



QuarticOn S.A.

QUARTERLY REPORT

4th Quarter of 2019

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Management Board's Commentary

Ladies and Gentlemen,

The fourth quarter of 2019 was not only (another) period of hard work for us, but also a time of several extremely important and positive business developments. But first things first – see below what some good news on recent Q4 we have.

The Company succeeded in achieving a positive EBITDA for the month of December 2019 and thus fulfill the assumptions announced in May last year regarding the achievement of break even in the fourth quarter of 2019. This 4Q2019 result is a positive sign, reflecting almost a year of efforts to boost the Company's efficiency – for more about these, see the financial section. Also of note is that our operating costs (excluding depreciation and amortization) were lower by 168 thousand Euro in Q4 2019 compared to Q1 2019 – it is a 36-percent reduction. Also net result has improved about 125 thousand Euro compared to Q1 2019.

Another important development was the almost 8-percent increase in sales relative to the previous quarter.

The third piece of good news is that we have experienced vigorous SaaS sales growth. We achieved an increase in our monthly sales from 0,7 thousand Euro at the time of the project's major launch to 5,87 thousand Euro in December. At the same time we tested a number of cooperation arrangements with e-commerce platforms, and were able to work out a shared sales model to the benefit of all parties involved. Our aim in the coming months is to scale

up our sales in this cooperation model on a number of European markets.

Yet more good news is our churn rate. The previous quarters of 2019 were exceptionally challenging for QuarticOn in this respect. Nevertheless, in the last quarter we were able to reduce the churn rate from 4,5% to 3% percent. The measures to reduce the churn rate we initiated halfway into the year are beginning to bear fruit.

In Q4 2019 we also successfully increased the Company's share capital, with 16,100 new shares acquired by our existing shareholder, the ACATIS fund from Germany.

To sum up: the first three quarters of 2019 proved to be a very challenging period for the Company, in particular due to the cost optimization process being carried out and the impact of strong competition on our churn rate. But as we saw at the end of the year and results achieved, the changes were well worth the effort. Coming into the year 2020, QuarticOn is a more mature and better organised entity, with significantly improved efficiency and a range of ambitious plans for the nearest future.

Management Board of QuarticOn SA



Paweł Wyborski
Founder and President of the Management Board



Michał Giergielewicz
Member of the Board

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The most important financial data for the fourth quarter of 2019

Selected data from the profit and loss account for the fourth quarter of 2019.

Item	IIVQ 2018	IIIQ 2019	IVQ 2019	in 000 Euro	
				IVQ 2019 / IIIQ 2018	IVQ 2019 / IIIQ 2019
Net revenue from sales	305,9	249,1	268,3	-12%	8%
Operating expenses excl. depreciation & amortization	-395,8	-346,3	-302,4	-24%	-13%
EBITDA (based on result on sales)	-90,0	-97,2	-34,1	56	63
EBIT (operating result)	-151,1	-233,8	-189,4	-38	44
Net result	-165,8	-244,4	-201,8	-36	43
Net revenue from sales excl. VOD clients	280,6	247,4	266,5	-5%	8%
R&D Investment	-227,0	-114,0	-114,4	-113	0

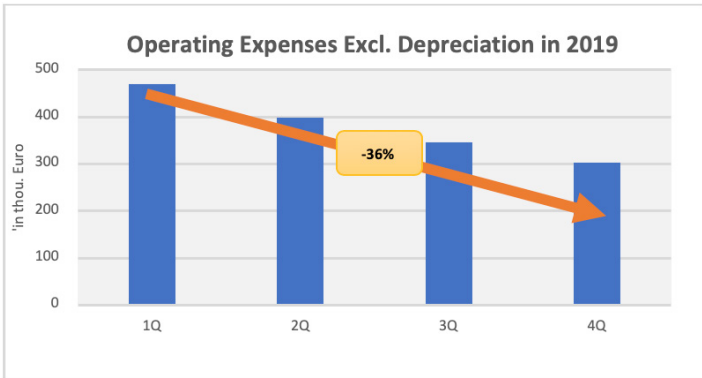
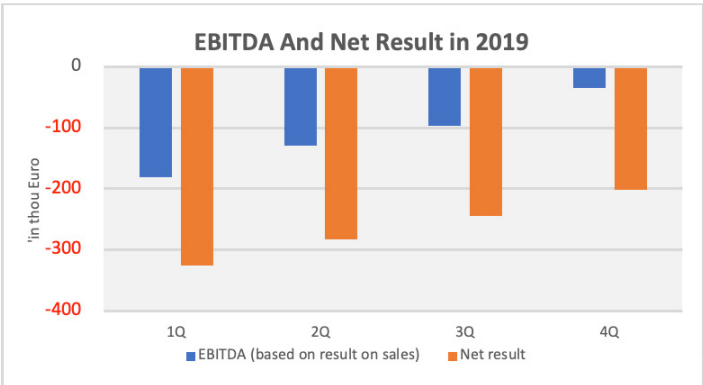
* results after the financial audit

** EBITDA – calculated based on 'result on sales' for monthly and quarterly results and based on 'result on operating activities' for annual results.

In Q4 2019 the Company continued to improve its financial performance, in relation to both EBITDA and the net result comparing to previous quarters. Notably, this trend continued in each of the three quarters of 2019, helping to improve EBITDA by 147 thousand Euro in the fourth quarter, and the net result by more than 125 thousand Euro relative to Q1 2019. QuarticOn's EBITDA also increased in relation to Q4 2018, by 56 thousand Euro while the net profit decreased by 36 thousand Euro (this being the result of the high level of other operating costs in 2018).

The major change in our performance involved the reduction in operating costs (excluding depreciation). This process, set in motion back in the first quarter, involved infrastructural optimisation and a reduction in personnel costs. The latter proved to be the most difficult part of the efficiency plan: at the end of 2019 the number of QuarticOn’s employees was 36, i.e. 15 fewer than a year before. The positive effect of processes optimization influenced operating cash flow as well (table on the next page): it was positive and definitely better than a year ago.

Nevertheless, the substantial reduction in operating costs (excluding amortization and depreciation) relative to Q4 2018 (by 24 percent) mitigated the adverse effect of decreased sales in that period (-12 percent). This negative result (already mentioned in previous reports) stemmed from the termination of the agreement with a client in the VOD segment. With this segment excluded, the change was at a level of -5 percent (this being the effect of the increased churn rate).



Selected data from the balance sheet and cash flow statement

Balance sheet		in 000 Euro	
	As of 31.12.2019	As of 31.12.2018	
Fixed assets	1 981,2	2 069,9	
- including intangible and legal assets	1 873,8	2 055,3	
Current assets	335,3	1 224,3	
- including short-term investments	52,5	902,1	
Total Assets	2 316,5	3 294,1	
Equity	1 328,7	2 366,7	
Liabilities and provisions for liabilities	987,8	927,4	
- including short term liabilities	926,8	869,8	
Total Liabilities	2 316,5	3 294,1	

Cash Flow		in 000 Euro	
Item	QIV 2019	QIV 2018	
Net profit (loss)	-201,8	-165,8	
Net cash flow from operating activities	4,5	-434,3	
Net cash flow from financial activities	3,6	-189,6	
Cash closing balance	52,5	902,1	



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Key events in Q4 2019

3.1

Organizational and strategic development

EU-funded research-&-development projects

The company is still awaiting the final results of the qualification procedure in submitted projects. For formal reasons, at the end of November 2019, the Company repeated the application for EU funding for one research and development project in the field of artificial intelligence in e-commerce solutions in the fashion industry. The project has successfully passed formal verification and is at the next stage of proceedings at the National Center for Research and Development (NCBR).

Series-F shares

In line with Resolution No. 3 of the Extraordinary Meeting of Shareholders of 8 November 2019 regarding the issue of series-F shares, 16,100 new shares were subscribed to by the existing shareholder ACATIS. The shares were successfully subscribed and paid-up and the share capital increase was registered on 10 January, 2020.

3.2

Polish market (share of sales in the quarter: 64%)

After a number of process-related changes in the previous periods of 2019, the fourth quarter saw the stabilisation of sales efforts and the induction of new members into our sales team – their goal for the coming months is to build a steady and growing stream of revenue. For this reason, towards the end of 2019, we placed great emphasis on preparing a database of potential customers and developing a schedule of sales meetings in the first months of 2020 (prospecting).

By launching our new product called Smart Reach (the first implementations had already been completed by early 2020) on the Polish market, and having introduced a new product portfolio and a revised price list, we should significantly increase our capability to secure new customers.

3.3

Foreign markets (share of sales in the quarter: 36%)

The proportion of foreign sales increased from 26 percent to 36 percent year-on-year (Q4). Most efforts in Q4 focused on building the SasS (Software as a Services) channel on the Czech and Slovak markets – these were the primary drivers of the Company's significant growth in foreign sales.

At the same time, we began talks with a number of new e-commerce platforms in Europe, and commenced work on new-platform products to be available in forthcoming months of 2020.

The period in question also saw us win new customers in the traditional sales channel (the fashion industry).

3.4

Marketing and customer care

Marketing

In Q4 2019, QuarticOn's Marketing Team focused mainly on providing our customers and business partners with marketing and communication automation. Also, the Company continued to pursue the strategy of publishing expert content, as this proved to be in demand, especially video materials – we made more than 20 short training videos on e-commerce.

QuarticOn's SaaS sales efforts were supported by promotional campaigns dedicated to specific platforms marketing the Company's products.

Customer Success (CS)

As in previous periods, one of the key tasks of the Customer Service Team was to carry out churn-reduction measures. One of such measures involved the arrangement and implementation of a CRM-based solution called the “anti-churn funnel”, with a specified list of tasks for individual funnel stages (including approaches to, and optimum types of, customer communication).

Another important objective pursued by the Customer Service Team towards the end of 2019 involved the implementation of “support plans” for existing customers' businesses. This will help us identify which part of our customer service (technical, informational, or development support) should be included in the product price (e.g. solving technical issues), and which services should be additionally chargeable because of the extra effort required on the part of the Company.

3.5

Average Revenue Per Customer (ARPC¹) and churn²

In Q4 2019 SaaS sales accounted for nearly 5 percent of overall sales, prompting the Company to start preparing separate sales reports regarding this channel (see Current Report ESPI No. 1/2020).

The ARPC for all customers in Q4 2019 was 404 Euro down by 11 percent from Q3 2019. However, this was attributable to the increased proportion of SaaS sales. The following ARPC were reported for individual sales channels.

ARPC	in Euro		
	Q3 2019	Q4 2019	trend
Total	454	404	-11%
Traditional sales channel	561	594	6%
SaaS channel	32	57	78%

The churn³ rate for Q4 was 3 percent, a decrease from the previous quarters. The measures in place to reduce the churn³ rate, combined with product range modifications, contributed to lowering the churn rate. QuarticOn is committed to further reducing this rate in 2020.

¹ ARPC – average revenue per client

² Churn –

³ Churn – the churn rate for the traditional sales channel only.

3.6

R&D and products

E-commerce platforms.

An important development in the SaaS channel involved the launch of QuarticOn's first app for Shopify. This is the Company's début on such a large-scale e-commerce platform. In a sense, we are treating this product as a testing ground for solutions used in apps dedicated to such platforms, providing us with insights which help us design new apps for similar global solutions.

Following an analysis of the potential of various platforms and technology partners in Q4 2019, the Company began talks on integration with selected e-commerce tools. Technological integration achieved simultaneously for several platforms will accelerate larger revenue streams. The Company believes that SaaS sales represent great potential for scalability on multiple markets at the same time.

Products

Q4 2019 saw the Company intensify its efforts to develop the Smart Search product, a smart embedded search engine for online stores (the motto for the new product being "a search engine which understands customers and their needs"). The results of test launches in several selected customer stores were very promising, and some of these stores already had the solution implemented for commercial use by early 2020. Towards the end of last year, we devised a plan to upgrade this product by deploying extended algorithms for recommendation and personalization, as well as analytics.

A number of significant modifications were also made to the Marketing Automation module, which is now more efficient at distributing information, and is more functionally optimised, being based on insights gained in cooperation with QuarticOn's customers. This effectively streamlined the implementation process, and boosted the effectiveness of advertising campaigns, while reducing the costs of maintaining the infrastructure.

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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. According to art 58.1 of the Accounting Act, there is no necessity for consolidation of this subsidiary. 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 0 GBP. The Company decided to postpone the start of the QuarticOn Ltd. activity until 1st half of 2020 (due to the priority of developing the SaaS channel).

Therefore, QuarticOn is released from the obligation to consolidate the subsidiaries, pursuant to art. 58 paragraph 1 of the Accounting Act.



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Information on the Company's shareholder structure

Based on the best knowledge of the Company, the share the shareholding structure of QuarticOn S.A. as of the date of publication of this report, on 14th February 2020, it is as follows:

shareholder	Number of stocks *	share
Venture FIZ	251 000	17,9%
CBNC Capital Solutions Ltd.	187 031	13,3%
Pawel Wyborski	171 761	12,2%
Q Free Trading Limited	123 500	8,8%
ACATIS Investment KVG mbH	134 100	9,5%
Kamil Cisto	118 500	8,4%
Paulina Zamojska	72 574	5,2%
Others**	345 834	24,6%
Razem	1 404 300	100,0%

* including class A, B, C, D, E and F share series

** including key employees (ESOP)



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Information on the number of persons employed

At the end of December 2019, the Company employed or cooperated with 36 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 (DI)

Development activities presented in DI:

- Development of the application for e-shop platforms – see paragraph 3.6
- New product solutions – see paragraph 3.6
- Market activities on new markets – see paragraph 3.3 and 3.4



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Definition and indicators explanation

Indicator	Source	Method of calculation	Usefulness
ARPC – average revenue per customer	Accounting and invoicing system	Total revenue (for the relevant period) / the number of customers invoiced (in the relevant period)	This indicator is helpful in assessing options for sales development, including through various sales channels (e.g. sometimes an increase in the number of customers brings about a decrease in the ARPU, with the overall revenue, however, continuing to grow)
EBITDA (based on result on operating activities)	Accounting system	Profit on sales plus depreciation	This indicator is used by QuarticOn for monthly and quarterly reporting – it is an approximate figure for profit from the Company's direct current business, which excludes any one-off accounting events (e.g. write-offs, revaluations of some reserves, typically made once a year at the end of December and covering an entire year, or past periods). Consequently, monthly or quarterly results are more comparable in the short term.
EBITDA (based on result on operating activities)	Accounting system	Result on operating activities plus depreciation (reduced by interest charges and taxes)	QuarticOn uses this indicator for annual reporting. It reflects the Company's profit from its direct business, including any write-offs and revaluations of reserves for other operating revenues and costs over a given year.
Churn rate	Accounting and invoicing system	Total latest-month revenue from customers who stopped using the Company's services in the previous month relative to the previous month's total sales.	This indicator provides an approximate figure for sales lost due to customers' leaving the Company. While there is no single benchmark, the lower the rate, the better.
Result on operating activities	Accounting system	Result on sales plus other operating revenues less other operating costs	The company unifies the terms used: result on operating activities (in short: operating result or EBIT).

Note: none of the above indicators should be considered in isolation from other results of the Company

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Shortened financial statement

10.1

Introduction

Basic information for the Company:

Name of the company:	QuarticOn Spółka Akcyjna
Seat:	Warsaw, Poland
Address:	02-017 Warsaw, ul. Aleje Jerozolimskie 123A
Incorporation date:	: Notary deed of 13.05.2011 r.
<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:

- 4th Quarter of 2019: 1 EUR = 4.2585 PLN (zł),
- 3rd Quarter of 2019: 1 EUR = 4.3736 PLN (zł),
- 4th Quarter of 2018: 1 EUR = 4.3000 PLN (zł)

10.2

Balance sheet

Assets

(in 000 Euro)		As of 31.12.2019	As of 31.12.2018
A.	Fixed assets	1 981,2	2 069,9
I.	Intangible and legal assets	1 873,8	2 055,3
1.	R&D expenses	1 862,9	2 055,3
2.	Goodwill	0,0	0,0
3.	Other intangible assets	10,8	0,0
4.	Advances for intangible assets	0,0	0,0
II.	Tangible fixed assets	6,2	14,5
1.	Tangible fixed assets in use	6,2	14,5
	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	6,0	13,8
	d) means of transport	0,0	0,0
	e) other tangible fixed assets	0,2	0,8
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
IV.	Long-term investments	101,2	0,0
1.	Real property	0,0	0,0
2.	Intangible and legal assets	101,2	0,0
3.	Long-term financial assets:	0,0	0,0
	a) in related parties	0,0	a)
	b) in other parties, in which the company holds capital commitment	0,0	b)
	c) in other parties	0,0	c)
4.	Other long-term investments	0,0	0,0
V.	Long-term prepayments	0,0	0,0
B.	Current assets	335,3	1 224,3
I.	Inventory	0,0	4,6
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	4,6
II.	Short-term receivables	261,0	304,3
1.	Receivables from related parties	0,0	0,0
2.	Receivables from other entities in which the company holds capital commitment	0,0	0,0
3.	Receivables from other ent	261,0	304,3
	a) trade receivables, maturing:	208,4	210,5
	- up to 12 months	208,4	210,5
	- over 12 months	0,0	0,0
	b) receivables from tax, subsidies, customs, social security and other benefits	18,2	60,3
	c) other	34,4	33,5
	d) claimed at court	0,0	0,0
III.	Short-term investments	52,5	902,1
1.	Short-term financial assets	52,5	902,1
	a) in related parties	0,0	0,0
	b) in other parties	0,0	0,0
	c) cash and other pecuniary assets	52,5	902,1
2.	Other short-term investments	0,0	0,0
IV.	Short-term prepayments	21,9	13,2
C.	Called up share capital not paid	0,0	0,0
D.	Own shares (stocks)	0,0	0,0
Total Assets		2 316,5	3 294,1

Equity and liabilities

(in 000 Euro)		As of 31.12.2019	As of 31.12.2018
A.	EQUITY	1 328,7	2 366,7
I.	Share capital	32,6	28,7
II.	Supplementary capital, including	4 247,8	4 206,8
	- share (stock) premium	4 247,8	4 206,8
III.	Revaluation reserve, including:	0,0	0,0
IV.	Other reserve capitals	0,0	0,0
V.	Profit (loss) from previous years	-1 887,0	-1 452,5
VI.	Nett profit (loss)	-1 064,7	-416,3
VII.	Write-off on net profit during the financial year (negative value)	0,0	0,0
B.	Liabilities and provisions for liabilities	987,8	927,4
I.	Provisions for liabilities	35,6	21,2
1.	Provision for deferred income tax	0,0	0,0
2.	Provision for retirement and similar benefits	0,0	0,0
3.	Other provisions	35,6	21,2
	- long-term	0,0	0,0
	- short-term	35,6	21,2
II.	Long-term liabilities	0,0	0,0
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	0,0
III.	Short-term liabilities	926,8	869,8
1.	To related parties	61,3	60,7
	a) trade liabilities, maturing:	0,0	0,0
	b) other	61,3	60,7
2.	To other parties in which the company holds capital commitment	0,0	0,0
	a) trade liabilities, maturing:	0,0	0,0
	b) other	0,0	0,0

3.	To other parties		865,6	809,1
a)	credits and loans		611,8	635,8
b)	arising from issuance of debt securities		0,0	0,0
c)	other financial liabilities		158,4	0,0
d)	trade liabilities, maturing:		84,5	144,7
	- up to 12 months		84,5	144,7
	- 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		10,7	26,4
h)	payroll liabilities		0,0	2,0
i)	other		0,1	0,2
4.	Special funds		0,0	0,0
IV.	Accruals		25,4	36,4
1.	Negative goodwill		0,0	0,0
2.	Other accruals		25,4	36,4
	- long-term		0,0	0,0
	- short-term		25,4	36,4
Total Liabilities			2 316,5	3 294,1

10.3

Profit and loss statement

(in 000 Euro)		YTD 2019	Only QIV 2019	YTD 2018	Only QIV 2018
A.	Net revenue from sales	1 083,8	268,3	1 070,9	305,9
	from related parties	0,0	0,0	0,0	0,0
I.	Net revenue from sales of products	1 083,8	268,3	1 070,9	305,9
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	2 141,6	454,6	1 497,4	525,1
I.	Amortisation and depreciation	611,6	152,2	313,6	129,2
II.	Consumption of materials and energy	16,9	3,0	27,7	13,7
III.	External services	866,3	183,7	765,7	250,1
IV.	Taxes and charges, including:	10,2	1,5	8,1	2,8
	- excise duty	0,0	0,0	0,0	0,0
V.	Payroll	548,0	101,3	298,0	96,4
VI.	Social security and other benefits, including:	63,6	6,1	33,1	12,8
	- retirement benefits	40,8	6,3	17,1	5,3
VII.	Other prime costs	25,0	6,8	51,3	20,1
VIII.	Value of goods and materials sold	0,0	0,0	0,0	0,0
C.	Profit (loss) on sales (A - B)	-1 057,8	-186,3	-426,5	-219,2
D.	Other operating revenues	80,7	39,3	101,8	101,8
I.	Gain on disposal of non-financial fixed assets	1,2	0,4	0,0	0,0
II.	Subsidies	0,0	0,0	0,0	0,0
III.	Other operating revenues	63,5	28,4	57,8	57,8
IV.	Other operating revenues	16,0	10,6	44,0	44,0
E.	Other operating expenses	45,9	42,3	33,8	33,7
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	45,9	42,3	33,8	33,7
F.	Profit (loss) on operating activities (C+D-E)	-1 023,0	-189,4	-358,5	-151,1
G.	Financial revenues	4,2	0,1	3,8	3,8
I.	Dividend and profit sharing, including:	0,0	0,0	0,0	0,0

II.	Interest, including:	4,2	0,1	3,8	3,8
	- 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
IV.	Revaluation of financial assets	0,0	0,0	0,0	0,0
V.	Other	0,0	0,0	0,0	0,0
H.	Financial expenses	45,9	12,5	61,5	18,5
I.	Interest, including:	44,0	11,1	45,6	11,5
	- 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
III.	Revaluation of financial assets	0,0	0,0	0,0	0,0
IV.	Other	1,9	1,4	15,9	7,0
I.	Gross profit (loss) (F+G-H)	-1 064,7	-201,8	-416,3	-165,8
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)	-1 064,7	-201,8	-416,3	-165,8

10.4

Cash flow statement

(in 000 Euro)		Cum 2019	QIV 2019	Cum 2018	QIV 2018
A.	A. Cash flow from operating activities - indirect method				
I.	I. Net profit (loss)	-1 064,7	-201,8	-416,3	-165,8
II.	II. Total adjustments	742,1	206,3	-536,8	-268,5
	1. Amortisation and depreciation	611,6	152,2	313,6	129,9
	2. Profit (loss) from differences of exchange rates	0,0	0,0	0,0	0,0
	3. Interest and profit sharing (dividend)	39,6	10,9	41,7	7,7
	4. Profit (loss) on investment activities	-33,3	0,0	-65,9	-65,9
	5. Change in provisions	14,2	0,3	-13,2	-31,2
	6. Changes in inventory	4,7	0,0	-4,6	-4,6
	7. Change in the balance of receivables	46,3	-14,7	-96,5	19,6
	8. Change in short-term liabilities excluding credits and loans	78,7	85,3	57,1	-46,7
	9. Change in prepayments and accruals	-19,8	-27,8	797,1	1 288,7
	10. Other adjustments	0,0	0,0	-1 566,1	-1 566,1
III.	Net cash flow from operating activities (I+/-II)	-322,6	4,5	-953,1	-434,3
B.	Cash flows from investment activities	0,0	0,0	0,0	0,0
I.	Inflows	4,8	0,1	3,8	3,8
	1. Disposal of intangible and legal assets, tangible fixed assets	0,6	0,1	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:	4,2	0,1	3,8	3,8
	a) in related parties	0,0	0,0	0,0	0,0
	b) in other parties	4,2	0,1	3,8	3,8
	– 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	4,2	0,1	3,8	3,8
	– 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	470,2	114,4	4,1	4,1

	1.	Purchase of intangible and legal assets, tangible fixed assets	17,2	0,0	4,1	4,1
	2.	Investment in real property, intangible and legal assets	453,0	114,4	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
		b) in other entities	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)	-465,3	-114,3	-0,3	-0,3
C.		Cash flows from financial activities	0,0	0,0	0,0	0,0
I.		Inflows	17,7	17,7	2 029,3	34,9
	1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	3,6	3,6	1 680,5	0,0
	2.	Credits and loans	14,1	14,1	348,8	34,9
	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	88,1	14,1	231,1	224,4
	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 distr. liabilities other than profit distribution payments to stockholders	0,0	0,0	0,0	0,0
	4.	Repayment of credits and loans	49,3	14,1	209,3	209,3
	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	38,8	0,0	21,8	15,1
	9.	Other outflows from financial activities	0,0	0,0	0,0	0,0
III.		Net cash flow from financial activities (I-II)	-70,4	3,6	1 798,2	-189,6
D.		Total net cash flows (A.III+/-B.III+/-C.III)	-858,4	-106,2	844,9	-624,2
E.		Balance sheet change in cash, including:	-858,4	-106,2	844,9	-624,2
	-	change in cash due to exchange differences	0,0	0,0	0,0	0,0
F.		Cash opening balance	910,9	158,7	57,2	1 526,2
G.		Cash closing balance (F+/- D), including:	52,5	52,5	902,1	902,1
	-	of limited disposability	0,0	0,0	0,0	0,0

10.5

Statement of changes in equity

		(in 000 Euro)	As of 31.12.2019	As of 31.12.2018
I.	Opening balance of equity (OB)		1 113,3	1 102,5
		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		1 113,3	1 102,5
	1.	Opening balance of share capital	29,0	24,8
		1.2. Closing balance of share capital	32,6	28,7
	2.	Opening balance of called up share capital	0,0	0,0
		2.1. Changes in called up share capital	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	4 247,8	2 530,3
		4.1. Changes in supplementary capital	0,0	1 676,6
		4.2. Closing balance of supplementary capital	4 247,8	4 206,8
	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)	-1 466,7	-859,8
		7.1. Opening balance of previous years' profit	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	-1 466,7	-859,8
		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	-1 466,7	-859,8

		7.6. Closing balance of previous years' loss	-1 887,0	-1 452,5
		7.7. Closing balance of previous years' profit (loss)	-1 887,0	-1 452,5
	8.	Net result	-1 064,7	-416,3
		a) net profit	0,0	0,0
		b) net loss	-1 064,7	-416,3
		c) write-offs on profit	0,0	0,0
II.	Closing balance of equity (CB)		1 328,7	2 366,7
III.	Equity including proposed profit distribution (loss coverage)		1 328,7	2 366,7

10.6

Additional information (4th quarter of 2019)

Sales structure:

(in 000 Euro)	01.10.2019 - 31.12.2019	01.10.2018 - 31.12.2018
Revenue from sales of products	268,3	305,9
- In Poland	172,2	225,9
- Other countries	96,1	79,9

Investments:

(in 000 Euro)	01.10.2019 - 31.12.2019	01.10.2018 - 31.12.2018
R&D Investment Offset I	-114,4	-227,0



10.7

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 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, modernization 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 revaluating 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 recognized 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 Board



Michał Giergielewicz
Member of the Board



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