



**QuarticOn Spółka Akcyjna**

# **Quarterly Report for the 1<sup>st</sup> Quarter of the Year 2019**

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## 1

# The most important financial data for the first quarter of 2019

## Selected data from the profit and loss account for the first quarter of 2019

Item	in '000 €			change:	
	Q1 2018	Q4 2019	Q1 2019	Q1 2019 / Q1 2018	Q1 2019 / Q4 2018
<b>Net revenue from sales</b>	<b>253.3</b>	<b>305.9</b>	<b>288.9</b>	14%	-6%
Operating expenses excl. amortisation and depreciation	-244.2	-390.1	-470.1	92%	20%
<b>EBITDA (based on result on sales)</b>	<b>9.0</b>	<b>-84.3</b>	<b>-181.2</b>	-190	-97
EBIT (operating result)	-53.8	-145.4	-318.9	-265	-173
<b>Net result</b>	<b>-54.6</b>	<b>-160.2</b>	<b>-326.5</b>	<b>-272</b>	<b>-166</b>
R&D investment	-170.5	-227.0	-120.4	-50	-107

The seasonality of sales and the ongoing development programme of the Company had the greatest impact on the results for the first quarter of 2019 (see the table above). The first quarter is generally the weakest quarter in sales in a year. However, in relation to the same period in 2018, the Company achieved a 14% increase in sales (17% for the PLN amounts). The first three months of this year also included expansion of the team of professionals in QuarticOn (with people in the field of marketing and sales). During this period, the Company also carried out intensive pro-sales activities: it participated in two major e-commerce events, it modernised our website and increased the scale of actions in the online channel. The overlap of development processes and marketing activities was reflected in the temporary increase in costs, which in relation to the previous quarter increased by approx. +20% (costs excluding depreciation).

It should also be emphasised that some of the costs charged to the Company's result are of a one-off nature (e.g. costs related to IPO, one-off marketing activities or initial fees for the leasing contracts – a total of about EUR 23,250<sup>1</sup>). The completion of four large development projects related to new products in 2018 (information about them was disclosed in the interim report for the fourth quarter of 2018) and their depreciation commencement in early 2019 had an impact on the reduction of the EBIT (EUR 25.5 thousand monthly, neutral for EBITDA).

The company already feels that there are positive results of the discussed actions e.g. the Company has gained much more sales leads, it conducts advanced talks on a stronger entry into the Slovak market and it has implemented effective management of development projects. In the coming months, the initiatives and activities undertaken earlier will transfer not only into an increase in sales, but will ultimately also help to reduce expenses.

<sup>1</sup> 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.

## Selected data from the balance sheet and cash flow statement

	'000 €	
	As of 31/03/2019	As of 31/03/2018
Fixed assets	2,062.1	1,670.7
including intangible and legal assets	1,928.7	680.7
Current assets	863.6	271.6
including short-term investments	511.2	62.3
<b>Total Assets</b>	<b>2,925.7</b>	<b>1,942.3</b>
Equity	2,039.5	1,071.9
Liabilities and provisions for liabilities	886.3	870.4
including short term liabilities	804.2	350.2
<b>Total Liabilities</b>	<b>2,925.7</b>	<b>1,942.3</b>

	'000 €	
	Cumulated 2019 (1 <sup>st</sup> quarter)	Cumulated 2018 (1 <sup>st</sup> quarter)
Net profit (loss)	-326.5	-54.6
Net cash flow from operating activities	-214.1	-48.7
Net cash flow from financial activities	-46.3	52.6
Cash closing balance	511.2	62.3



## 2

# Significant events in the first quarter of 2019

### 2.1

## Organisational and strategic development

### IPO

January 18, 2019, the Company made entrance into the NewConnect market organised by the Warsaw Stock Exchange S.A. It was the second entrance into the market in 2019.

### Organisation and reorganisation processes

In the reporting period, QuarticOn focused on the reorganisation of internal processes such as through personnel changes – experts in the field of e-commerce analytics and sales in the partnership channel joined the team.

In addition, until the date of publishing this report, the following changes in the composition of the Supervisory Board took place:

- On 17 April 2019, the Company received statement of its shareholder Mr Paweł Wyborski, dated the same day, on dismissal of Ms Paulina Zamojska from the position of a Member of the

Supervisory Board pursuant to §12 para. 4 of the Statues of the Company, and on appointment of Mr Bartłomiej Łagowski pursuant to §12 para. 1 lit. b) of the Statues of the Company

- On April 24, 2019, the Extraordinary General Meeting of QuarticOn Shareholders dismissed Mr Ludwik Majewski from the Supervisory Board of the Company as of May 31, 2019, and appointed on April 24, 2019 to the Supervisory Board of Mr Paweł Lebieźński and Mr Michał Markowski.

Changes carried out within the Company in recent months, lead the Company to BEP's (break-even point) achievement in the fourth quarter of this year. To make more effective all processes leading to positive profitability, the Management Board of the Company decided to implement in 1<sup>st</sup> quarter additional activities in the crucial areas of the Company's operations:



#### **Sales optimisation:**

Very strong attitude towards gaining a large number of leads in the inbound (online) channel and partnership channel, prepare changes in the offer and price list, accelerate the work on the development of the applications for the e-commerce platforms.



#### **Expenses reduction:**

The activities pointed above and the implementation of additional cost-saving actions will allow expenses to be reduced by approx. EUR 23,250 monthly. The full effect will be recognised in the results of June (total amount of approx. EUR 162.7 thousand reduction of expenses in this year; a minor scale of them has an impact on March' results). The savings consists of personnel costs reduction (about EUR 16-18 thousand – the effect of process optimisation, team professionalisation and team reduction) and optimisation of IT infrastructure costs, mainly for server hosting (about EUR 7 thousand per month).



### **Financing R&D projects:**

The Management Board of the Company plans to improve the method of financing R&D projects. For long-term strategic projects and those that are not in the main product scope, the Company will attempt to obtain financing from EU funds.

## 2.2

### **The market in Poland (73% of quarter sales)**

The Company acquired 12 clients on the Polish market. Currently there are in progress the negotiation of new contracts with large clients from the electronic sector as well as from fashion and services segment (high potential due to the approaching start of the summer season). Focus on activities in the segment of large customers should give first results already in the second quarter of this year. At the same time, the Company actively acquires new customers in the medium-sized segment by investing in pre-sales and after-sales support tailored to them, which allows them the most effective use of the offered system.

In the first quarter, the Company continued activities in social media, initiated in the previous quarter and related to the promotion of new products as well as the creation of the QuarticOn brand as an expert on the e-commerce market.





## 2.3

### Foreign markets (27% of quarter sales)

The Company acquired 9 new customers on foreign markets.

#### 2.3.1

##### The Czech and Slovak markets

In the Czech Republic, QuarticOn is one of the market leaders in recommendation services segment (according to Datanyze).

The Company intensified activities related to expansion in Slovakia in the first quarter of 2019, starting cooperation with three partners:

- **Pricemania** – one of the most popular price comparison websites in Slovakia, for which a unique personalisation solution has been created (act in real time with approximately 8,000. Shops simultaneously). Cooperation with Pricemania.sk also involves a promotional partnership, through the active educational activity of this company on the Slovak market.
- **CreativeSites** for providing personalised recommendation services – this is an e-commerce platform that is used by over 400 clients, mainly from the small and medium-sized segment. For the Company was also crucial that CreativeSites is another e-shop platform with QuarticOn services will be integrated soon (at present, one multi-store has been implemented).
- **BiddingTools** – an agency that is a leader in the automation of CPC campaigns on the Czech and Slovak markets, which uses integration with QuarticOn to increase the efficiency of its services. This partnership will bring an active promotion of QuarticOn technology among the partner's clients.

QuarticOn also took part in a large e-commerce event: Eshopista.cz in Prague (as a VIP Partner) and was invited to the largest e-commerce conference in Slovakia, organised by CreativeSites.

Expanding cooperation with new partners, additional activities supporting brand building on the Czech and Slovak market (including articles in e-commerce media), will transfer into an increased recognition of the QuarticOn brand, strengthen the market position on these markets and allow gains new customers and increase sales in next months.

### 2.3.2

#### **The British market**

The Company's sales results on the British market are much below expectations (despite participation in fairs and seminars, meetings with representatives of e-commerce companies), which makes the existing two-person commercial team of the Company ineffective.

Therefore, in the first quarter of 2019, the Company changed the way it operates on this market to the partnership model and set-up a network of business partners who will be remunerated based on the scale (sales and numbers) of acquired clients. Additionally, to make the business easier, the Company has incorporated a QuarticOn Ltd. company (100% owned by QuarticOn S.A.), which will be a party in new acquired contracts in the UK. The company will commence operations at the turn of the second and third quarter of this year.

A change in the operating model described above will result in cost savings (no fixed costs for the sales team) and will also accelerate the acquisition of new partners and clients in this market.

## 2.4

### **Activities in the area of marketing and customer care teams**

In the first quarter QuarticOn focused on optimf marketing activities and extending the recognition of the offer to European countries. During the first months of 2019, the Company's online website was translated into English and Czech, gained new contact forms for dedicated sellers and new functionalities tailored to the needs of given markets.

In addition to the implementation of new language versions of the website, the Company has verified the scope of marketing activities (the cost effect will be recognised in subsequent months) and launched new advertising campaigns using content of a much better quality than before (over 400 people participated in webinars prepared by the Company). One of the key elements of the reorganisation of the sales process was the design of a new price list and a refreshed description of the functionality of the offered system.

The first quarter of the year was also full of meetings with clients, both to summarize the previous year and describe the scope of cooperation for the following months. At the same time, the Company promoted new products and services that are either already on offer or will soon be introduced (pop-ups, landing pages, abandoned carts, new scenarios). One of the novelties offered to customers, which met with great interest, are consultancy and consulting services in the field of website analysis and auditing.



## 2.5

### **Average sales (ARPC) and churn**

In the first quarter of 2019, the Company recorded ARPC at the level of EUR 0.6 thousand, which is an increase of + 25% compared to the same period of the previous year. This increase is, on the one hand, the result of continuous attracting more profitable customers, but also a simultaneous reduction in the number of smallest stores operated by QuarticOn. In the quarter under review, the churn rate was at 3.3% and was higher than last year (1.8% in the first quarter of 2018). This year's level of churn, however, is increased (by +0.7 pp) for the loss of sales resulting from the termination of contracts to customers with high level of overdue receivables.

## 2.6

### **R&D and IT infrastructure**

In the first quarter of 2019, we gained a more effective and transparent organisation of the development team (the result of a conducted process of optimisation and management). In the coming months, this will allow for faster and easier teams scaling and optimize investment expenditures.

One of the most important projects is integration with external e-commerce platforms (Shopify, CreativeSites, ShopTet), which aim to provide QuarticOn tools to a wide range of stores using these platforms in the full SaaS model. In the analyzed quarter, the Company completed major development work on the first QuarticOn application on the Shopify platform (the application will be in the process of verification on the platform in May) and works on applications for other platforms are on the final stage of development. The Company expects that the third quarter of this year will generate the

first revenues from the services selling on these platforms. Other projects implemented also in the first quarter of 2019 concerned increasing the functionality, especially in the area of Email Marketing Automation (EMA).

The beginning of 2019 was a period of hard work on the optimisation of IT infrastructure and further improvement of its stability. As a result, cost savings (noticeable since April this year) and high flexibility in managing these resources have been achieved, ensuring at least the same level of quality of its operation as before.



### 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 at 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 0. The company assumes that QuarticOn Ltd. will commence operations at the turn of the second and third quarter of this year.

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



## 4

## Information on the Company's shareholder structure

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 15 May 2019, 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 KVG mbH	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 share series

\*\* including key employees (ESOP)



## 5

# Information on the number of persons employed

At the end of March 2019, the Company employed or cooperated with 54 persons (counted on a full-time basis) including those having a contract of employment, contract of mandate or those having their own companies.

## 6

# Forecasts of financial results

The company did not publish forecasts of financial results for 2019.





# 7

## **Implementation of the development activities presented in Information Memorandum (DI)**

Development activities presented in DI:

- Development of the application for e-shop platforms – see paragraph [2.6](#).
- New product solutions – see paragraph [2.6](#).
- Market activities on new markets – see paragraph [2.3](#) and [2.4](#).



## 8

# Shortened financial statement

## 8.1

### Introduction

#### Basic information about the Company:

Name of the company:	QuarticOn Spółka Akcyjna
Seat:	Warsaw, Poland
Address:	02-017 Warsaw, Al. Jerozolimskie 123A
Incorporation date:	Notary deed of 13/05/2011
<p>Entry to the Register of Entrepreneurs under National Court Register Number KRS 0000389015. The entry has been made by the District Court in Warsaw, 12th Commercial Division of the National Court Register on 11.06.2011. In result of a transformation into Spółka Akcyjna (Joint Stock Company), new number has been granted: KRS 0000715276.</p>	
Polish Taxpayer Identification Number (NIP):	5213608082
Polish Business Registry Number (REGON):	142977414
On behalf of the Issuer, the following persons operate:	<p>Wyborski Paweł – President of the Board                      Giergielewicz Michał – Member of the Board                      Daniel Ładno – proxy</p>

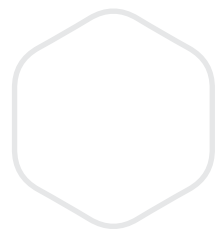
Company's manner of representation: Each member of the Board independently.

**Legal basis:**

This quarterly report of QuarticOn S.A. was prepared in accordance with the requirements of § 5 par. 1 Point 1 of Appendix No. 3 to the Alternative Trading System Regulations – “Current and periodic information transferred in the alternative trading system on the NewConnect market” in connection with the subscriptions § 5 par. 3 and par. 4.1 and 4.2. Financial data presented in this quarterly report contains data for the period from January 1 to March 31, 2019 and comparative data for the analogous period of the previous year. Balance sheet data are presented as at March 31, 2019 and comparative data on March 31, 2018.

All financial information has been presented in thousands of Euro (€). Used exchange rates:

- 1<sup>st</sup> Quarter of 2018: 1 EUR = 4.2085 PLN (zł)
- 4<sup>th</sup> Quarter of 2018: 1 EUR = 4.3000 PLN (zł)
- 1<sup>st</sup> Quarter of 2019: 1 EUR = 4.3013 PLN (zł)



## 8.2

# Balance sheet

### Assets

(in '000 €)		As of 31/03/2019	As of 31/03/2018
<b>A.</b>	<b>Fixed assets</b>	<b>2,062.1</b>	<b>1,670.7</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>1,928.7</b>	<b>680.7</b>
1.	R&D expenses	1,917.4	680.6
2.	Goodwill	0.0	0.0
3.	Other intangible assets	11.3	0.1
4.	Advances for intangible assets	0.0	0.0
<b>II.</b>	<b>Tangible fixed assets</b>	<b>13.1</b>	<b>20.2</b>
1.	Tangible fixed assets in use	13.1	20.2
	a) land (including right to perpetua usufruct)	0.0	0.0
	b) buildings, premises, civil and water engineering structures	0.0	0.0
	c) technical equipment and machines	12.4	19.2
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	0.7	1.1
2.	Tangible fixed assets under construction	0.0	0.0
3.	Advances for tangible fixed assets under construction	0.0	0.0
<b>III.</b>	<b>Long-term receivables</b>	<b>0.0</b>	<b>0.0</b>
1.	From related parties	0.0	0.0
2.	From other parties, in which the company holds capital commitment	0.0	0.0
3.	From other parties	0.0	0.0
<b>IV.</b>	<b>Long-term investments</b>	<b>120.4</b>	<b>0.0</b>
1.	Real property	0.0	0.0
2.	Intangible and legal assets	120.4	0.0
3.	Long-term financial assets	0.0	0.0
	a) in related parties	0.0	0.0
	b) in other parties, in which the company holds capital commitment	0.0	0.0
	c) in other parties	0.0	0.0
4.	Other long-term investments	0.0	0.0
<b>V.</b>	<b>Long-term prepayments</b>	<b>0.0</b>	<b>969.8</b>
1.	Deferred tax assets	0.0	0.0
2.	Other prepayments	0.0	969.8

<b>B.</b>	<b>Current assets</b>	<b>863.6</b>	<b>271.6</b>
<b>I.</b>	<b>Inventory</b>	<b>0.1</b>	<b>0.0</b>
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.1	0.0
<b>II.</b>	<b>Short-term receivables</b>	<b>348.4</b>	<b>208.9</b>
1.	Receivables from related parties	0.0	0.0
a)	trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
b)	other	0.0	0.0
2.	Receivables from other entities in which the company holds capital commitment	0.0	0.0
a)	trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
b)	other	0.0	0.0
3.	Receivables from other ent	348.4	208.9
a)	trade receivables, maturing:	241.5	145.3
	- up to 12 months	241.5	145.3
	- over 12 months	0.0	0.0
b)	receivables from tax, subsidies, customs, social security and other benefits	73.3	2.0
c)	other	33.6	61.5
d)	claimed at court	0.0	0.0
<b>III.</b>	<b>Short-term investments</b>	<b>511.2</b>	<b>62.3</b>
1.	Short-term financial assets	511.2	62.3
a)	in related parties	0.0	0.0
b)	in other parties	0.0	0.0
c)	cash and other pecuniary assets	511.2	62.3
2.	Other short-term investments	0.0	0.0
<b>IV.</b>	<b>Short-term prepayments</b>	<b>3.9</b>	<b>0.4</b>
<b>C.</b>	<b>Called up share capital not paid</b>	<b>0.0</b>	<b>0.0</b>
<b>D.</b>	<b>Own shares (stocks)</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Assets</b>		<b>2,925.7</b>	<b>1,942.3</b>

## Equity and liabilities

(in '000 €)		As of 31/03/2019	As of 31/03/2018
<b>A.</b>	<b>Equity</b>	<b>2,039.5</b>	<b>1,071.9</b>
<b>I.</b>	<b>Share capital</b>	<b>28.7</b>	<b>25.3</b>
<b>II.</b>	<b>Supplementary capital, including:</b>	<b>4,205.6</b>	<b>2,585.3</b>
	- share (stock) premium	4,205.6	2,585.3
<b>III.</b>	<b>Revaluation reserve, including:</b>	<b>0.0</b>	<b>0.0</b>
	- from fair value adjustment	0.0	0.0
<b>IV.</b>	<b>Other reserve capitals</b>	<b>0.0</b>	<b>0.0</b>
	- created in accordance to articles of incorpor. of the Company	0.0	0.0
	- on own shares (stocks)	0.0	0.0
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-1,868.3</b>	<b>-1,484.1</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-326.5</b>	<b>-54.6</b>
<b>VII.</b>	<b>Write-off on net profit during the financial year (negative value)</b>	<b>0.0</b>	<b>0.0</b>
<b>B.</b>	<b>Liabilities and provisions for liabilities</b>	<b>886.3</b>	<b>870.4</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>25.0</b>	<b>38.3</b>
1.	Provision for deferred income tax	0.0	0.0
2.	Provision for retirement and similar benefits	0.0	0.0
	- long-term	0.0	0.0
	- short-term	0.0	0.0
3.	Other provisions	25.0	38.3
	- long-term	0.0	0.0
	- short-term	25.0	38.3
<b>II.</b>	<b>Long-term liabilities</b>	<b>0.0</b>	<b>356.4</b>
1.	To related parties	0.0	0.0
2.	To other parties in which the company holds capital commitment	0.0	0.0
3.	To other parties	0.0	356.4
	a) credits and loans	0.0	356.4
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) liabilities on bills of exchange	0.0	0.0
	e) other	0.0	0.0
<b>III.</b>	<b>Short-term liabilities</b>	<b>804.2</b>	<b>350.2</b>
1.	To related parties	60.7	62.0
	a) trade liabilities, maturing:	0.0	0.0

	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
b)	other	60.7	62.0
2.	To other parties in which the company holds capital commitment	0.0	0.0
a)	trade liabilities, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
b)	other	0.0	0.0
3.	To other parties	743.5	288.1
a)	credits and loans	600.1	179.0
b)	arising from issuance of debt securities	0.0	0.0
c)	other financial liabilities	0.0	0.0
d)	trade liabilities, maturing:	116.3	93.6
	- up to 12 months	116.3	93.6
	- over 12 months	0.0	0.0
e)	received advances for deliveries	0.0	0.0
f)	liabilities on bills of exchange	0.0	0.0
g)	tax, customs, insurance and other liabilities	24.6	14.4
h)	payroll liabilities	2.2	1.0
i)	other	0.3	0.1
4.	Special funds	0.0	0.0
<b>IV.</b>	<b>Accruals</b>	<b>57.0</b>	<b>125.5</b>
1.	Negative goodwill	0.0	0.0
2.	Other accruals	57.0	125.5
	- long-term	0.0	0.0
	- short-term	57.0	125.5
<b>Total Liabilities</b>		<b>2,925.7</b>	<b>1,942.3</b>

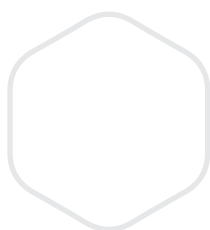
## 8.3

### Profit and loss statement

(in '000 €)		Q1 2019	Q1 2018
<b>A.</b>	<b>Net revenue from sales</b>	<b>288.9</b>	<b>253.3</b>
	from related parties	0.0	0.0
I.	Net revenue from sales of products	288.9	253.3
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0.0	0.0
III.	Costs of manufacturing products for internal purposes	0.0	0.0
IV.	Net revenue from sales of goods and materials	0.0	0.0
<b>B.</b>	<b>Operating expenses</b>	<b>626.2</b>	<b>307.0</b>
I.	Amortisation and depreciation	156.1	62.8
II.	Consumption of materials and energy	7.1	4.2
III.	External services	278.0	160.6
IV.	Taxes and charges, including:	4.6	1.4
	- excise duty	0.0	0.0
V.	Payroll	153.9	60.9
VI.	Social security and other benefits, including:	17.1	6.8
	- retirement benefits	11.9	3.3
VII.	Other prime costs	9.4	10.4
VIII.	Value of goods and materials sold	0.0	0.0
<b>C.</b>	<b>Profit (loss) on sales (A-B)</b>	<b>-337.3</b>	<b>-53.8</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>20.7</b>	<b>0.0</b>
I.	Gain on disposal of non-financial fixed assets	0.0	0.0
II.	Subsidies	0.0	0.0
III.	Other operating revenues	18.3	0.0
IV.	Other operating revenues	2.4	0.0
<b>E.</b>	<b>Other operating expenses</b>	<b>2.3</b>	<b>0.0</b>
I.	Loss on disposal of non-financial fixed assets	0.0	0.0
II.	Revaluation of non-financial assets	0.0	0.0
III.	Other operating expenses	2.3	0.0
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-318.9</b>	<b>-53.8</b>
<b>G.</b>	<b>Financial revenues</b>	<b>3.2</b>	<b>0.0</b>
I.	Dividend and profit sharing, including:	0.0	0.0
	a) from related parties, including:	0.0	0.0
	- those in which the company holds capital commitment	0.0	0.0



	b) from other parties, including:	0.0	0.0
	- those in which the company holds capital commitment	0.0	0.0
II.	Interest, including:	2.4	0.0
	- from related parties	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0
	- in related parties	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0
V.	Other	0.8	0.0
<b>I.</b>	<b>Interest, including:</b>	<b>10.8</b>	<b>0.1</b>
	- for related parties	0.0	0.0
II.	Loss on disposal of financial assets, including:	0.0	0.0
	- for related parties	0.0	0.0
III.	Revaluation of financial assets	0.0	0.0
IV.	Other	0.0	0.8
IV.	Inne	0.0	3.3
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-326.5</b>	<b>-54.6</b>
<b>J.</b>	<b>Income tax</b>	<b>0.0</b>	<b>0.0</b>
<b>K.</b>	<b>Other statutory reductions in profit (increases in loss)</b>	<b>0.0</b>	<b>0.0</b>
<b>L.</b>	<b>Net profit (loss) (I-J-K)</b>	<b>-326.5</b>	<b>-54.6</b>



## 8.4

**Cash flow statement**

		(in '000 €)	Q1 2019	Q1 2018
<b>A.</b>	<b>Cash flow from operating activities – indirect method</b>			
<b>I.</b>	<b>Net profit (loss)</b>		<b>-326.5</b>	<b>-54.6</b>
<b>II.</b>	<b>Total adjustments</b>		<b>112.4</b>	<b>5.9</b>
	1.	Amortisation and depreciation	156.1	62.8
	2.	Profit (loss) from differences of exchange rates	0.0	0.0
	3.	Interest and profit sharing (dividend)	8.4	0.0
	4.	Profit (loss) on investment activities	0.0	0.0
	5.	Change in provisions	3.9	3.2
	6.	Changes in inventory	4.5	0.0
	7.	Change in the balance of receivables	-44.2	3.3
	8.	Change in short-term liabilities excluding credits and loans	-29.9	-9.5
	9.	Change in prepayments and accruals	30.0	-53.9
	10.	Other adjustments	-16.5	0.0
<b>III.</b>	<b>Net cash flow from operating activities (I+/-II)</b>		<b>-214.1</b>	<b>-48.7</b>
<b>B.</b>	<b>Cash flows from investment activities</b>		<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>Inflows</b>		<b>2.4</b>	<b>0.0</b>
	1.	Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0
	2.	Disposal of investments in real property and in intangible and legal assets	0.0	0.0
	3.	From financial assets, including:	2.4	0.0
		a) in related parties	0.0	0.0
		- disposal of financial assets	0.0	0.0
		- dividends and profit sharing	0.0	0.0
		- repayment of granted long-term loans	0.0	0.0
		- interest	0.0	0.0
		- other inflows from financial assets	0.0	0.0
		b) in other parties	2.4	0.0
		- disposal of financial assets	0.0	0.0
		- dividends and profit sharing	0.0	0.0
		- repayment of granted long-term loans	0.0	0.0
		- interest	2.4	0.0
		- other inflows from financial assets	0.0	0.0
	4.	Other inflow from investment activities	0.0	0.0

<b>II.</b>	<b>Outflows</b>		<b>132.5</b>	<b>0.0</b>
	1.	Purchase of intangible and legal assets, tangible fixed assets	12.1	0.0
	2.	Investment in real property, intangible and legal assets	120.4	0.0
	3.	For financial assets, including:	0.0	0.0
	a)	in related parties	0.0	0.0
		- purchase of financial assets	0.0	0.0
		- long-term loans granted	0.0	0.0
	b)	in other entities	0.0	0.0
		- purchase of financial assets	0.0	0.0
		- long-term loans granted	0.0	0.0
	4.	Other outflows from investment activities	0.0	0.0
<b>III.</b>	<b>Net cash flows from investment activities (I-II)</b>		<b>-130.1</b>	<b>0.0</b>
<b>C.</b>	<b>Cash flows from financial activities</b>		<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>Inflows</b>		<b>0.0</b>	<b>59.4</b>
	1.	Inflows	0.0	0.0
	2.	Kredyty i pożyczki	0.0	59.4
	3.	Emisja dłużnych papierów wartościowych	0.0	0.0
	4.	Inne wpływy finansowe	0.0	0.0
<b>II.</b>	<b>Outflows</b>		<b>46.3</b>	<b>6.8</b>
	1.	Purchase of own shares (stocks)	0.0	0.0
	2.	Dividend and payments to stockholders	0.0	0.0
	3.	Profit distribution liabilities other than profit distribution payments to stockholders	0.0	0.0
	4.	Repayment of credits and loans	34.9	0.0
	5.	Redemption of debt securities	0.0	0.0
	6.	Payment of other financial liabilities	0.0	0.0
	7.	Payment of liabilities arising from financial leases	0.0	0.0
	8.	Interest	11.5	6.8
	9.	Other outflows from financial activities	0.0	0.0
<b>III.</b>	<b>Net cash flow from financial activities (I-II)</b>		<b>-46.3</b>	<b>52.6</b>
<b>D.</b>	<b>Total net cash flows (A.III+/-B.III+/-C.III)</b>		<b>-390.6</b>	<b>3.9</b>
<b>E.</b>	<b>Balance sheet change in cash, including:</b>		<b>-390.6</b>	<b>3.9</b>
	-	change in cash due to exchange differences	0.0	0.0
<b>F.</b>	<b>Cash opening balance</b>		<b>901.8</b>	<b>58.5</b>
<b>G.</b>	<b>Cash closing balance (F+/-D), including:</b>		<b>511.2</b>	<b>62.3</b>
	-	of limited disposability	0.0	0.0

## 8.5

### Statement of changes in equity

		(in '000 €)	As of 31/03/2019	As of 31/03/2018
<b>I.</b>	<b>Opening balance of equity (OB)</b>		<b>2,366.0</b>	<b>1,126.5</b>
	a) changes in accounting principles		0.0	0.0
	b) corrections of basic errors		0.0	0.0
	c) capital increases		0.0	0.0
<b>I.a.</b>	<b>Opening balance of equity (OB) after adjustments</b>		<b>2,366.0</b>	<b>1,126.5</b>
	<b>1. Opening balance of share capital</b>		<b>28.7</b>	<b>25.3</b>
	1.1. Changes in share capital		28.7	25.3
	1.2. Closing balance of share capital		0.0	0.0
	<b>2. Opening balance of called up share capital</b>		<b>0.0</b>	<b>0.0</b>
	2.1. Changes in called up share capital		0.0	0.0
	a) increase (due to)		0.0	0.0
	- called up share capital not paid		0.0	0.0
	b) decrease (due to)		0.0	0.0
	2.2. Closing balance of called up share capital		0.0	0.0
	<b>3. Opening balance of own shares</b>		<b>0.0</b>	<b>0.0</b>
	3.1. Increase in own shares		0.0	0.0
	3.2. Closing balance of own shares		0.0	0.0
	<b>4. Opening balance of supplementary capital</b>		<b>4,205.6</b>	<b>2,585.3</b>
	4.1. Changes in supplementary capital		0.0	0.0
	4.2. Closing balance of supplementary capital		4,205.6	2,585.3
	<b>5. Opening balance of revaluation reserve</b>		<b>0.0</b>	<b>0.0</b>
	5.1. Changes in revaluation reserve		0.0	0.0
	5.2. Closing balance of revaluation reserve		0.0	0.0
	<b>6. Opening balance of other reserve capitals</b>		<b>0.0</b>	<b>0.0</b>
	6.1. Changes in other reserve capitals		0.0	0.0
	6.2. Closing balance of other reserve capitals		0.0	0.0
	<b>7. Opening balance of previous years' profit (loss)</b>		<b>-1,452.1</b>	<b>-1,484.1</b>
	7.1. Opening balance of previous years' profit		0.0	0.0
	a) changes of adopted accounting principles		0.0	0.0
	b) adjustments of fundamental errors		0.0	0.0
	7.2. Opening balance of previous years' profit after reconciliation to comparable data		0.0	0.0

	7.3. Closing balance of previous years' profit	0.0	0.0
	7.4. Opening balance of previous years' loss	-1,452.1	-1,484.1
	a) changes of adopted accounting principles	0.0	0.0
	b) adjustments of fundamental errors	0.0	0.0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-1,452.1	-1,484.1
	7.6. Closing balance of previous years' loss	-1,868.3	-1,484.1
	7.7. Closing balance of previous years' profit (loss)	-1,868.3	-1,484.1
	<b>8. Net result</b>	<b>-326.5</b>	<b>-54.6</b>
	a) net profit	0.0	0.0
	b) net loss	-326.5	-54.6
	c) write-offs on profit	0.0	0.0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>2,039.5</b>	<b>1,071.9</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>2,039.5</b>	<b>1,071.9</b>

## 8.6

### **Additional information (the first quarter of 2019)**

Sales structure:

(in '000 €)	01/01/2019–31/03/2019	01/01/2018–31/03/2018
<b>Revenue from sales of products</b>	<b>288.9</b>	<b>253.3</b>
- In Poland	211.6	201.6
- Other countries	77.3	51.7

Investments:

(in '000 €)	01/01/2019–31/03/2019	01/01/2018–31/03/2018
R&D Investment Offset I	120.4	170.5

In the profit and loss account, in other operating revenues there is an amount of revaluation of non-financial assets which is equal to the quarterly depreciation of the RTB project, which by the end of 2017 has been covered by a 100% write-off, but is still depreciated (neutral impact on EBIT).

In the balance sheet, in assets, the most important change compared to the first quarter of 2018 is the increase in intangible&legal asstes. It results from the transfer of costs of completed R&D projects to of intangible assets at the beginning of this year. Amortisation has been started from January this year.

## 8.7

# Principles adopted for drawing up the financial statement

Accounting books of the Company are being kept in accordance with the provision of the Accounting Act of 29th September 1994.

### **Tangible and intangible assets**

Tangible and intangible assets are being valued at purchase costs lowered by depreciation and impairment write-offs.

Price of acquiring fixed assets includes also servicing costs of liabilities incurred for funding them for the period of assembly and adaptation, as well as exchange rate differences lowered by revenue from that asset. The price of a fixed asset is increased by its improvements consisting in rebuilding, modernisation and extension that make its use value higher than it was at the moment of putting into use.

Leased fixed assets put into use on a basis of leasing agreement are included into fixed assets, if the agreement complies with conditions stipulated in Art. 3 section 4 of the Accounting Act.

In case of liquidation, withdraw from service or other events causing loss of value of a fixed asset or an item of intangible and legal assets, a write-off is being carried out revaluing its value into other operating expenses. If the reason for the asset impairment write-off ceases, value equal to the entire asset or its constituent part previously wrote-off increases the value of an asset and is included respectively into other operating revenue.

Depreciation is being carried out with use of the straight-line method, established individually for each intangible and legal asset. Standard depreciation period and annual depreciation rate are established with useful economic life of an asset taken into account. Correctness of adopted periods and rates is verified periodically.

Non-property assets with initial value below PLN 3 500,00 are written-off once, in the month they are put into use.

Capital work in progress is valued at the amount of total direct costs of acquiring, lowered by impairment write-offs.

Capital work in progress is not depreciated until it is finished and put into use.

### **Investments**

Investments cover assets acquired from economical benefits caused by increase in value of these assets, revenue acquired from them in the form of interest, dividends (share in profit) or other benefits, including trade transactions. In particular, investments are financial assets, real estate and intangible assets that are not used by the Company, but were acquired for the purpose of these benefits.

Real estate and intangible and legal assets included into investments are valued in accordance to the principles for valuing fixed assets and intangible and legal assets.

Shares in subsidiaries are valued in accordance to purchase price with possible impairment taken into account.

### **Receivables**

Receivables are valued in the amount due, with observation of conservative valuation principles and presented in their net value (lowered by impairment write-downs).

Value of receivables is subject to periodic revision, taking into account the probability for it being paid through an impairment write-off. Impairment write-offs are also being made for receivables brought to court. Impairment write-offs are included respectively to other operating or financial expenses in dependence of the type of receivable the write-off concerns. Extinguished, expired or uncollectible (bad) debts lower the previous write-offs. If there were no write-offs for a given extinguished, expired or uncollectible (bad) debt, a write-off is made directly in other operating costs.

### **Inventory**

The value of the inventory is calculated on the basis of purchase price, while rotation is valued with use of the FIFO principle.

In the balance, inventory is presented at its net value, i.e. lowered by the value of write-downs caused by it being valued in accordance to its net sales value.

### **Cash and cash equivalents**

Cash in bank and at hand is valued in accordance to its nominal value.

### **Prepayments and accruals**

Prepayments are being presented in relation to costs incurred that concern the future reporting periods.

Accruals are being presented in the value of probable debts in the current reporting period, caused in particular:

- by payments made for the benefit of the unit by its trade partners, if the debt value can be realistically valued,
- by obligations related to current activity, future payments to unknown parties that can be estimated despite the fact that the day when liability will arise is not known yet, including warranty repairs and statutory warranty for long life products sold.

### **Equity**

Equity is presented in the amount indicated in the articles of incorporation and entered into the court register. Declared, but not paid capital contributions are presented as called up share capital not paid.

Supplementary capital is made from additional contributions.

Reserve capital is made from previous years' profit.

### **Provisions for liabilities**

Provisions for liabilities are presented in their justified, reliably estimated value.

These provisions are being made for:

- definite or largely probable future liabilities, the amount of which can be reliably estimated, in particular for losses from economic transactions in progress, for warranties made, guarantees, credit operations, results of court proceedings in progress;
- retirement and disability packages required by provisions of Art. 92 of the Labour Code. The provision is made in amount basing on the estimated probability of reaching retirement age in a 5-year age ranges.

### **Liabilities**

Liabilities are being presented in the amount due.



### **Unearned revenue**

Unearned revenue is valued in accordance to conservative valuation principle and cover the value of funds received or due from trade partners to be paid in future reporting periods.

### **Deferred income tax**

The company stopped estimating assets due to deferred income tax, because the difference between the gross financial result and tax base – after eliminating the so-called fixed differences – is minimal..

### **Revenue recognition**

Sales revenue is recognised in the moment the goods are supplied or the service is provided. Sale present the net value, i.e. not considering VAT and any rebates granted.

### **Costs**

The costs incurred are presented in the profit and loss account to be compared to revenue in a given period.

## **QuarticOn Board:**

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**Paweł Wyborski**  
President of the Board

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**Michał Giergielewicz**  
Member of the Board



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