOn recommendation systems that guarantee personalised view of the shop for each user. Other strategic goals selected were visibility of inventory, loyalty programmes, personnel training or integration of the customer base from different channels.

The strategy of the company encompasses a dynamic development in coherence with market trends mentioned above, and is based on three pillars of growth:



### **Expansion on new markets**

The Company is currently the leader in the segment of product recommendations on the Central Europe market. In the short term (1–3 years), QuarticOn plans to strength-

en its position on this market (the Czech Republic, Slovakia, Hungary) and begin expanding to the markets of Western Europe (e.g. the United Kingdom). In the long-term (4–6 years), the Company plans further expansion to the US market and—in the later stage—to Asia.



### **Expansion of the product portfolio**

The Company predicts that new products added to its offer at the end of the year 2018 will be the core of the new product range adapted to the needs of various groups of potential clients. The Company assumes that for the next 1–2 years, the most important will be development of AI-based solutions offering a new quality for clients which use marketing automation and product personalisation tools. A brand-new business line of QuarticOn offer will be services related to promo activities automation in e-shops for example Google Shopping. In the next 3–5 years, the Company considers developing new services based on AI technology and machine learning that will allow for making individual offers for mass customers—concept work is already in progress.

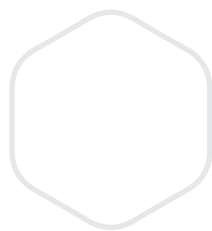


### **Entering new sales channels and attracting new groups of clients**

One of the fundamental aspects of QuarticOn's growth is development and implementation of services for e-commerce platforms' applications (Shoper, Shopify, WooCommerce etc.). Due to their scale (approx. 2 million shops in the SOHO segment) and the sales process carried out fully in SaaS model, this market segment is very attractive to the Company. Opening of this sales channel will allow QuarticOn to quickly and simultaneously acquire a large number of clients from many markets.

In 4–5 years, implementation of the strategic development plan in these fields will transform the QuarticOn of today into a company operating in three sales channels (B2B, Partner, and SaaS), selling modern services adapted to the needs of various groups of clients (from small clients using on

platforms to large organisations operating in the omnichannel model), offering a/o innovative solutions based on a real AI. Its products will be available in the entire EU and North America.



## 1.6

# Summary of the most important events of 2018

### 1.6.1

## Polish market

Experience gained thanks to the rapid growth of sales on the Polish market in the year 2017 made the company well prepared for the challenges of the year 2018. The target market has been divid-

ed into segments, each with its own individual sales strategy (dedicated activities aimed at acquiring new clients, pre-implementation services, and flexibility in approaching to clients' challenges).

% OF TOTAL SALES:

**76%**

VOLUME OF SALES:

**€0.8 million**

CHANGE VS YEAR 2017:

**+17%**

Clients operating in B2B industry are a new segment for the Company. It has been surveyed at the end of the year during conversations with the wide group of various clients. After preliminary analyses, the Company is convinced that it is a prospective direction for development on the market. Meanwhile, the Partner Channel has been undergoing intensive development for quite some time. It constitutes a tremendous potential for

cooperation. To date, Company's actions have been focused on building relations with key e-commerce sector agencies, in particular with developers making online shops, what significantly short-





ened time needed to acquire a client. Currently, the Company cooperates with over 20 such agencies.

Next to purely commercial activities on the market, QuarticOn has also engaged in projects of building AI consciousness in the e-commerce environment. In May 2018, we organised the first “AI-chemia E-commerce” event aimed at disseminating knowledge about AI among our current and potential clients and partners. Invited speakers—heads of

our partner e-commerce companies and representatives of agencies

QuarticOn cooperates with—shared their knowledge, experience and their assessment of the prospects of the e-commerce market, chances, threats and the role AI processes play in the development of the market. QuarticOn’s CEO was also a guest of many events as an expert of AI (for example: Infoshare AI Roadshow, Impact, ECommerce Expo 2018 Greece & South East Europe, InternetRetailing Conference 2018).

Additionally, the Company has started a series of webinars dedicated to selected activities supporting sales in online shops (this series is continued in the current year), while its employees participated in training courses as speakers and in the events as experts on the e-commerce market.

2018 was also a year of increased activity in social media. The tremendous potential of this communication channel with prospective clients has been used to carry out image and educational campaigns, acquiring first clients and building a stable brand development for QuarticOn as the expert in e-commerce market.



“

**In the segment of small and medium clients, we can see rising demand for personalisation and observe many market entities trying to meet this demand by developing simple, basic modules for product recommendations. Luckily for us, customers are getting more informed when selecting products, favouring quality above all else. I think that in the year 2019, the most important things will be understanding your client and adapting your product range, shop design and communication to client's behaviour. As it cannot be done by hand, AI support, automation and vast know-how are crucial. QuarticOn has all these components what allows us to support our clients growth.**”

— Agnieszka Dzedzic

Sales Director for Poland

## 1.6.2

### Foreign markets

The year 2018 has also been exceptional for the Company in terms of its development on foreign markets that in 2018 constituted almost ¼ of total sales. It was an 85% increase in comparison to the year 2017.

The second biggest market (after Poland) for QuarticOn is the Czech Republic. In the last year, we carried out various activities on the Czech market: in the field of acquiring clients (QuarticOn acquired several new clients, a/o from fashion business, shops selling books and electronics) as well as in the field of marketing and promotion.

The Company has also commenced talks with e-commerce platforms and Internet agencies on the Slovakian market. This strengthening of the Partner Channel and building foundations for sales on platforms will increase the volume of sales on both of these markets.

% OF TOTAL SALES:

**24%**

VOLUME OF SALES:

**€0.3 million**

CHANGE VS YEAR 2017:

**+85%**





“

**Thanks to activities carried out last year, QuarticOn brand is getting more and more recognition on the Czech market. This is happening in a perfect moment: e-commerce market defines client's needs much more effectively, what increases demand for recommendation-related and other services helping online shops to increase sales. Currently, only about 15% of shops use such tools. From my observations I conclude that our solution gives clients very good results, while being implemented faster in comparison to what our competition has to offer. I believe that, for QuarticOn, the year 2019 will be even better than the last one.**”

— Daniel Koždoň

Head of CEE Business Development

In the year 2018, the Company has commenced activities in the United Kingdom. In the first phase, the development was based on a single person (Country Manager). Later, another person joined the team. From the middle of the year, the Company increased a marketing support for sales activities on this market, participating in e-commerce fairs, meetings and seminars. However, the sales proved to be below expectation by the end of the year. QuarticOn is analysing the most effective strategy of development on this market.

### 1.6.3

## **Marketing and promotion activities**

In the year 2018, QuarticOn heavily invested in marketing activities. Company's activities were mainly focused on improvement of information infrastructure and brand recognition on the markets it operates on.

### **Marketing events**

In the course of 12 months, representatives of the Company participated in five prestigious e-commerce conferences, while stands bearing QuarticOn brand could be seen on key fairs in the United Kingdom, Greece, the Czech Republic and Serbia. Additionally, four meet-ups were organised for potential clients and partners. QuarticOn has also organised the first own conference dedicated to AI in e-commerce for its clients in Poland. It is worth noting that Company's delegation also, as a direct partner of the event, participated in a conference organised by Google in Dublin.

## Promotional activities

Activities increasing QuarticOn brand recognition on the market (also in the Internet) and directly supporting sales:



commencement of construction of a new website for the needs of development of a SaaS model automated sales channel



commencement of inbound marketing activities



establishment of a department responsible for content marketing



publication of approximately 50 articles for e-commerce industry



commencement of monthly publication of e-books and other online content for e-commerce industry companies



commencement of a series of training webinars dedicated to improvement of sales in e-commerce enterprises



introduction of employee advocacy programme in social media



commencement of social selling activities and of a newsletter sent to new and current clients



establishment of e-commerce analytics department and sales support for the marketing department

All the activities described above do not only increase the level of QuarticOn brand recognition on the market, but also strengthen the position of QuarticOn as an expert in e-commerce in countries where the Company already provides its services.

### 1.6.4 Customer service



In 2018, a state-of-the-art Customer Success Department has been established. The new team manager has taken over the ongoing customer service, including both technical support and business-related services. The Department has been presented with four tasks:

1

minimising the churn indicator

2

active assistance and contact from the team,  
especially towards key customers

3

improving efficiency of managing technical  
questions and doubts reported by the clients  
(helpdesk)

4

preparing instructions and similar materials in  
form of a helpcenter available to the clients

Improvements in everyday communication with the clients, establishment and strengthening of relations with them were made via multiple channels, a/o surveys, mailing of promotional and educational materials. Effects of these actions are not only improved knowledge about client's needs, it also had an impact on the shape of our products—thanks to new information, we have managed to improve sets and functionalities in individual groups of products.

The effectiveness improvement processes initiated in the field of Customer Care started last year and will be continued in 2019, mainly in the areas of consolidation and automation of communication channels, as well as in broadening of knowledge about new products and services offered by QuarticOn.

“

**We try to understand the needs of the client and the challenges they are facing, to better assist in solving them. Newly offered consulting services have been met with a warm reception. I think that services like an audit of the website showing what needs to be improved to increase sales will be a very good investment for medium-sized companies that often do not employ their own experts in such fields.**”

— Anita Wata

Customer Success Manager





## 1.6.5

### IT infrastructure development

In terms of the infrastructure development in the year 2018, we have made certain modifications to our technological facilities and services related to them. This way, we achieved improved flexibility and foundations for faster and easier development of new tools and services:



- We utilise service approach and microservices (e.g. servicing product catalogues).
- All available public services and layers have been configured with use of autoscaling mechanisms, what allows us to dynamically react to the current traffic and load, and ensures ongoing operation of the system. It also facilitates effective cost management.
- We have fully centralised logs and events occurring in the system for the needs of detail client monitoring, analysis, inference and validation of product- and infrastructure-related hypotheses on the basis of empirical data.
- We are implementing our software in accordance to the Continuous Delivery approach, i.e. each change accepted for implementation is independently made available in the production environment.

Works planned for the year 2019 concern optimisation and stabilisation of the costs of infrastructure and development of its applications for further optimisation of software development processes, service maintenance, system data feed analysed with auxiliary services intended for that purpose. This will translate into lowered infrastructure costs, smoother flow in technological processes and R&D team, and will increase possibilities when introducing products basing on collected and processed data.

## 1.7

# R&D projects

In the year 2018, the Company has finished development on four R&D projects costing €1.56 million in total. The new tools assisting in implementations and new products have been released:

### **QON** 2.0

**QON 2.0 Module:** its task is automation and simplified implementation of recommendation services in online shops. We have based it on implementation templates and optimised the neighbouring processes. Among important aspects of providing smart content recommendations, the most notable is the ability to utilise advanced scenarios in e-mail communications not only to divide users into groups, but also to include product recommendations in the content of these e-mails, adopting the message to individual clients.

We have improved and optimised processes concerning acquiring, updating and monitoring validity of product catalogues. This grants access to behavioural and sales data that can be used by our intelligent algorithms in advanced use cases.

In this field, wide-ranging works have been carried out, concerning new intelligent creation of content recommendations as well as picture-based recommendations and similarities we intend to use in new products planned for development or implementation in 2019 that we plan to commercialise as quickly as possible.

**VOD**  
**2.0**

**VOD 2.0 Module:** made to provide multimedia content recommendation services on websites. Allows tagging and recommending video content on the basis of analysis of videos for users of such services. The VOD module is also integrated with mechanisms of QON 2.0. module.

**BAP**  
**1.0**

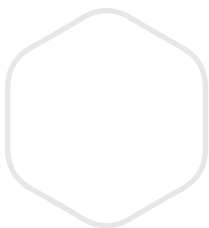
**BAP 1.0 Module:** automates promotional communication in an online shop by means of dedicated e-banners and modal windows, the so-called pop-ups. Thanks to e-banners one can retag users, and pop-ups allow reaching the user with a message in response to an action that user made and “catch” him while he is still browsing the website or when he visits it again. The modules allow for communication when the user enters or tries to exit the website, as well as for controlling such campaigns and utilise user segmentation.

**EMA**  
**1.0**

**EMA 1.0 Module:** supports implementation of marketing automation services for e-mails, the indispensable and most basic form of communication with users and customers of online shops. This service combines advantages of the QON Module (product recommendations), user segmentation and utilisation of AI algorithms for automation and individualisation of messages. We support the entire client’s lifecycle in the shop, from his first visit, through recovery of abandoned sessions and carts, first purchases, ending with the immensely important visit retention metric indicating also the sales that would be lost otherwise. The Module has WYSIWYG (what you see is what you get) interface facilitating drawing up, configuration of e-mails and adding product

recommendations and discount coupons to them that clients can import from external systems.

The development works produced will be amortised for 5 years. Their commercialisation and broadened market expansion centred around these modules is planned for the year 2019. Within the confines of works carried out, we plan to simultaneously increase their capabilities with new functionalities both included into them and complementing them, what will allow creation and configuration of even more complex user scenarios, user segments and increased number of communication channels. This should translate into effective campaign implementation resulting in increased sales and revenue in online shops managed by our clients.



## 1.8

# Selected financial data (PLN, EUR)

### 1.8.1

## Selected data of balance sheet

	in '000zł		in €'000	
	as of 2018-12-31	as of 2017-12-31	as of 2018-12-31	as of 2017-12-31
Fixed assets	8,900.4	6,557.9	2,069.9	1,577.1
including intangible and legal assets	8,837.9	3,118.4	2,055.3	747.6
Current assets	5,264.3	1,143.7	1,1224.3	274.2
including short-term investments	3,879.0	246.0	902.1	59.0
<b>TOTAL ASSETS</b>	<b>14,164.7</b>	<b>7,721.6</b>	<b>3,294.1</b>	<b>1,851.3</b>
Equity	10,176.9	4,740.9	2,366.7	,1,136.7
Liabilities and provisions for liabilities	3,987.8	2,980.7	927.4	714.6
including short term liabilities	3,740.3	1,293.0	869.8	310.0
<b>TOTAL LIABILITIES</b>	<b>14,164.7</b>	<b>7,721.6</b>	<b>3,294.1</b>	<b>1,851.3</b>

## 1.8.2

### Selected data of profit and loss statement

	in '000zł			in €'000		
	cumulated 2018	cumulated 2017	change (2018 vs 2017)	cumulated 2018	cumulated 2017	change** (2018 vs 2017)
Net revenue from sales	4,604.9	3,488.5	32%	1,070.9	836.4	28%
Operating expenses without depreciation	-5,090.3	-4,054.0	26%	-1,183.8	-972.0	22%
<b>EBITDA (based on profit (loss) on sales)*</b>	<b>-485.4</b>	<b>-565.5</b>	<b>+80.1</b>	<b>-112.9</b>	<b>-135.6</b>	<b>+22.7</b>
Depreciation and amortisation	-1,348.6	-1,343.6	-5.0	-313.6	-322.1	+8.5
Gross profit (loss)	-,1,790.0	-2,548.8	+758.7	-416.3	-611.1	+194.8
Net profit (loss)	-1790.0	-2,548.8	+758.7	-416.3	-611.1	+194.8

\* sales revenue + depreciation

\*\* change in % due to currency rate

## 1.8.3

### Selected data of cash flow

	in '000zł		in €'000	
	2018	2017	2018	2017
Net profit (loss)	-1,790.0	-2,548.8	-416.3	-611.1
Net cash flow from operating activities	-4,098.2	-3,711.3	-953.1	-889.8
Net cash flow from financial activities	7,732.3	2,880.4	1,798.2	690.6
<b>Cash closing balance</b>	<b>3,879.0</b>	<b>246.0</b>	<b>902.1</b>	<b>59.0</b>

## 1.9

# Financial standing

### 1.9.1

## Expected financial standing (extended with development plans for the next months)

Company development strategy discussed above, assuming increase in the value of the Company on the basis of three pillars (markets, products, channels), has been implemented since the previous year. Currently, the most emphasis is placed on the following activities:

### Development of e-commerce platform applications

The first application for Shopify is currently undergoing the verification process on this platform. The Company assumes that the application will become available in the Shopify store in the 2<sup>nd</sup> quarter of the year.

### Expansion on the CEE market

Thanks to cooperation established with Slovakian partners (e.g. PriceMania), Czech Shoptet, Balkan and Baltic branches of Gemius Agency, the company assumes a sales increase in this region.

### Increase of sales effectiveness on the UK market

Modifications and changes of offered products, better fit to the UK client's expectation.

### Cost optimisation

Due to sorted processes, organisational changes and optimisation of the IT infrastructure, the Company envisages a decrease in expenditures noticeable from May onward (fully in June).

### **Change of the model for funding strategic and long-term projects**

The Company has undertaken attempts for co-funding of selected projects with EU funds. Currently, two applications are being drawn up.

## **1.9.2**

### **Financial forecast**

The company does not publish financial forecasts.





## 1.10

# Risk analysis

### 1.10.1

## **Risk of lower product attractiveness and increase in competition**

The Company operates on markets where competitive entities operate as well. Services offered by QuarticOn are among the innovative ones, using advanced technology. As such, their market may be subject to unpredictable, significant and dynamic changes, also in regard to the competition itself. These changes may constitute introduction of new technological or marketing solutions, including changes to the business model for offering and selling services that can be perceived as more attractive.

Despite constantly highly competitive services offered by the Company, the processes of acquisitions, mergers or investments in these industries may lead to significant changes both regarding the Company's position calculated in market share, and competitive position resulting from features and prices of offered services. It cannot be ruled out that changes to business models of competitive entities or changes to the market environment may impact on market share, what in turn may have negative impact on the business, development prospects, financial standing or financial results of the Company.

## 1.10.2

### **Risk concerning development of new products and failure of the strategy**

The Company operates on a rather young market with dynamic development of technology and customer's needs. There is a risk that, despite previous analyses, estimations and expectations, introduction of new products to the market will not generate a positive enough response from the customers and the products will be purchased by fewer people than anticipated by the Issuer. Due to this fact, expenditures made on development of new products may bring lower profit than it is assumed by the Company and negatively impact the financial condition of QuarticOn.

Additionally, modern technology markets have a considerable amount of unpredictability and variability. Therefore, taking into account the abovementioned dynamic development of technology, the Company is exposed to risk of the need to quickly adapt the development strategy to the changing market conditions and to modify (or change) offered products in a way satisfying client needs to the largest degree possible while establishing profitability of the Company.

QuarticOn periodically verifies the adopted development strategy, adapting it to the changing external and internal conditions. However, there is a risk of not implementing the planned Issuer development strategy in full, what could have a negative impact on the business, financial condition, development perspectives, and results of the Company or market value of stocks.

### 1.10.3

## **Risk of technology and of changes to the market**

The company operates in the industry with numerous, frequent and significant changes in the scope of available and applied technologies, both in terms of improvement of existing ones and introduction of brand new ones. Despite the constant and systematic monitoring of the market for possible technological changes, it cannot be ruled out those technologies the Company bases its operation may become less effective or attractive to the Company or its clients.

Efficient operation on such a market requires significant expenditures for research and development. Despite those expenditures, the Issuer cannot guarantee success of the development strategy of its products and software in the future, a/o because:

- adapting to a quickly changing technology may require higher disbursements than those the Company will be able to make,
- appearance of completely new technologies next to already existing ones will require the Company to divide its expenditures among different projects.

On the market the Company operates, industry standards are being modified on an ongoing basis, there are changes the services provided or products accessible. Possible inability for rapid adaptation to these changes exposes the Company to a risk of decrease in its competitive position.

#### 1.10.4

### **Risk of lower profitability of projects made by the company within the confines of B&R works**

Over the last few years, the Company has developed, produced and released nine tools (5 until the end of the year 2016 and 4 by the end of the year 2018), both those supporting implementations and products ready for sales. One of them, the RTB project, due to very low income, was written down by the end of the year 2017. Currently, the Company estimates that all remaining projects will bring economic benefits covering the investment expenditures.

However, there is a risk that Company's estimations and forecasts will not be met in full, what could result in the need for write-off in the coming years.

#### 1.10.5

### **Risk of significant disruption to the cash flow and unstable financial liquidity**

Should the risks discussed in the items above occur, they may have an impact on the financial condition of the Company, in particular on its financial liquidity. Financial liquidity of the Company is heavily impacted by the amount of revenue, debt collection efficiency and amount of expenditures. Risks related to technological changes on the market, increase in competition and lower amount of revenue from services provided can lead to a decrease in revenue. The Company estimates effective management of expenditures that could get reduced, but the amount of possible reductions is not

limitless. The company assumes that one of the ways to balance the burden of funding development is acquisition of external financing: investors, banks or EU funds.



## 1.11

# Information on the Company's shareholder structure

The shareholder structure as at the end of the 2018 year was as follow:

shareholder	number of stocks*	share
Venture FIZ	251,000	20.3%
CBNC Capital Solutions Ltd.	192,500	15.6%
Q Free Trading Limited	123,500	10.0%
Kamil Cisto	118,500	9.6%
ACATIS Investments GmbH	118,000	9.5%
Paweł Wyborski	81,292	6.6%
Paulina Zamojska	75,000	6.1%
Others**	275,481	22.3%
<b>Total</b>	<b>1,235,273</b>	<b>100.0%</b>

\* including class A, B, C and E

\*\* Including key employees program (ESOP)

Based on the best knowledge of the Company, the shareholding structure of QuarticOn S.A. as of the date of publication of this report, i.e. on 31<sup>st</sup> May 2019, it is as follows:

shareholder	number of stocks*	share
Venture FIZ	251,000	20.3%
CBNC Capital Solutions Ltd.	192,500	15.6%
Q Free Trading Limited	123,500	10.0%
Kamil Cisto	118,500	9.6%
ACATIS Investments GmbH	118,000	9.5%
Paweł Wyborski	81,307	6.6%
Paulina Zamojska	72,574	5.9%
Others**	277,892	22.5%
<b>Total</b>	<b>1,235,273</b>	<b>100.0%</b>

\* including class A, B, C and E

\*\* Including key employees program (ESOP)

## 1.12

# Composition of Company's governing bodies in the year 2018

### 1.12.1

## Composition of the Management Board in the year 2018

In the year 2018, the Management Board of the Company had the following composition:

- **Paweł Wyborski** – President of the Board
- **Michał Giergielewicz** – Member of the Board

There were no changes in the Management Board as of the day of issue of this report.

### 1.12.2

## Composition of the Supervisory Board in the year 2018

In the year 2018, the Supervisory Board of the Company had the following composition:

- Oktawian Jaworek
- Paulina Zamojska

- Sławomir Kornicki – from 17<sup>th</sup> August 2018
- Łucja Gdala – from 17<sup>th</sup> August 2018
- Ludwik Majewski – from 17<sup>th</sup> August 2018

On April 5, 2019, the Company received the resignation of Mr. Sławomir Kornicki from the position of a member of the Supervisory Board of QuarticOn S.A. with immediate effect. The reason for the resignation was not indicated. On April 9, 2019, the Company received resignation of Mrs Łucja Gdala from the position of a member of a Supervisory Board of QuarticOn S.A. The reason for the resignation was not indicated. Additionally, on April 17, 2019, the Company received a declaration of the shareholder of the Company, Mr Paweł Wyborski, dated on the same day, on the appeal pursuant to § 12 para. 4 of the Articles of Association of Mrs. Paulina Zamojska from the position of a Member of the Supervisory Board and appointment pursuant to § 12 para. 1 lit. b) Company Statute of Mr. Bartłomiej Łagowski. On April 24, 2019, the Extraordinary General Meeting of QuarticOn dismissed Mr. Ludwik Majewski from the Supervisory Board of the Company as of May 31, 2019, and appointed on the day of Extraordinary General Meeting Mr. Paweł Lebieźiński and Mr. Michał Markowski to the Supervisory Board of the Company.

On the date of issue this report, the Supervisory Board consist of:

- Oktawian Jaworek
- Bartłomiej Łagowski
- Paweł Lebieźiński
- Michał Markowski
- Ludwik Majewski

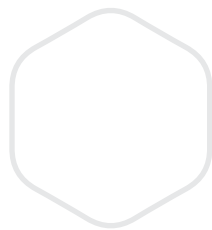




## 1.13

# Corporate governance

The Company has not been listed in 2018 year. Corporate governance principles discussed in the document named “Good practices for companies traded on NewConnect” have been adopted in the year 2019, after the debut. This information was published by the Company in EBI current report no 4/2019.



## 1.14

# Other information

### 1.14.1

## Employment

By the end of December 2018, the Company employed (employment contract, contract for specified work) and cooperated with sole proprietors in amount of 51.5 full time equivalent.

### 1.14.2

## Fees of the members of Management and Supervisory Boards

In the year 2018, the total fees of the Management Board were €95,451. Members of the Supervisory Board did not collect fees in the year 2018.

### 1.14.3

## **Remuneration of an expert auditor**

The remuneration of the expert auditor for the audit of the year 2018 was €2.790,7.

### 1.14.4

## **Legal basis for the financial statement**

The QuarticOn Annual Report for 2018 was prepared based on § 5 para. 6.1. – 6.3. Appendix No. 3 to the Alternative Trading System Regulations: Current and periodic information provided in the alternative trading system on the NewConnect market.

The financial statement has been drawn up in accordance to the Accounting Act of 29th September 1994 (uniform text, Journal of Laws 2019, item 351), hereinafter referred to as the “Act” and secondary legislation issued on its basis, that establish, a/o accounting principles for entities seated or managed on the territory of the Republic of Poland.

Accounting records are maintained in accordance to the historical cost principle (with exception of the fixed assets undergoing revaluation in accordance with principles stipulated in the Act and in other acts of law), therefore impact of inflation is not taken into account. The company keeps the record of costs by type and maintains a profit and loss account with classification of expenses by type. Amounts in the financial statement have been provided in PLN. For comparison, financial information for the previous financial year encompassing the period from 01.01.2018 to 31.12.2017 have been presented.

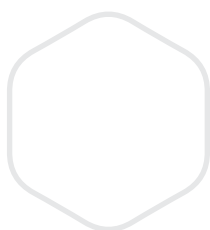
## 1.15

# Declarations

### 1.15.1

## **Declaration of the Management Board, that to the best of their knowledge, the annual financial statement and comparative data have been drawn up in accordance to the regulations governing the Issuer**

The management board of QuarticOn S.A. declares that to the best of their knowledge, the annual financial statement and comparative data have been drawn up in accordance to the regulations governing the Company and that they present truly, fairly and clearly the economic position and financial situation of the Issuer and its financial result, and that the Report on Issuer's operations truly and clearly presents the situation of the Issuer, including main risks and dangers.



## 1.15.2

### **Declaration of the Management Board or the managing person of the Issuer about selection of an auditing body carrying out the verification of the annual financial statement in accordance to legal provisions**

The management board of QuarticOn S.A. declares that selection of an auditing body carrying out the verification of the annual financial statement has been made in accordance with the legal provisions in force and that the auditing company and members of the team carrying out the verification met the conditions for drawing up an impartial and independent report from verification of an annual financial statement in accordance to legal provisions in force, professional standards and code of professional conduct.

#### **Management Board of QuarticOn S.A.**



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**Paweł Wyborski**  
President of the Board

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**Michał Giergielewicz**  
Member of the Board – CFO

Warsaw, May 24<sup>th</sup>, 2019





**Financial Statement for the  
Period from 01/01/2018  
to 31/12/2018**

## 2.1

# Introduction to the financial statements

### 1. Entity data

Name:	QuarticOn Spółka Akcyjna
Address:	Aleje Jerozolimskie 123A, 02-017 Warszawa
PKD (Polish Classification of Activities) codes defining the company's basic operations:	6201Z
Number identifying the entity:	KRS (Company Registration Number): 0000715276

### 2. Indication of the duration of the entity's operations, if it is limited

Not applicable.

### 3. Period covered by the financial statements

Financial statements drawn up for the period from 01/01/2018 to 31/12/2018.

### 4. Indication whether the financial statements include aggregate data

The financial statements do not include aggregate data.



**5. Assumption of continuation of operations**

Financial statements drawn up on the assumption that the entity will continue operations.

No circumstances have been found that indicate a threat to continuation of operations.

**6. Information about the merger of companies**

Not applicable.

**7. Accounting policy**

**Below there is presented discussion on the adopted accounting principles (policy), in the scope in which the Act allows the entity the right to choose:**

Accounting principles applied to particular items of the balance sheet and the profit and loss account.

**Valuation methods for assets and liabilities (including depreciation):**

**Tangible fixed assets and intangible assets**

Tangible fixed assets and intangible assets are valued at acquisition price less write-downs for redemption, as well as write-downs for permanent loss of value.

The acquisition price of fixed assets also includes the cost of handing liabilities pledged to finance them for the period of assembly and adaptation, as well as the related exchange differences, less revenues generated in this way. The acquisition price of a fixed asset is increased by the costs of its improvement, including its reconstruction, modernisation and expansion, causing

that the value in use of this fixed asset after the completion of the improvement exceeds the value in use at the time of acceptance for use.

Foreign fixed assets accepted for use under a leasing agreement are classified as fixed assets if the agreement meets the conditions set out in Article 3 par. 4 of the Act on Accountancy.

In the case of liquidation, withdrawal from use or other reasons causing a permanent impairment loss of a fixed asset or of a component of intangible assets, a write-down is recognised in other operating costs. If the reason for which a write-down of fixed assets and intangible assets has been made disappears, the equivalent of the previously made write-down wholly or partially increases the value of the asset and is recognised as other operating income, respectively.

Straight line depreciation method is applied. When determining the depreciation period and the annual depreciation rate, the period of economic usefulness of the fixed asset and the components of intangible assets is taken into account. The correctness of adopted periods and depreciation rates are subject to periodic verification.

The company applies the following depreciation rates for intangible assets:

- other intangible assets 20%

The company applies the following depreciation rates for basic groups of fixed assets:

- buildings, structures and civil engineering facilities 2.5%
- technical devices and machines 10%–30%
- means of transport 20%
- other fixed assets 2.5 %–30 %

Fixed assets include fixed assets with an expected period of economic usefulness of more than one year and an acquisition price exceeding PLN 3,500.

Fixed assets belonging to the group 491 (computers and computer sets) with a value of more than PLN 1,500 and not exceeding PLN 3,500 are depreciated on a one-off basis (write-downs in the amount of 100% of initial value) in the month they were put into use.

Fixed assets under construction are measured at the amount of total costs directly related to

their acquisition, less write-downs for permanent impairment loss.

Fixed assets under construction are not depreciated until they are completed and ready for use.

### **Investments**

Investments include assets acquired in order to achieve economic benefits resulting from the increase in the value of these assets, to obtain income in the form of interest, dividends (shares in profits) or other benefits, including a commercial transaction, in particular financial assets and this real estate and intangible assets that are not used by the Company but have been acquired in order to achieve these benefits.

Real estate and intangible assets classified as investments are valued according to the principles applied to tangible fixed assets and intangible assets.

Shares in other subordinated entities are measured at the acquisition price, taking into account possible impairment loss.

### **Receivables**

Receivables are valued at the amount due, in compliance with the prudence principle and are carried at net value (decreased by write-downs). The value of receivables is subject to periodic revaluation taking into account the probability of their payment by making a write-down. The irrecoverable receivables are considered to be the situation in which a given receivable is overdue by more than 1 year and at the same time the debtor suspended operations, declared bankruptcy or was liquidated. Write-downs are also created for receivables reported to court proceedings. Write-downs are included in other operating or financial costs, depending on the type of receivables, which the given write-down concerns. Receivables which are redeemed, overdue or irrecoverable reduce the previously made write-downs. In case of redeemed, overdue or irrecoverable receivables, for which no write-downs have been made, a write-down is made directly to other operating costs.

### **Inventories**

The value of inventories is determined on the basis of acquisition price, while outflow is valued using the first in, first out method.

Inventories are recognised in the balance sheet at net value, i.e. decreased by the value of write-downs resulting from their valuation according to net sales prices.

### **Cash and cash equivalents**

Cash at bank and cash on hand are valued at their nominal value.

### **Prepayments**

Prepayments and deferred expenses are made in relation to incurred costs related to future reporting periods. Accruals of costs are made in the amount of probable liabilities in the current reporting period, resulting in particular from:

- services provided to the entity by the counterparties of the entity, when the amount of liability can be estimated reliably,
- the obligation to perform, related to current operations, future benefits to unknown persons, the amount of which can be estimated, although the date of the liability is not yet known, including warranty repairs and warranties for sold long-time use products.

### **Equity capital**

Share capital is shown in the amount specified in the agreement and entered in the court register. Declared but unpaid capital contributions are recognised as due contributions to capital.

The supplementary capital is created from the shareholders' subsidies.

Reserve capital is created from the distribution of profit from previous years.

### **Provisions for liabilities**

Provisions for liabilities are measured at a reasonable, reliably estimated value. Provisions are created for:

- certain or highly probable future liabilities, the amount of which can be reliably estimated, and in particular of losses on economic operations in progress, including guarantees, securities, lending operations, effects of pending court proceedings;
- post-employment benefits, whose payment obligation results from art. 92 of the Labour Code. The provision is created in the amount based on the estimated probability of reaching the retirement age in the five-year intervals.

### **Liabilities**

Liabilities are shown in the amount that needs to be paid.

### **Prepayments**

Prepayments are made using the prudence principle and include the equivalent of funds received or due from contractors for services that will be performed in the next reporting periods.

### **Deferred income tax**

The company departed from the determination of deferred income tax assets and provisions.

### **The method of determining the financial result:**

#### **Recognition of income**

Sales revenues are recognised when the goods or the service are delivered.

Sales are shown in net value, i.e. excluding tax on goods and services and any discounts granted.

### **Costs**

The costs incurred are recognised in the profit and loss account in order to relate them to revenues in the period to which they concern.

### **Estimates of the Board**

The preparation of the financial statements requires the Management Board of the Company to make certain estimates and assumptions, which are reflected in the financial statements and additional information and explanations to the financial statements. Actual results may differ from the estimates. Estimates of the Company's Management Board relate to created write-downs, provisions, prepayments and adopted depreciation rates, deferred taxes.

### **Transactions in foreign currencies**

Transactions expressed in currencies other than the Polish złoty are converted into Polish złotys at the exchange rate:

- respectively actually applied on that day, resulting from the nature of the operation—in the case of sale or purchase of currencies and the payment of receivables or liabilities;
- the average exchange rate announced for a given currency by the National Bank of Poland on the day preceding that day—in the case of payment of receivables or liabilities, if it is not justified to apply the exchange rate referred to the point above, as well as for other operations.

As at the balance sheet date, assets and liabilities expressed in currencies other than the Polish złoty (PLN) are converted into Polish złoty using the average exchange rate prevailing for that day for the given currency given by the National Bank of Poland. Foreign exchange differences resulting from the conversion are recognised respectively in the item of financial income or expenses or, in cases specified by law, they are capitalised in the value of assets.

For the needs of the valuation, the following exchange rates were adopted in the financial statements:

**December 31<sup>st</sup>, 2018**

1 EUR = 4.3000 (NBP exchange rate table No. 252/A/NBP/2018 of 31/12/2018)

1 USD = 3.7597 (NBP exchange rate table No. 252 /A/NBP/2018 of 31/12/2018)

**December 31<sup>st</sup>, 2017**

1 EUR = 4.1709 (NBP exchange rate table No. 251/A/NBP/2017 dated 29/12/2017)

1 USD = 3.4813 (NBP exchange rate table No. 251/A/NBP/2017 dated 29/12/2017)

**Financial result**

The financial result consists of:

- operating result, including other operating income and expenses,
- result on financial operations,
- obligatory encumbrance of the result because of the income tax whose taxpayer is the Entity.

**The method of preparing the financial statements:**

The financial statements have been prepared in accordance with the Act of 29 September 1994 on accounting (consolidated text, Journal of Laws of 2019 item 351), hereinafter referred to as “the Act” and executive regulations issued on the basis of this Act, which specify, inter alia, accounting principles for entities having their registered office or place of management on the territory of the Republic of Poland.

Accounting entries are made according to the historical cost principle (with the exception of fixed assets which are subject to revaluation in accordance with the principles set out in the Act and in separate regulations), thus the effect of inflation is not taken into account.

The company keeps a record of costs by type and prepares a profit and loss account in a comparative variant.

The figures in the financial statements were given in Polish złotys (PLN). The financial data for the previous financial year covering the period from 01/01/2017 to 31/12/2017 are presented as comparative data.

## **Supplementary information**

### **Composition of the Board**

In the financial year and after its completion until the date of these statements, the members of the Management Board of the Company were:

- Wyborski Paweł – President of the Board
- Giergielewicz Michał – Member of the Board, CFO

## **8. Additional detailed Information**

Not applicable.



## 2.2

**Balance sheet**

## 2.2.1

**Assets**

in thousand EUR

		As of 31/12/2018	As of 31/12/2017	Comp. data for previous year
<b>A.</b>	<b>FIXED ASSETS</b>	<b>2,069.9</b>	<b>1,577.1</b>	
<b>I.</b>	<b>Intangible and legal assets</b>	<b>2,055.3</b>	<b>747.6</b>	
1.	R&D expenses	2,055.3	747.6	
2.	Goodwill			
3.	Other intangible assets		0.1	
4.	Advances for intangible assets			
<b>II.</b>	<b>Tangible fixed assets</b>	<b>14.5</b>	<b>22.9</b>	
1.	Tangible fixed assets in use	14.5	22.9	
a)	land (including right to perpetual usufruct)			
b)	buildings, premises, civil and water engineering structures			
c)	technical equipment and machines	13.8	21.8	
d)	means of transport			
e)	other tangible fixed assets	0.8	1.2	
2.	Tangible fixed assets under construction			
3.	Advances for tangible fixed assets under construction			
<b>III.</b>	<b>Long-term receivables</b>			
1.	From related parties			
2.	From other parties, in which the company holds capital commitment			
3.	From other parties			
<b>IV.</b>	<b>Long-term investments</b>			
1.	Real property			
2.	Intangible and legal assets			

3.	Long-term financial assets				
	a)	in related parties			
	b)	in other parties, in which the company holds capital commitment			
	c)	in other parties			
4.	Other long-term investments				
<b>V.</b>	<b>Long-term prepayments</b>			<b>806.5</b>	
1.	Deferred tax assets				
2.	Other prepayments			806.5	
<b>B.</b>	<b>CURRENT ASSETS</b>		<b>1,224.3</b>	<b>274.2</b>	
<b>I.</b>	<b>Inventory</b>		<b>4.6</b>		
1.	Materials				
2.	Intermediate products and work in progress				
3.	Finished products				
4.	Goods				
5.	Advances for deliveries and services		4.6		
<b>II.</b>	<b>Short-term receivables</b>		<b>304.3</b>	<b>214.3</b>	
1.	Receivables from related parties				
	a)	trade receivables, maturing:			
		– up to 12 months			
		– over 12 months			
	b)	other			
2.	Receivables from other entities in which the company holds capital commitment				
	a)	trade receivables, maturing:			
		– up to 12 months			
		– over 12 months			
	b)	other			
3.	Receivables from other entities		304.3	214.3	
	a)	trade receivables, maturing:	210.5	150.1	
		– up to 12 months	210.5	150.1	
		– over 12 months			
	b)	receivables from tax, subsidies, customs, social security and other benefits	60.3	2.4	
	c)	other	33.5	61.8	
	d)	claimed at court			

<b>III.</b>	<b>Short-term investments</b>	<b>902.1</b>	<b>59.0</b>	
1.	Short-term financial assets	902.1	59.0	
	a) in related parties			
	b) in other parties			
	c) cash and other pecuniary assets	902.1	59.0	
2.	Other short-term investments			
<b>IV.</b>	<b>Short-term prepayments</b>	<b>13.2</b>	<b>1.0</b>	
<b>C.</b>	<b>CALLED UP SHARE CAPITAL NOT PAID</b>			
<b>D.</b>	<b>OWN SHARES (STOCKS)</b>			
<b>TOTAL ASSETS</b>		<b>3,294.1</b>	<b>1,851.3</b>	

## 2.2.2

**Liabilities**

in thousand EUR

		As of 31/12/2018	As of 31/12/2017	Comp. data for previous year
<b>A.</b>	<b>EQUITY</b>	<b>2,366.7</b>	<b>1,136.7</b>	
<b>I.</b>	<b>Share capital</b>	<b>28.7</b>	<b>25.6</b>	
<b>II.</b>	<b>Supplementary capital, including</b>	<b>4,206.8</b>	<b>2,608.6</b>	
	– share (stock) premium	4,206.8	2,608.6	
<b>III.</b>	<b>Revaluation reserve, including:</b>			
	– from fair value adjustment			
<b>IV.</b>	<b>Other reserve capitals</b>			
	– created in accordance to articles of incorpor. of the Company			
	– on own shares (stocks)			
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-1,452.5</b>	<b>-886.4</b>	
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-416.3</b>	<b>-611.1</b>	
<b>VII.</b>	<b>Write-off on net profit during the financial year (negative value)</b>			
<b>B.</b>	<b>LIABILITIES AND PROVISIONS FOR LIABILITIES</b>	<b>927.4</b>	<b>714.6</b>	
<b>I.</b>	<b>Provisions for liabilities</b>	<b>21.2</b>	<b>35.5</b>	
1.	Provision for deferred income tax			
2.	Provision for retirement and similar benefits			
	– long-term			
	– short-term			
3.	Other provisions	21.2	35.5	
	– long-term			
	– short-term	21.2	35.5	
<b>II.</b>	<b>Long-term liabilities</b>		<b>359.6</b>	
1.	To related parties			
2.	To other parties in which the company holds capital commitment			
3.	To other parties		359.6	
a)	credits and loans		359.6	
b)	arising from issuance of debt securities			
c)	other financial liabilities			
d)	liabilities on bills of exchange			
e)	other			
<b>III.</b>	<b>Short-term liabilities</b>	<b>869.8</b>	<b>310.0</b>	

1.	To related parties	60.7	62.6	
a)	trade liabilities, maturing:			
	– up to 12 months			
	– over 12 months			
b)	other	60.7	62.6	
2.	To other parties in which the company holds capital commitment			
a)	trade liabilities, maturing:			
	– up to 12 months			
	– over 12 months			
b)	other			
3.	To other parties	809.1	247.4	
a)	credits and loans	635.8	127.6	
b)	arising from issuance of debt securities			
c)	other financial liabilities			
d)	trade liabilities, maturing:	144.7	95.7	
	– up to 12 months	144.7	95.7	
	– over 12 months			
e)	received advances for deliveries			
f)	liabilities on bills of exchange			
g)	tax, customs, insurance and other liabilities	26.4	21.2	
h)	payroll liabilities	2.0	2.8	
i)	other	0.2	0.2	
4.	Special funds			
<b>IV.</b>	<b>Accruals</b>	<b>36.4</b>	<b>9.5</b>	
1.	Negative goodwill			
2.	Other accruals	36.4	9.5	
	– long-term			
	– short-term	36.4	9.5	
<b>TOTAL LIABILITIES</b>		<b>3,294.1</b>	<b>1,851.3</b>	

## 2.2.3

### Profit and loss statement

in thousand EUR

		Cum. 2018	Cum. 2017	Comp. data for previous year
<b>A.</b>	<b>Net revenue from sales</b>	<b>1,070.9</b>	<b>1,079.9</b>	<b>836.4</b>
	– from related parties			
I.	Net revenue from sales of products	1,070.9	836.4	836.4
II.	Change in the balance of products (increase - positive value, decrease - negative value)		243.5	
III.	Costs of manufacturing products for internal purposes			
IV.	Net revenue from sales of goods and materials			
<b>B.</b>	<b>Operating expenses</b>	<b>1,497.4</b>	<b>1,537.7</b>	<b>1,294.1</b>
I.	Amortisation and depreciation	313.6	322.1	322.1
II.	Consumption of materials and energy	27.7	27.1	27.1
III.	External services	765.7	596.1	352.5
IV.	Taxes and charges, including:	8.1	0.7	0.7
	– excise duty			
V.	Payroll	298.0	500.6	500.6
VI.	Social security and other benefits, including:	33.1	65.9	65.9
	– retirement benefits	17.1	32.2	32.2
VII.	Other prime costs	51.3	25.2	25.2
VIII.	Value of goods and materials sold			
<b>C.</b>	<b>Profit (loss) on sales (A-B)</b>	<b>-426.5</b>	<b>-457.7</b>	<b>-457.7</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>101.8</b>	<b>3.0</b>	<b>3.0</b>
I.	Gain on disposal of non-financial fixed assets			
II.	Subsidies			
III.	Other operating revenues	57.8		
IV.	Other operating revenues	44.0	3.0	3.0
<b>E.</b>	<b>Other operating expenses</b>	<b>33.8</b>	<b>119.2</b>	<b>119.2</b>
I.	Loss on disposal of non-financial fixed assets			
II.	Revaluation of non-financial assets		103.5	103.5
III.	Other operating expenses	33.8	15.6	15.6
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-358.5</b>	<b>-573.9</b>	<b>-573.9</b>
<b>G.</b>	<b>Financial revenues</b>	<b>3.8</b>	<b>2.9</b>	<b>2.9</b>
I.	Dividend and profit sharing, including:			

	a)	from related parties, including:			
		– those in which the company holds capital commitment			
	b)	from other parties, including:			
		– those in which the company holds capital commitment			
II.		Interest, including:	3.8	1.5	1.5
		– from related parties			
III.		Revenue from disposal of financial assets, including:			
		– in related parties			
IV.		Revaluation of financial assets			
V.		Other		1.4	1.4
<b>H.</b>		<b>Financial expenses</b>	<b>61.5</b>	<b>40.2</b>	<b>40.2</b>
I.		Interest, including:	45.6	34.7	34.7
		– for related parties			
II.		Loss on disposal of financial assets, including:			
		– for related parties			
III.		Revaluation of financial assets			
IV.		Other	15.9	5.4	5.4
<b>I.</b>		<b>Gross profit (loss) (F+G-H)</b>	<b>-416.3</b>	<b>-611.1</b>	<b>-611.1</b>
<b>J.</b>		<b>Income tax</b>			
<b>K.</b>		<b>Other statutory reductions in profit (increases in loss)</b>			
<b>L.</b>		<b>Net profit (loss) (I-J-K)</b>	<b>-416.3</b>	<b>-611.1</b>	<b>-611.1</b>

## 2.2.4

**Statement of changes in equity**

in thousand EUR

		As of 31/12/2018	As of 31/12/2017	Comp. data for previous year
<b>I.</b>	<b>Opening balance of equity (OB)</b>	<b>1,102.5</b>	<b>1,043.2</b>	
	– changes in accounting principles			
	– corrections of basic errors			
	– capital increases			
<b>I.a.</b>	<b>Opening balance of equity (OB) after adjustments</b>	<b>1,102.5</b>	<b>1,043.2</b>	
<b>1.</b>	<b>Opening balance of share capital</b>	<b>24.8</b>	<b>17.7</b>	
	1.1. Opening balance of share capital	24.8	17.7	
	1.2. Closing balance of share capital	28.7	25.6	
<b>2.</b>	<b>Opening balance of called up share capital</b>			
	2.1. Changes in called up share capital			
	a) increase (due to)			
	– called up share capital not paid			
	b) decrease (due to)			
	2.2. Closing balance of called up share capital			
<b>3.</b>	<b>Opening balance of own shares</b>			
	3.1. Increase in own shares			
	3.2. Closing balance of own shares			
<b>4.</b>	<b>Opening balance of supplementary capital</b>	<b>2,530.3</b>	<b>1,797.9</b>	
	4.1. Changes in supplementary capital	1,676.6	810.7	
	4.2. Closing balance of supplementary capital	4,206.8	2,608.6	
<b>5.</b>	<b>Opening balance of revaluation reserve</b>			
	5.1. Changes in revaluation reserve			
	5.2. Closing balance of revaluation reserve			
<b>6.</b>	<b>Opening balance of other reserve capitals</b>			
	6.1. Changes in other reserve capitals			
	6.2. Closing balance of other reserve capitals			
<b>7.</b>	<b>Opening balance of previous years' profit (loss)</b>	<b>-859.8</b>	<b>-775.8</b>	
	7.1. Opening balance of previous years' profit			
	– changes of adopted accounting principles			
	– adjustments of fundamental errors			
	7.2. Opening balance of previous years' profit after reconciliation to comparable data			



	7.3. Closing balance of previous years' profit			
	7.4. Opening balance of previous years' loss	-859.8	-775.8	
	– changes of adopted accounting principles			
	– adjustments of fundamental errors		461 538.46	
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-859.8	-886.4	
	7.6. Closing balance of previous years' loss	-1,452.5	-886.4	
	7.7. Closing balance of previous years' profit (loss)	-1,452.5	-886.4	
<b>8.</b>	<b>Net result</b>	<b>-416.3</b>	<b>-611.1</b>	
	a) net profit			
	b) net loss	-416.3	-611.1	
	c) write-offs on profit			
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>2,366.7</b>	<b>1,136.7</b>	
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>2,366.7</b>	<b>1,136.7</b>	

## 2.2.5

**Cash flow statement**

in thousand EUR

		Cum. 2018	Cum. 2017	Comp. data for previous year
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES - INDIRECT METHOD</b>			
<b>I.</b>	<b>Net profit (loss)</b>		<b>-416.3</b>	<b>-611.1</b>
<b>II.</b>	<b>Total adjustments</b>		<b>-536.8</b>	<b>-278.7</b>
	1.	Amortisation and depreciation	313.6	411.4
	2.	Profit (loss) from differences of exchange rates		
	3.	Interest and profit sharing (dividend)	41.7	18.3
	4.	Profit (loss) on investment activities		
	5.	Change in provisions	-13.2	11.6
	6.	Changes in inventory	-4.6	74.7
	7.	Change in the balance of receivables	-96.5	54.2
	8.	Change in short-term liabilities excluding credits and loans	57.1	59.4
	9.	Change in prepayments and accruals	797.1	-802.0
	10.	Other adjustments	-1,632.0	-106.2
<b>III.</b>	<b>Net cash flow from operating activities (I±II)</b>		<b>-953.1</b>	<b>-889.8</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>I.</b>	<b>Inflows</b>		<b>3.8</b>	<b>0.7</b>
	1.	Disposal of intangible and legal assets, tangible fixed assets		
	2.	Disposal of investments in real property and in intangible and legal assets		
	3.	From financial assets, including:	3.8	0.7
	a)	in related parties		
	b)	in other parties	3.8	0.7
		– disposal of financial assets		
		– dividends and profit sharing		
		– repayment of granted long-term loans		
		– interest	3.8	0.7
		– other inflows from financial assets		
	4.	Other inflow from investment activities		
<b>II.</b>	<b>Outflows</b>		<b>4.1</b>	<b>9.0</b>
	1.	Purchase of intangible and legal assets, tangible fixed assets	4.1	9.0
	2.	Investment in real property, intangible and legal assets		

	3.	For financial assets, including:			
	a)	in related parties			
		– purchase of financial assets			
		– long-term loans granted			
	b)	in other entities			
		– purchase of financial assets			
		– long-term loans granted			
	4.	Inne wydatki inwestycyjne			
<b>III.</b>	<b>Net cash flows from investment activities (I-II)</b>		<b>-0.3</b>	<b>-8.3</b>	
<b>C.</b>	<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>				
<b>I.</b>	<b>Inflows</b>		<b>2,029.3</b>	<b>1,618.4</b>	
	1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	1,680.5	815.2	
	2.	Credits and loans	348.8	563.4	
	3.	Issuance of debt securities		239.8	
	4.	Other inflows from financial activities			
<b>II.</b>	<b>Outflows</b>		<b>231.1</b>	<b>927.8</b>	
	1.	Purchase of own shares (stocks)			
	2.	Dividend and payments to stockholders			
	3.	Profit distribution liabilities other than profit distribution payments to stockholders			
	4.	Repayment of credits and loans	209.3	203.8	
	5.	Redemption of debt securities		695.3	
	6.	Payment of other financial liabilities			
	7.	Payment of liabilities arising from financial leases			
	8.	Interest	21.8	28.7	
	9.	Other outflows from financial activities			
<b>III.</b>	<b>Net cash flow from financial activities (I-II)</b>		<b>1,798.2</b>	<b>690.6</b>	
<b>D.</b>	<b>TOTAL NET CASH FLOWS (A.III+/-B.III+/-C.III)</b>		<b>844.9</b>	<b>-207.5</b>	
<b>E.</b>	<b>BALANCE SHEET CHANGE IN CASH, INCLUDING:</b>		<b>844.9</b>	<b>-207.5</b>	
		– change in cash due to exchange differences			
<b>F.</b>	<b>CASH OPENING BALANCE</b>		<b>57.2</b>	<b>266.5</b>	
<b>G.</b>	<b>CASH CLOSING BALANCE (F+/- D), INCLUDING:</b>		<b>902.1</b>	<b>59.0</b>	
		– of limited disposability			

## 2.2.6

### Calculation of income tax

in thousand EUR

		Total 2018	Total 2017
<b>A.</b>	<b>Gross profit (loss) for a given year</b>	<b>-416.29</b>	<b>-611.09</b>
<b>B.</b>	<b>Tax-exempt income (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes) including:</b>	<b>60.56</b>	<b>0.59</b>
	Positive exchange rate differences on the balance sheet valuation (Article 12 par. 2)	2.71	0.59
	Revaluation of non-financial assets (Article.16, par. 1, point 26, letter a)	57.85	
<b>C.</b>	<b>Non-taxable income in the current year, including:</b>	<b>33.16</b>	<b>144.02</b>
	Others	0.2	1.40
	Balance-sheet income (correction of basic error in 2016) (Article 12, par. 3j)		106.23
	Reversal of the provision (Article 12 par. 1 point 4 letter e)	33.00	1.46
	Reversal of write-downs (Article 16 par. 1 point 26 a)		34.93
<b>D.</b>	<b>Revenues subject to taxation in the current year, included in the accounting books of previous years, including:</b>		
	Interest on deposits accrued in 2017 paid in 2018 (Article 16 par. 1 point 11)		
<b>E.</b>	<b>Costs that are not tax-deductible costs (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes), including:</b>	<b>38.53</b>	<b>4.13</b>
	Negative exchange differences on balance sheet valuation (Article 15a)	6.09	2.67
	Representation (Article 16 par. 1 point 28)		1.36
	Budget interest (Article 16 par. 1 point 21)		0.1
	Write-downs of outdated balances (Article 16 par. 1 point 25)	32.40	
<b>F.</b>	<b>Costs not recognised as tax deductible expenses in the current year, including:</b>	<b>378.38</b>	<b>528.03</b>
	Others	3.45	6.13
	Interest on loans and bonds (Article 16 par 1 item 11)	30.34	7.69
	Provisions for paid cost (Article 16, par. 1, point 27)	18.30	13.01
	Write-downs on receivables and intangible assets. (Article 16g, par. 13)		138.48
	Accounting depreciation (Article 16d, par. 1)	313.63	322.13
	Salary, social security contributions (Article 16 par. 1 point 57 a)	7.04	40.59
	VAT not deducted, not constituting tax deductible costs (Article 16 par. 1 item 46)	3.84	
	Medical packages not used by employees (article 16)	1.78	
<b>G.</b>	<b>Costs recognised as tax deductible expenses in the current year recognised in previous years' books including:</b>	<b>8.82</b>	<b>20.99</b>
	Interest paid on loans and bonds (Article 16 par. 1 point 11)	6.67	20.99
	Salaries, social security contributions (Article 15, par. 4g)	2.16	
<b>H.</b>	<b>Loss from previous years, including:</b>		

<b>I.</b>	<b>Other changes in the tax base, including:</b>	<b>329.40</b>	<b>323.22</b>
	Tax depreciation in the current year (Article 16d)	308.23	323.22
	Prepayments of deferred income (Article 12 par. 3a)	21.16	
<b>J.</b>	<b>Income tax base</b>	<b>-388.99</b>	<b>-606.12</b>
<b>K.</b>	<b>Income tax</b>		

Signed with an electronic signature by Jacek Ostrowski (Estelligence Sp. z o.o.), Paweł Wyborski (President of the Management Board of QuarticOn S.A.) and Michał Giergielewicz (Member of the Management Board of QuarticOn S.A.).

## ADDITIONAL INFORMATION AND EXPLANATIONS

### 1. EXPLANATION TO THE BALANCE SHEET

#### 1.1 INTANGIBLE ASSETS

##### 1.1.1 Movements in intangible assets

(In 000 Euro)	Costs of implemented development work	Goodwill	Other intangible assets	Advances on intangible assets	Total
<b>Gross value</b>					
Balance at the beginning of the period	1 509,21	0,00	2,41	0,00	1 511,62
Increase	1 566,12	0,00	0,00	0,00	1 566,12
- purchases	0,00	0,00	0,00	0,00	0,00
- other	1 566,12	0,00	0,00	0,00	1 566,12
Decrease	0,00	0,00	0,00	0,00	0,00
- Liquidation	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	3 075,33	0,00	2,41	0,00	3 077,73
<b>Redemption</b>					
Balance at the beginning of the period	685,27	0,00	2,34	0,00	687,61
Increase	301,84	0,00	0,02	0,00	301,86
- depreciation	301,84	0,00	0,02	0,00	301,86
- other	0,00	0,00	0,00	0,00	0,00
Decrease	0,00	0,00	0,00	0,00	0,00
- liquidation	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	987,12	0,00	2,36	0,00	989,47
<b>Write-downs</b>					
Balance at the beginning of the period	98,80	0,00	0,00	0,00	98,80
Increase	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Decrease	65,87	0,00	0,00	0,00	65,87
- other	65,87	0,00	0,00	0,00	65,87
Balance at the end of the period	32,93	0,00	0,00	0,00	32,93
<b>Net value</b>					
As at 01/01/2018	725,14	0,00	0,07	0,00	725,20
As at 31/12/2018	2 055,28	0,00	0,05	0,00	2 055,33

On 31/12/2018, QuarticOn implemented development works under the consolidated OFFSET project with a total value of 1 566,12 thou. Euro. (6 734,29 thou. zł). The project was divided into 4 modules:

- QON 2.0 module - initial value of 864,15 thou. Euro (3 715,83 thou. zł),
- VOD 2.0 module - initial value of 148,92 thou. Euro (640,38 thou. zł),
- BAP 1.0 module - initial value of 109,73 thou. Euro (471,86 thou. zł),
- EMA 1.0 module - initial value of 446,62 thou Euro (1 920,48 thou. zł).

Implemented development works will be depreciated over a 5-year period, starting from 01.01.2019.

The transfer of effort for implemented development works from long-term prepayments to intangible assets is shown in the Cash flow statement in part A.II. point 10 Other adjustments.

## 1.2 TANGIBLE FIXED ASSETS

### 1.2.1 Movements in tangible fixed assets

(in 000 Euro)	Buildings, premises, rights to premises and civil engineering facilities	Technical devices and machines	Means of transport	Other Fixed assets	Fixed assets under construction	Advances on fixed assets under construction	Total
<b>Gross value</b>							
Balance at the beginning of the period	0,00	34,45	0,00	4,42	0,00	0,00	38,88
Increase:	0,00	4,05	0,00	0,00	0,00	0,00	4,05
- purchase	0,00	4,05	0,00	0,00	0,00	0,00	4,05
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decrease:	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- liquidation	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	0,00	38,51	0,00	4,42	0,00	0,00	42,93
<b>Redemption</b>							
Balance at the beginning of the period	0,00	13,32	0,00	3,30	0,00	0,00	16,63
Increase:	0,00	11,40	0,00	0,37	0,00	0,00	11,77
- depreciation	0,00	11,40	0,00	0,37	0,00	0,00	11,77
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decrease:	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- liquidation	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	0,00	24,73	0,00	3,67	0,00	0,00	28,40
<b>Write-downs</b>							
Balance at the beginning of the period	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Increase	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decrease	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	0,00	0,00	0,00	0,00	0,00	0,00	0,00
<b>Net value</b>							
As at 01.01.2018	0,00	21,13	0,00	1,12	0,00	0,00	22,25
As at 31.12.2018	0,00	13,78	0,00	0,75	0,00	0,00	14,53

#### 1.2.2 The value of land under perpetual usufruct

The company has no land under perpetual usufruct.

## 1.3 LONG-TERM RECEIVABLES

### 1.3.1 The structure of long-term receivables

The company has no long receivables.

### 1.3.2 Write-downs on long-term receivables

They did not occur.

## 1.4 LONG TERM INVESTMENTS

### 1.4.1 Movements in long terms investments

(in 000 Euro)	Real estate	Intangible assets	Long term financial assets	Other long term investments	Total
<b>Gross value</b>					
Balance at the beginning of the period	0,00	0,00	60,70	0,00	60,70
Increase:	0,00	0,00	0,00	0,00	0,00
- purchase	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Decrease:	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00
- liquidation	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	0,00	0,00	60,70	0,00	60,70
<b>Redemption</b>					
Balance at the beginning of the period	0,00	0,00	0,00	0,00	0,00
Increase:	0,00	0,00	0,00	0,00	0,00
- depreciation	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Decrease:	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00
- liquidation	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	0,00	0,00	0,00	0,00	0,00
<b>Write-downs</b>					
Balance at the beginning of the period	0,00	0,00	60,70	0,00	60,70
Increase	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Decrease	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	0,00	0,00	60,70	0,00	60,70
<b>Net value</b>					
As at 01.01.2018	0,00	0,00	0,00	0,00	0,00
As at 31.12.2018	0,00	0,00	0,00	0,00	0,00

### 1.4.2 Movements in long terms financial assets in related entities

(in 000 Euro)	Shares or stocks	Other securities	Granted loans	Other long term financial assets	Total
<b>Gross value</b>					
Balance at the beginning of the period	60,70	0,00	0,00	0,00	60,70
Increase:	0,00	0,00	0,00	0,00	0,00
- purchase	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Decrease:	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00
- liquidation	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	60,70	0,00	0,00	0,00	60,70
<b>Redemption</b>					
Balance at the beginning of the period	0,00	0,00	0,00	0,00	0,00
Increase:	0,00	0,00	0,00	0,00	0,00
- depreciation	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Decrease:	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00
- liquidation	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	0,00	0,00	0,00	0,00	0,00



Write-downs					
Balance at the beginning of the period	60,70	0,00	0,00	0,00	60,70
Increase	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Decrease	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00
Balance at the end of the period	60,70	0,00	0,00	0,00	60,70
Net value					
As at 01.01.2018	0,00	0,00	0,00	0,00	0,00
As at 31.12.2018	0,00	0,00	0,00	0,00	0,00

**1.4.3 Movements in long-term financial assets in other entities in which the entity has equity commitment**

They did not occur.

**1.4.4 Movements in long-term financial assets in other entities**

They did not occur.

**1.5 OTHER LONG TERM PRE-PAYMENTS**

**1.5.1 The deferred tax assets**

They did not occur.

**1.5.2 Other long term pre-payments**

(in 000 Euro)	31.12.2018	31.12.2017
- Own investment Offset I	0,00	806,51
	0,00	806,51

**1.6 INVENTORIES**

(in 000 Euro)	31.12.2018	31.12.2017
Materials	0,00	0,00
Semi-finished products and work in process	0,00	0,00
Finished products	0,00	0,00
Goods	0,00	0,00
Advances on deliveries and services	4,63	0,00
Net value of inventories	4,63	0,00
Write-downs on inventories	0,00	0,00
Gross value of inventories	4,63	0,00

**1.7 SHORT TERMS RECEIVABLES**

**1.7.1 Receivables from related entities**

The company has no receivables from related entities.

**1.7.2 Receivables from other entities in which the entity has equity commitment**

The company has no receivables from other entities in which the entity has equity commitment.

**1.7.3 Receivables from other entities**

(in 000 Euro)	31.12.2018	31.12.2017
- up to 12 months	240,46	172,63
- over 12 months	0,00	0,00
Trade receivables	240,46	172,63
- VAT receivables	60,31	2,43
Receivables from taxes, subsidies, customs social and health insurance and other public and legal receivables	0,00	0,00
- deposits	60,31	2,43
-other	0,00	0,00
Other receivables	32,95	33,20
Receivables under court proceedings	0,50	28,58
Net receivables	33,45	61,78
Write-downs on receivables	0,00	0,00
Gross receivables	334,22	236,85
	-29,91	-22,58
	304,31	214,27

#### 1.7.4 Write-downs on short-term receivable

(in 000 Euro)	Write-downs receivables from related entities	Write-down receivables from other entities in which the entity has equity commitment	Write-down receivables from other entities
Balance at the beginning of the period	0,00	0,00	21,90
Increase	0,00	0,00	11,40
Utilization	0,00	0,00	0,00
Termination of a previously made write-down	0,00	0,00	3,39
Balance at the end of the period	0,00	0,00	29,91

#### 1.8 SHORT TERMS FINANCIAL ASSETS

##### 1.8.1 Short term financial assets in related entities

They did not occur.

##### 1.8.2 Short term financial assets in other entities

They did not occur.

##### 1.8.3 Cash and cash assets

(in 000 Euro)	31.12.2018	31.12.2017
- cash on bank accounts	61,85	46,62
- cash on hand	0,08	0,00
- cash on the VAT account	0,36	0,00
Total cash on hand and on accounts	62,30	46,62
Other cash	839,79	12,36
Other cash assets	0,00	0,00
	902,09	58,98

#### 1.9 PRE-PAYMENTS

(in 000 Euro)	31.12.2018	31.12.2017
- Costs at the turn of the periods	13,24	0,29
- Domains	0,00	0,22
- Other	0,00	0,44
	13,24	0,95

#### 1.10 SHARE CAPITAL

Shareholder	Number of shares	Nominal value of shares (in 000 Euro)	%
CNBC Capital Solutions Limited	192 500,00	4,48	16%
Q-Free Trading Limited	123 500,00	2,87	10%
Venture Fundusz Investycyjny Zamknięty	251 000,00	5,84	20%
Kamil Ciśło	118 500,00	2,76	10%
ACATIS Investments GmbH	118 000,00	2,74	10%
Paweł Wyborski	81 292,00	1,89	7%
Paulina Maria Zamojska	75 000,00	1,74	6%
Other	275 481,00	6,41	22%
Total	1 235 273,00	28,73	100%

#### 1.11 MOVEMENTS IN THE BALANCE OF SUPPLEMENTARY AND RESERVE CAPITALS

(in Euro)	Supplementary capital	Reserve capital
Balance at the beginning of the period	2 530,27	0,00
Increase	1 676,56	0,00
- from profit	0,00	0,00
- other	1 676,56	0,00
Decrease	0,00	0,00
Balance at the end of the period	4 206,83	0,00

## 1.12 PROPOSAL REGARDING THE PROFIT DISTRIBUTION / LOSS COVERAGE

The Management Board of the Company proposes to cover the loss from profits of subsequent years.

## 1.13 PROVISIONS FOR LIABILITIES

### 1.13.1 Deferred tax liabilities

They did not occur.

### 1.13.2 Provisions for pension and similar benefits

They did not occur.

### 1.13.3 Other provisions for long-term liabilities

They did not occur.

### 1.13.4 Other provisions for short-term liabilities

(in 000 Euro)	Paid costs account 202-204	Paid costs 234-3	Other provision	Total
Balance at the beginning of the period	6,76	24,88	2,78	34,43
Increase	0,00	0,00	19,76	19,76
Utilization	0,00	0,00	0,00	0,00
Reversal	6,76	24,88	1,35	33,00
Balance at the end of the period	0,00	0,00	21,19	21,19

The other provisions are the amount of paid and not collected documents.

## 1.14 LONG-TERM LIABILITIES

### 1.14.1 Age structure of long-term liabilities to related entities

The company has no long-term liabilities to related entities.

### 1.14.2 Age structure of long-term liabilities to other entities in which the entity has equity commitment

The company has no long-term liabilities to other entities in which the entity has equity commitment.

### 1.14.3 Age structure of long-term liabilities to other entities.

The company has no long-term liabilities to other entities.

### 1.14.4 Liabilities to the state budget or local government units for obtaining the ownership right to buildings and structures.

As at the balance sheet date, the company has no liabilities to the state budget or local government units for obtaining the ownership right to buildings and structures.

## 1.15 SHORT-TERM LIABILITIES

### 1.15.1 Structure of short term liabilities to related entities

(in 000 Euro)	31.12.2018	31.12.2017
- up to 12 months	0,00	0,00
- over 12 months	0,00	0,00
Trade liabilities	0,00	0,00
- loans	0,00	0,00
- purchase of QuarticON(Shanghai) Company Ltd. shares	60,70	62,58
Other liabilities	60,70	62,58
	60,70	62,58

### 1.15.2 Structure of short-term liabilities to other entities in which the entity has equity commitment

The company has no short-term liabilities to other entities in which the entity has equity commitment.

### 1.15.3 Structure of short-term liabilities to other entities

(in 000 Euro)	31.12.2018	31.12.2017
Credits and loans	635,78	127,57
from the issue of the debt securities	0,00	0,00
Other financial liabilities	0,00	0,00
- up to 12 months	144,68	95,69
- over 12 months	0,00	0,00
Trade liabilities	144,68	95,69
Received advances for deliveries	0,00	0,00
Bill of exchange liabilities	0,00	0,00
- VAT liabilities	0,00	5,39
- Corporate income tax liabilities	0,00	0,00
- Personal income tax liabilities	9,54	3,88
- social and health insurance liabilities	16,90	11,97
- PFRON liabilities	0,00	0,00
- other benefit liabilities	0,00	0,00
Liabilities from taxes, customs, social and health insurance and benefits and other public and legal liabilities	26,45	21,23
Salary liabilities	2,05	2,76
- deposits	0,00	0,00
- other settlements with employees	0,18	0,16
- other settlements with partners	0,00	0,00
Other liabilities	0,18	0,16
State of liabilities	809,14	247,41

### 1.16 OTHER ACCRUALS

#### 1.16.1 Other long term settlements

They did not occur.

#### 1.16.2 Other short term settlements

(in 000 Euro)	31.12.2018	31.12.2017
- Quartic Web service	0,00	4,43
- provisions for unused annual leaves	10,92	5,10
- differed income	25,45	0,00
- Other (less than 10% of the total value)	0,00	0,00
	36,37	9,53

### 1.17 LIABILITIES SECURED ON THE COMPANY'S ASSETS

As at the balance sheet date of 31 December 2018 and as at 31 December 2017 there were no liabilities secured on assets..

### 1.18 CONTINGENT LIABILITIES, INCLUDING GUARANTEES AND SECURITIES (SUCH AS PROMISSORY NOTES) GRANTED BY THE COMPANY.

As at December 31, 2018 and as at December 31, 2017, the Company had no significant contingent liabilities, including guarantees and securities granted, apart from in blanco promissory notes for loan agreements with Venture Fundusz Inwestycyjny Zamknięty.

## 2. EXPLANATION TO THE PROFIT AND LOSS ACCOUNT

### 2.1 NET REVENUES FROM THE SALE OF PRODUCTS, GOODS AND MATERIALS

#### 2.1.1 Territorial structure of revenues from the sale of products and services

(in 000 Euro)	31.12.2018	31.12.2017
Revenues from the sale of services	1 070,90	3,00
- in Poland	810,99	521,87
- export	259,91	314,53
Revenues from the sale of goods and materials	0,00	0,00
Total revenue from the sale of products, goods and materials	1 070,90	836,40

#### 2.1.2 Item-by-item structure of revenues from the sale of products, goods and materials

(in 000 Euro)	31.12.2018	31.12.2017
Revenues from the sale of services	1 070,90	836,40
Quartic Reco	1 069,82	836,40
Other	1,08	0,00
Revenues from the sale of goods and materials	0,00	0,00
Total revenue from the sale of products, goods and materials	1 070,90	836,40

### 2.2 OTHER OPERATING INCOME

(in 000 Euro)	31.12.2018	31.12.2017
- profit from the sale of fixed assets	0,00	0,00
Profit from the outflow of non-financial fixed assets	0,00	0,00
- received subsidies	0,00	0,00
Subsidies	0,00	0,00
Revaluation of non-financial assets	57,85	0,00
- write-down of the balance of accruals	0,00	0,00
- VAT rounding	0,00	0,00
- reversal of provision	33,00	1,46
- reinvoices	0,00	0,80
- write-down of outdated settlements	6,30	0,67
- currency exchange revenue	4,55	0,00
- Other (less than 10% of the total value)	0,11	0,06
Other operating income	43,95	2,99
	101,80	2,99

### 2.3 OTHER OPERATING COSTS

(in 000 Euro)	31.12.2018	31.12.2017
- loss on the sale of fixed assets	0,00	0,00
Loss on the outflow of non-financial fixed assets	0,00	0,00
Revaluation of non-financial assets	0,00	103,55
- Write- down of the investment costs	0,00	0,00
- provisions for costs	0,00	13,01
- write-down of outdated settlements	32,40	0,00
- Other	1,41	2,60
Other operating costs	33,81	15,61
	33,81	119,16

### 2.4 FINANCIAL INCOME

(in 000 Euro)	31.12.2018	31.12.2017
Dividends and shares in profits	0,00	0,00
Interest, including:	3,78	1,55
- interest on loans granted	0,00	0,00
- on assets on bank accounts	3,78	0,20
-other interest	0,00	1,35
Profit from the outflow of financial assets	0,00	0,00
Revaluation of financial assets	0,00	0,00
Other, including:	0,00	1,40
- remaining	0,00	1,40
	3,78	2,95

## 2.5 FINANCIAL COSTS

(in 000 Euro)	31.12.2018	31.12.2017
Interest, including:	45,63	34,73
- on received loans and credits	45,47	34,55
- budget interest	0,04	0,10
- other interests	0,12	0,08
Loss on the outflow of financial assets	0,00	0,00
evaluation of financial assets	0,00	0,00
Other, including:	15,90	5,42
- realised negative differences on exchange	27,91	7,52
- not realised negative differences on exchange	6,09	2,67
- realised positive differences on exchange	-15,23	-4,17
- not realised positive differences on exchange	-2,87	-0,59
- other (less than 10% of the total value)	0,00	0,00
	61,53	40,15

## 2.6 DISCOUNTED OPERATIONS

In the financial year, the Company did not discontinue any type of operation and in the next year it does not plan to discontinue any type of operation.

## 2.7 EXPENDITURE ON NON-FINANCIAL FIXED ASSETS (INCLUDING ENVIRONMENTAL PROTECTION)

Expenditures on non-financial fixed assets incurred in the current financial year amounted to 783,82 thou Euro (3 370,40 thou zł) (in the previous year 819,09 thou Euro (3 416,35 thou zł respectively), including expenditures incurred in connection with environmental protection in the amount of Euro/zł 0 (in the previous year: Euro/zł 0 ).

## 3. EXPLANATIONS REGARDING AGREEMENTS CONCLUDED BY THE COMPANY, SIGNIFICANT TRANSACTIONS AND CERTAIN PERSONAL MATTERS

### 3.1 INFORMATION ON AGREEMENTS OF THE ECONOMIC NATURE AND PURPOSE CONCLUDED BY THE COMPANY THAT ARE NOT INCLUDED IN THE BALANCE SHEET TO THE EXTENT NECESSARY TO ASSESS THEIR IMPACT ON THE PROPERTY, FINANCIAL PERFORMANCE OF THE COMPANY AND ITS FINANCIAL RESULT

They did not occur.

### 3.2 SIGNIFICANT TRANSACTIONS CONCLUDED BY THE COMPANY ON TERMS OTHER THAN MARKET TERMS WITH RELATED ENTITIES

They did not occur.

### 3.3 AVERAGE EMPLOYMENT BY PROFESSIONAL GROUP

The average employment in particular professional groups was:

Number of persons	31.12.2018	31.12.2017
Management Board	2,00	2,75
Employees	9,76	11,60
Total	11,76	14,35

### 3.4 REMUNERATIONS, INCLUDING REMUNERATION FROM PROFIT, PAID OR DUE TO PERSONS WHO ARE MEMBERS OF THE MANAGING, SUPERVISING AND ADMINISTERING BODIES

In the financial year, the remuneration of members of the Management Board amounted to 95,92 thou. Euro (412,44 thou zł).- previous year: 87,65 thou. Euro (365,56 thou zł).

Remuneration of the members of the Supervisory Board amounted in total to Euro/zł 0 in the financial year (Previous year: Euro/zł 0)

**3.5 LOANS AND BENEFITS OF A SIMILAR NATURE GRANTED TO PERSONS WHO ARE MEMBERS OF THE MANAGING, SUPERVISING AND ADMINISTERING BODIES**

Members of the managing and supervising bodies have no liabilities due to loans as at the balance sheet date.

**3.6 REMUNERATION OF THE STATUTORY AUDITOR OR ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS**

The remuneration of the statutory auditor amounts to 2,79 thou Euro (12 thou zł).

**4. OTHER INFORMATION**

**4.1 SIGNIFICANT EVENTS FROM PREVIOUS YEARS INCLUDED IN THE FINANCIAL STATEMENTS**

Until the date of preparation of the financial statements, there were no significant events regarding previous years that would require inclusion in these statements.

**4.2 SIGNIFICANT EVENTS THAT OCCURRED AFTER THE BALANCE SHEET DATE AND HAVE NOT BEEN INCLUDED IN THE FINANCIAL STATEMENTS**

After the balance sheet date and before the date of preparing these financial statements, there were no significant events affecting the property and financial position of the Company.

**4.3 CHANGES IN ACCOUNTING PRINCIPLES IN THE FINANCIAL YEAR**

In the reporting period for which the financial statements were prepared, the Management Board of the Company did not introduce any changes to the Company's accounting policy.

**4.4 COMPARABILITY OF FINANCIAL DATA FOR THE PRECEDING YEAR WITH THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR**

In the current financial year the company resigned from showing the item concerning the change in the state of products in the profit and loss account. The transformed data in the profit and loss account for 2017 has been shown in the additional column "Preceding- transformed".

**4.5 TRANSACTIONS WITH RELATED ENTITIES**

In the current financial year, the company did not make transactions with related entities.

**4.6 INFORMATION ABOUT THE ENTITY PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS AT THE HIGHEST LEVEL OF THE CAPITAL GROUP**

Not applicable.

**4.7 CONSOLIDATED FINANCIAL REPORT**

The company does not prepare consolidated statements because it does not have subsidiaries.

**4.8 INFORMATION ON UNCERTAINTY REGARDING THE POSSIBILITY OF CONTINUATION OF OPERATIONS**

The company intends to continue its operations and does not anticipate any threats affecting the closure of business.

**4.9 OTHER INFORMATION TO FACILITATE THE ASSESSMENT OF THE COMPANY**

All information influencing the assessment of the property and financial situation as well as the Company's financial result are included in this report.



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