



QuarticOn Spółka Akcyjna

**Quarterly Report for
the 2nd Quarter of
the Year 2019**

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1

Management Board's Commentary

Dear Readers,

The 2nd quarter of the current year has been on one hand: a period of intensive works focused on integrating plug-ins for the e-commerce platforms (Shopify, Shoptet), fully implementing the previously prepared changes to our products, and on the other: ongoing Company's cost optimisation. In result our EBIDTA has grown by over €51k in comparison to the previous quarter. It is worth noting that the Company continue to intensively develop its operations outside of Poland: in that department we can boast a growth increase by 40% in comparison to the same quarter in previous year. Volume of our sales abroad has already exceeded 30%.

The process of preparing QuarticOn's product range for e-commerce platform has a strategic dimension for us. Reaching thousands of small and medium stores operating on platforms is a way to build a dynamically growing sales channel. We have already commenced works in that regard—in early August we have commenced sales in the SaaS model on Shoptet platform, the largest supplier of technological solutions in the Czech Republic and Slovakia that incorporates over 18k online stores, the Shopify plug-in is currently on the second stage of verification, while integration with other platforms should be concluded soon.

Redefinition of our product roadmap and reorganisation of the sales process in the last few months are starting to bear fruit now, once we have finally implemented all the changes. However, such process transformations often disorganise work of the team in short term and they had a small negative impact on sales. On the other hand, the changes we have implemented allowed us to prepare a new project concerning development of the partner channel that will be concluded in the 3rd quarter of the current year.

As provided in the previous quarterly report, in the 2nd quarter we have optimised our expenses. Operational costs are currently lower by €72k in comparison to the 1st quarter of the current year, mainly in the areas concerning remunerations, IT infrastructure and services.

Churn rate casts a bit of a shadow over all the positive events discussed above. Unfortunately in the discussed quarter it has been the highest among recent months (4.5%) and is the main factor of a decrease in sales in comparison to the previous quarter. The churn has been impacted the most by expiry of the contract with a large client from the VOD segment at the time while negotiations with new clients (from Poland and abroad) were still underway and not finalised yet. If we exclude VOD, in the 2nd quarter the Company have recorded sales higher by 18% in YOY comparison and similar to that achieved in the 1st quarter of the current year.

Undoubtedly, churn decrease will be one of our priorities in the next few months. Apart from that, we will focus on the development of our new partner channel and securing our position on SaaS store platforms. Our previous declarations concerning us reaching break-even point in the 4th quarter of the year 2019 remain valid.

Management Board of QuarticOn S.A.



Paweł Wyborski
Founder & President of the Management Board



Michał Giergielewicz
Member of the Board

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The most important financial data for the 2nd quarter of 2019

Selected data from the profit and loss account for the 2nd quarter of 2019

Item	in thou. EUR			change:	
	2018 Q2	2019 Q1	2019 Q2	Q2 2019 / Q2 2018	2019 Q2 / Q1
Net revenue from sales	252.1	288.9	268.3	6%	-7%
Operating expenses excl. deprec & amort.	-254.7	-470.1	-398.0	56%	-15%
EBITDA (based on result on sales)	-2.6	-181.2	-129.7	-127	+51
EBIT (operating result)	-63.2	-337.3	-289.0	-226	+48
Net result	-68.0	-326.5	-282.9	-215	+44
Net revenue from sales excl. VOD clients	223.1	264.7	263.0	18%	-1%
R&D Investment	-182.1	-120.4	-100.1	-82	-20

The largest impact on results in the 2nd quarter of 2019 had the decrease of expenses by over €72k in comparison to the previous quarter. Negative sales dynamics (quarter to quarter) is an effect of an exceptionally high churn (one-time), that have partly offsetted positive effect of the decrease in costs. However, EBITDA for the 2nd quarter of 2019 increased by €51k in comparison to the 1st quarter of 2019. The effect of cost decrease has also had a positive impact on the net result (lower loss).

Selected data from the balance sheet and cash flow statement

	in thou. EUR	
	as of 30/06/2019	as of 30/06/2018
Fixed assets	2,046.3	1,733.6
including intangible and legal assets	1,813.5	598.6
Current assets	585.6	317.9
including short-term investments	290.0	96.5
TOTAL ASSETS	2,631.9	2,051.6
Equity	1,780.2	966.3
Liabilities and provisions for liabilities	851.7	1,085.3
including short term liabilities	777.8	615.8
TOTAL LIABILITIES	2,631.9	2,051.6

	in thou. EUR	
	1st half of 2019	1st half of 2018
Net profit (loss)	-613.3	-120.7
Net cash flow from operating activities	-341.9	-239.9
Net cash flow from financial activities	-46.9	280.0
Cash closing balance	290.0	96.5



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Important events in the 2nd quarter of 2019

3.1

Organisational and strategic development

Cost optimisation processes

The 2nd quarter is the period in which results of processes of cost optimisation, that we started in the previous quarter, have become noticeable. The Company have lowered employment by 5 people (in total), introduced optimised IT infrastructure management (effective planning and reserving server resources) and lowered the amount of purchases for marketing, focusing on key activities supporting sales. In comparison to January 2019, in June our operating costs (excluding depreciation) have been lowered by almost €40k (at quarterly rate, that is €72k in comparison to the 1st quarter of 2019).

EU Projects

As announced, in the 2nd quarter of 2019 the Company have prepared and submitted an application for funds from POIR 1.1.1 project to support one of our own development projects (the value of the project is within the range of €1.9–2.4 million, while its scope concerns usage of AI algorithms in the

fashion sector of the e-commerce industry). The application has passed the initial formal verifications and in the second week of August the Company have presented the technical principles of the project at an expert panel. The result of the qualification procedure should be known in September and the Company will inform about them in appropriate reports.

Organisational changes

In the subject period, there were the following changes to the composition of the Supervisory Board:

- On April 5, 2019, the Company have received a letter of resignation from the position of a Member of the Supervisory Board of QuarticOn S.A. with immediate effect, signed by Mr Sławomir Kornicki,
- On April 9, 2019, the Company have received a letter of resignation from the position of a Member of the Supervisory Board of QuarticOn S.A. signed by Ms Łucja Gdala, dated on the same day,
- On April 17, 2019, the Company have received a statement of the shareholder of the Company, Mr Paweł Wyborski, concerning dismissal of Mrs Paulina Zamojska from the position of a member of the Supervisory Board pursuant to § 12 section 4 of the Articles of Association of the Company and appointing Mr Bartłomiej Łagowski pursuant to § 12 section 1 letter b),
- Extraordinary Meeting of Shareholders of QuarticOn S.A. held on April 24, 2019, dismissed Mr Ludwik Majewski from the position of a Member of Supervisory Board effective May 31, 2019, and appointed Mr Paweł Lebedziński and Mr Michał Markowski as members of the Supervisory Board effective April 24, 2019,
- Ordinary Shareholder's Meeting of June 27, 2019, appointed Mr Paweł Chojecki as a Member of Supervisory Board effective on the same day.



3.2

Polish market (share of sales in the quarter: 68%)

The 2nd quarter of 2019 was mainly a time of implementation of the new sales model with a new product range assorted into functionality packages. QuarticOn currently offers about 90 functionalities that are efficient tools for optimisation of sales for all types of e-commerce that can be implemented in stages or in groups. The Company have already acquired new clients in this new sales model, some of which decided to purchase additional functionalities once the initial ones were implemented.

The new sales model is not only a way for acquiring new e-stores, but it also actively contributes to development of new services in our current clients.

3.3

Foreign markets (share of sales in the quarter: 32%)

The Company have recorded 40% of increase in sales in comparison to the same quarter of the previous year and 11% in comparison to the previous quarter.

3.3.1

Czech and Slovakian market

On the Czech and Slovakian market (+36% of YOY increase), we have been not only acquiring new clients, but also investing in integration with platforms and searching for technological partners sup-

porting acquisition and implementation of clients. On early August, our application has been commercially ran on the Shoptet.cz i Shoptet.sk. platform for the first time. Development of QuarticOn brand on the Czech and Slovakian market also included our participation at the Creative Summit conference as a General Partner. We presume that contacts we made will allow us to broaden our client base in the upcoming months.

3.3.2

British market

Our operations on the British market are currently undergoing reorganisation. First effects should be noticeable in the 4th quarter of the current year.

3.4

Marketing and customer care

Marketing

In the discussed quarter, the Company have intensified optimisation of marketing processes and work on a new form of a partner channel. One of the process-optimising activities consisted in initiation of implementation of a single, integrated CRM tool for all users involved in the process of acquiring, implementing and retaining clients, which will allow us to automate marketing activities.

QuarticOn continues the strategy of publishing professional content that concerns supporting sales in e-commerce—materials drawn up by the Company have been read by over 700 people. Marketing Department have also been working on organising and cataloguing the entirety of knowledge developed by the Company in form of a learning center for current and future clients.

In the 2nd quarter, we have also commenced optimisation of our website, including updates with new price lists and products. Communication in that department has been simplified and adjusted in such a way to allow the client to easily adjust the subscription and services provided to fit their needs. Effects of our marketing-related activities should become noticeable in the 3rd quarter of the current year.

In the 2nd quarter of 2019, we also published two educational e-books for the e-commerce industry: “Promocyjny roadmap dla e-commerce, czyli lista 37 okazji, które zwiększą efektywność Twojego e-sklepu” [↗](#) and “Sezonowy przewodnik po e-commerce. Jak sprawić, by sprzedaż nie pojechała na wakacje?” [↗](#). Both publications met with our recipients' interest and were downloaded over 600 times.

Customer Success

The most important activities of our Customer Success team in the 2nd quarter of 2019 have been carried out in three areas:

- **Development of new anti-churn measures**—taking into account the negative impact of the high churn we experienced in the last quarter, development of new activities in that area is considered crucial by the Company. In terms of tools, implementation of the new CRM will contribute to the improvement of better communication with clients and satisfaction survey, while, in terms of processes, reconstruction of customer service activities (quick response to reported problems,

faster tendering of new tools or support in solving of ongoing problems or dilemmas related to store operation).

- **Expanding cooperation with current key clients** that had new services implemented (e.g. abandoned cart campaigns, pop-ups or dynamic landing pages).
- **Optimisation of implementation process** (based on scrum principles), which allowed us to improve our cooperation with clients (better exchange of information, faster reaction to changes).

3.5

Average Revenue per Customer (ARPC¹) and churn²

In the 2nd quarter of 2019, the average revenue per customer was €0.52, 9% higher than in the same period of the last year and 7% lower than in the previous quarter of the current year. Q/Q decrease is related to the already mentioned churn in the segment of VOD clients. The high churn ratio in the analysed quarter was caused by the expiration of contracts with a major VOD client and a few smaller ones (in the vast majority from the Polish market). Despite the high churn in the 2nd quarter being most probably an isolated incident, activities mentioned in the previous section of the report should lower the amount of clients resigning from using Company's services. It is also worth noting that in the 2nd quarter the Company have acquired 20 new clients (8 from abroad), which partly mitigated the negative effect of churn.

¹ ARPC: average revenue per paying client

² churn: lost revenue due to contract termination

3.6

R&D and IT infrastructure

In terms of R&D, the 2nd quarter of 2019 has been a period in which the Company have been focused mainly on increasing effectiveness of its updated product range and extending cooperation with technological partners and e-commerce platforms.

One of the most important tasks in the field of R&D in the 2nd quarter of the current year has been the commencement of integration with Shoptet platform in the Czech Republic and in Slovakia. Sales started in August. This is the second largest platform on this fastest growing market in Europe. We will enter the Shopify platform in the 3rd quarter of the current year—the application is currently undergoing the second validation.

Large changes have been introduced to our e-mail marketing automation service: thanks to optimised data feed process and integration with a data warehouse, it is now possible to implement significantly more complex scenarios based on sales and activation of customers not finalising transactions, which will lead to increased frequency of sales and average cart value.

The second interesting solution we have started developing is the construction of a smart, personalised store product browser. Finding the right fitting product among hundreds or thousands others in quite the task. This will become much easier thanks to this tool (taking into account the time a user spends on a website, this factor is much more important than one can think). QuarticOn have noticed a great interest of clients and partners in that product.

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Information on the Company's subsidiaries

The Company hold 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. According to art 58.1 of the Accounting Act, there is no necessity for consolidation of this subsidiary. QuarticOn is taking into consideration 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 have not yet begun operating, so revenues and expenses at the end of the 1st quarter of 2019 amounted to GBP 0. The Company assume that QuarticOn Ltd. will commence operations at the turn of the 2nd and 3rd quarter of this year.



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Information on the Company's shareholder structure

Based on the best knowledge of the Company, the share of the shareholding structure of QuarticOn S.A., as of the date of publication of this report, on August 14, 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 Investment KVG mbH	118.000	9.5%
Paweł Wyborski	81.307	6.6%
Paulina Zamojska	72.574	5.9%
Pozostali **	277.892	22.5%
Total	1.235.273	100.0%

* including class A, B, C and E share series
 ** including key employees (ESOP)



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Information on the number of persons employed

At the end of June 2019, the Company employed or cooperated with 49 persons (counted on a full-time basis), including those having a contract of employment, contract of mandate or those having their own companies.

7

Forecasts of financial results

The Company did not published forecasts of financial results for 2019.

8

Implementation of the development activities presented in Information Memorandum

Development activities presented in Information Memorandum:

- Development of the application for e-shop platforms and new product solutions—see paragraph [3.6](#),
- Marketing activities on new markets—see paragraphs [3.3](#) and [3.4](#).



9

Shortened financial statement

9.1

Introduction

Basic information of 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:	Wyborski Paweł – President of the Board Giergielewicz Michał – Member of the Board

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

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

- the 2nd quarter of 2018: EUR 1 = PLN 4.3616 (zł)
- the 1st quarter of 2019: EUR 1 = PLN 4.3013 (zł)
- the 2nd quarter of 2019: EUR 1 = PLN 4.2520 (zł)

9.2

Balance sheet

Assets

(in thou. EUR)		as of 30/06/2019	as of 30/06/2018
A.	Fixed assets	2,046.3	1,733.6
I.	Intangible and legal assets	1,813.5	598.6
1.	R&D expenses	1,800.8	598.6
2.	Goodwill	0.0	0.0
3.	Other intangible assets	12.7	0.1
4.	Advances for intangible assets	0.0	0.0
II.	Tangible fixed assets	10.9	17.1
1.	Tangible fixed assets in use	10.9	17.1
	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	10.4	16.2
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	0.6	0.9
2.	Tangible fixed assets under construction	0.0	0.0
3.	Advances for tangible fixed assets under construction	0.0	0.0

III.	Long-term receivables	0.0	0.0
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
IV.	Long-term investments	221.8	0.0
1.	Real property	0.0	0.0
2.	Intangible and legal assets	221.8	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
V.	Long-term prepayments	0.0	1,117.9
1.	Deferred tax assets	0.0	0.0
2.	Other prepayments	0.0	1,117.9
B.	Current assets	585.6	317.9
I.	Inventory	0.0	0.0
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	0.0	0.0
II.	Short-term receivables	285.9	221.1
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 entities	285.9	221.1
	a) trade receivables, maturing:	218.6	157.2
	– up to 12 months	218.6	157.2

		– over 12 months	0.0	0.0
	b)	receivables from tax, subsidies, customs, social security and other benefits	33.2	4.7
	c)	other	33.2	59.2
	d)	claimed at court	0.0	0.0
III.	Short-term investments		290.0	96.5
1.	Short-term financial assets		290.0	96.5
	a)	in related parties	0.0	0.0
	b)	in other parties	0.0	0.0
	c)	cash and other pecuniary assets	290.0	96.5
2.	Other short-term investments		0.0	0.0
IV.	Short-term prepayments		9.6	0.3
C.	Called up share capital not paid		0.0	0.0
D.	Own shares (stocks)		0.0	0.0
Total Assets			2,631.9	2,051.6

Equity and liabilities

		(in thou. EUR)	as of 30/06/2019	as of 30/06/2018
A.	Equity		1,780.2	966.3
I.	Share capital		29.1	24.5
II.	Supplementary capital, including		4,254.3	2,494.5
	– share (stock) premium		4,254.3	2,494.5
III.	Revaluation reserve, including:		0.0	0.0
	– from fair value adjustment		0.0	0.0
IV.	Other reserve capitals		0.0	0.0
	– created in accordance to articles of incorpor. of the Company		0.0	0.0
	– on own shares (stocks)		0.0	0.0
V.	Profit (loss) from previous years		-1,889.9	-1,432.0
VI.	Nett profit (loss)		-613.3	-120.7
VII.	Write-off on net profit during the financial year (negative value)		0.0	0.0

B.	Liabilities and provisions for liabilities		851.7	1,085.3
I.	Provisions for liabilities		31.6	41.4
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		31.6	41.4
	– long-term		0.0	0.0
	– short-term		31.6	41.4
II.	Long-term liabilities		0.0	343.9
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	343.9
	a) credits and loans		0.0	343.9
	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
III.	Short-term liabilities		777.8	615.8
1.	To related parties		61.4	59.8
	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		61.4	59.8
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		716.4	555.9
	a) credits and loans		618.0	402.0
	b) arising from issuance of debt securities		0.0	0.0
	c) other financial liabilities		0.0	0.0
	d) trade liabilities, maturing:		75.4	133.9
	– up to 12 months		75.4	133.9
	– 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	22.2	18.1
	h)	payroll liabilities	0.5	1.8
	i)	other	0.2	0.2
4.	Special funds		0.0	0.0
IV.	Accruals		42.3	84.2
1.	Negative goodwill		0.0	0.0
2.	Other accruals		42.3	84.2
		– long-term	0.0	0.0
		– short-term	42.3	84.2
Total Liabilities			2,631.9	2,051.6

9.3

Profit and loss statement

(in thou. EUR)		cumulative 2019	Q2 2019	cumulative 2018	Q2 2018
A.	Net revenue from sales	560.5	268.3	496.5	252.1
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	560.5	268.3	496.5	252.1
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0.0	0.0	0.0	0.0
III.	Costs of manufacturing products for internal purposes	0.0	0.0	0.0	0.0
IV.	Net revenue from sales of goods and materials	0.0	0.0	0.0	0.0
B.	Operating expenses	1,190.8	557.3	611.5	315.3
I.	Amortisation and depreciation	317.2	159.3	121.2	60.6
II.	Consumption of materials and energy	10.8	3.6	8.5	4.5
III.	External services	491.8	210.6	320.6	165.6

IV.	Taxes and charges, including:	8.0	3.3	3.1	1.7
	– excise duty	0.0	0.0	0.0	0.0
V.	Payroll	310.0	154.3	126.4	67.7
VI.	Social security and other benefits, including:	39.8	22.5	13.7	7.1
	– retirement benefits	24.0	11.9	7.6	4.4
VII.	Other prime costs	13.1	3.5	18.0	8.1
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
C.	Profit (loss) on sales (A - B)	-630.2	-289.0	-115.0	-63.2
D.	Other operating revenues	37.7	16.8	0.0	0.0
I.	Gain on disposal of non-financial fixed assets	0.0	0.0	0.0	0.0
II.	Subsidies	0.0	0.0	0.0	0.0
III.	Other operating revenues	35.1	16.7	0.0	0.0
IV.	Other operating revenues	2.6	0.1	0.0	0.0
E.	Other operating expenses	2.4	0.1	0.1	0.1
I.	Loss on disposal of non-financial fixed assets	0.0	0.0	0.0	0.0
II.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
III.	Other operating expenses	2.4	0.1	0.1	0.1
F.	Profit (loss) on operating activities (C + D - E)	-594.9	-272.3	-115.1	-63.3
G.	Financial revenues	3.5	1.0	0.0	0.0
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
	a) from related parties, including:	0.0	0.0	0.0	0.0
	– those in which the company holds capital commitment	0.0	0.0	0.0	0.0
	b) from other parties, including:	0.0	0.0	0.0	0.0
	– those in which the company holds capital commitment	0.0	0.0	0.0	0.0
II.	Interest, including:	3.5	1.0	0.0	0.0
	– from related parties	0.0	0.0	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0	0.0	0.0
	– in related parties	0.0	0.0	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0	0.0	0.0
V.	Other	0.1	0.0	0.0	0.0
H.	Financial expenses	21.9	11.7	5.5	4.7
I.	Interest, including:	21.9	11.0	0.1	0.0
	– for related parties	0.0	0.0	0.0	0.0
II.	Loss on disposal of financial assets, including:	0.0	0.0	0.0	0.0
	– for related parties	0.0	0.0	0.0	0.0
III.	Revaluation of financial assets	0.0	0.0	0.0	0.0

IV.	Other	0.0	0.7	5.4	4.7
I.	Gross profit (loss) (F + G - H)	-613.3	-282.9	-120.7	-68.0
J.	Income tax	0.0	0.0	0.0	0.0
K.	Other statutory reductions in profit (increases in loss)	0.0	0.0	0.0	0.0
L.	Net profit (loss) (I - J - K)	-613.3	-282.9	-120.7	-68.0

9.4

Cash flow statement

(in thou. EUR)		cumulative 2019	Q2 2019	cumulative 2018	Q2 2018
A.	Cash flow from operating activities - indirect method				
I.	Net profit (loss)	-613.3	-282.9	-120.7	-68.0
II.	Total adjustments	271.3	157.7	-119.2	-124.9
	1. Amortisation and depreciation	317.2	159.3	121.2	60.6
	2. Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
	3. Interest and profit sharing (dividend)	18.5	9.9	0.0	0.0
	4. Profit (loss) on investment activities	0.0	0.0	0.0	0.0
	5. Change in provisions	10.2	6.3	7.4	4.4
	6. Changes in inventory	4.7	0.1	0.0	0.0
	7. Change in the balance of receivables	21.8	66.5	-16.2	-19.3
	8. Change in short-term liabilities excluding credits and loans	-76.9	-46.7	39.3	48.4
	9. Change in prepayments and accruals	9.3	-21.1	-271.0	-218.9
	10. Other adjustments	-33.3	-16.7	0.0	0.0
III.	Net cash flow from operating activities (I ± II)	-341.9	-125.3	-239.9	-192.8
B.	Cash flows from investment activities				
I.	Inflows	3.5	1.0	0.0	0.0
	1. Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0	0.0	0.0
	2. Disposal of investments in real property and in intangible and legal assets	0.0	0.0	0.0	0.0

	3.	From financial assets, including:	3.5	1.0	0.0	0.0
		a) in related parties	0.0	0.0	0.0	0.0
		– disposal of financial assets	0.0	0.0	0.0	0.0
		– dividends and profit sharing	0.0	0.0	0.0	0.0
		– repayment of granted long-term loans	0.0	0.0	0.0	0.0
		– interest	0.0	0.0	0.0	0.0
		– other inflows from financial assets	0.0	0.0	0.0	0.0
		b) in other parties	3.5	1.0	0.0	0.0
		– disposal of financial assets	0.0	0.0	0.0	0.0
		– dividends and profit sharing	0.0	0.0	0.0	0.0
		– repayment of granted long-term loans	0.0	0.0	0.0	0.0
		– interest	3.5	1.0	0.0	0.0
		– other inflows from financial assets	0.0	0.0	0.0	0.0
	4.	Other inflow from investment activities	0.0	0.0	0.0	0.0
II.	Outflows		237.0	102.9	0.0	0.0
	1.	Purchase of intangible and legal assets, tangible fixed assets	15.1	2.8	0.0	0.0
	2.	Investment in real property, intangible and legal assets	221.8	100.1	0.0	0.0
	3.	For financial assets, including:	0.0	0.0	0.0	0.0
		a) in related parties	0.0	0.0	0.0	0.0
		– purchase of financial assets	0.0	0.0	0.0	0.0
		– long-term loans granted	0.0	0.0	0.0	0.0
		b) in other entities	0.0	0.0	0.0	0.0
		– purchase of financial assets	0.0	0.0	0.0	0.0
		– long-term loans granted	0.0	0.0	0.0	0.0
	4.	Other outflows from investment activities	0.0	0.0	0.0	0.0
III.	Net cash flows from investment activities (I - II)		-233.5	-101.9	0.0	0.0
C.	Cash flows from financial activities					
I.	Inflows		0.0	0.0	286.6	229.3
	1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0.0	0.0	0.0	0.0
	2.	Credits and loans	0.0	0.0	286.6	229.3
	3.	Issuance of debt securities	0.0	0.0	0.0	0.0
	4.	Other inflows from financial activities	0.0	0.0	0.0	0.0
II.	Outflows		46.9	0.0	6.6	0.0
	1.	Purchase of own shares (stocks)	0.0	0.0	0.0	0.0
	2.	Dividend and payments to stockholders	0.0	0.0	0.0	0.0

	3.	Profit distribution liabilities other than profit distribution payments to stockholders	0.0	0.0	0.0	0.0
	4.	Repayment of credits and loans	35.3	0.0	0.0	0.0
	5.	Redemption of debt securities	0.0	0.0	0.0	0.0
	6.	Payment of other financial liabilities	0.0	0.0	0.0	0.0
	7.	Payment of liabilities arising from financial leases	0.0	0.0	0.0	0.0
	8.	Interest	11.6	0.0	6.6	0.0
	9.	Other outflows from financial activities	0.0	0.0	0.0	0.0
III.		Net cash flow from financial activities (I - II)	-46.9	0.0	280.0	229.3
D.		Total net cash flows (A.III ± B.III ± C.III)	-622.3	-227.1	40.1	36.4
E.		Balance sheet change in cash, including:	-622.3	-227.1	40.1	36.4
	-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
F.		Cash opening balance	912.3	517.1	56.4	60.1
G.		Cash closing balance (F ± D), including:	290.0	290.0	96.5	96.5
	-	of limited disposability	0.0	0.0	0.0	0.0

9.5

Statement of changes in equity

		(in thou. EUR)	as of 30/06/2019	as of 30/06/2018
I.		Opening balance of equity (OB)	2,393.4	1,087.0
	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
I.a.		Opening balance of equity (OB) after adjustments	2,393.4	1,087.0
	1.	Opening balance of share capital	29.1	24.5
	1.2.	Closing balance of share capital	29.1	24.5
	2.	Opening balance of called up share capital	0.0	0.0

	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
3.	Opening balance of own shares	0.0	0.0
	3.1. Increase in own shares	0.0	0.0
	3.2. Closing balance of own shares	0.0	0.0
4.	Opening balance of supplementary capital	4,254.3	2,494.5
	4.1. Changes in supplementary capital	0.0	0.0
	4.2. Closing balance of supplementary capital	4,254.3	2,494.5
5.	Opening balance of revaluation reserve	0.0	0.0
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
6.	Opening balance of other reserve capitals	0.0	0.0
	6.1. Changes in other reserve capitals	0.0	0.0
	6.2. Closing balance of other reserve capitals	0.0	0.0
7.	Opening balance of previous years' profit (loss)	-1,468.9	-847.7
	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	-1,468.9	-847.7
	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	-1,468.9	-847.7
	7.6. Closing balance of previous years' loss	-1,889.9	-1,432.0
	7.7. Closing balance of previous years' profit (loss)	-1,889.9	-1,432.0
8.	Net result	-613.3	-120.7
	a) net profit	0.0	0.0
	b) net loss	-613.3	-120.7
	c) write-offs on profit	0.0	0.0
II.	Closing balance of equity (CB)	1,780.2	966.3
III.	Equity including proposed profit distribution (loss coverage)	1,780.2	966.3

9.6

Additional information (the 2nd quarter of 2019)

Sales structure:

(in thou. EUR)	01/04/2019–30/06/2019	01/04/2019–30/06/2018
Revenue from sales of products	268.3	252.1
– in Poland	182.6	191.0
– other countries	85.7	61.1

Investments:

(in thou. EUR)	01/04/2019–30/06/2019	01/04/2019–30/06/2018
R&D Investment Offset I	100.1	182.1



9.7

Principles adopted for drawing up of the financial statement

Accounting books of the Company are being kept in accordance to the provision of the Accounting Act of the 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 in 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 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 principle 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 lower. 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



Paweł Wyborski
President of the Management Board



Michał Giergielewicz
Member of the Board

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