



QuarticOn S.A.

QUARTERLY REPORT

4th quarter of 2020

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1 Management Board's Commentary

Ladies and Gentlemen,

We were able to achieve an over **12-percent sales growth¹** in Q4 2020 (relative to Q3 2020) despite the two preceding quarters being fairly challenging due to the spreading COVID-19 pandemic. This is good news for all of us. And while the seasonal effect played a role in this result, positive changes in the sales process could be seen already from September, with a growing scale of orders and deployments in progress. Above led to growth in both the traditional sales channel and in SaaS. The latter one is particularly worth mentioning, as it was achieved with less resources engagement. Nevertheless, it was mainly the new contracts, including those with the international group SportVision, DUKA and Lunzo, that largely contributed to the quarterly sales of more than **EUR 234k**.

Q4 2020 proved to be a very intensive period for our products – suffice it to mention that our SmartSearch handled more than **35 million queries**, and our recommender system displayed over **1 billion frames**. It was nice to see our customers achieve very good sales results in the online channel, partly thanks to our products.

The sales growth brought with it slightly higher costs, including those related to IT (server capacity usage – well, it does take some capacity for the AI technology to compute 35 million queries) and payroll. Ultimately, the Company recorded an EBITDA of EUR - 6.3k, which is minimally less than in the previous quarter, but in annual terms (preliminary results before audit) based on the operating profit, this represents a significant improvement in EBITDA – over **EUR 345k higher**.

¹ All Polish currency (PLN) values were converted into EUR using the Polish Central Bank exchange rates for the end of a given period. Due to exchange rate differences, the QoQ and YoY changes or dynamics of changes differ from those calculated for the Polish currency, presented in Polish issue of the Report. See the page 18 for detailed exchange rates. [Growth for amounts in Polish currency \(PLN\) was over 14%](#).

In addition to implementing new features in our products, we notably completed the “plug-in” version of SmartSearch for Shoptet. This is another of our products for this platform and we expect it to drive our SaaS sales growth further in the months to come.

Last year’s December was also marked by preparations for new sales and development efforts in 2021. It is worth remembering that online stores’ decisions to invest in new solutions are somewhat delayed to the market situation (a sudden sales growth in retail does not automatically translate into investment decisions). As in most businesses, increased capital expenditures on new technologies in e-commerce businesses is a process which requires a stabilised market growth trend and financial situation, among other factors. Still, we are already seeing a considerable growth in interest in our products, resulting in a growing sales funnel. This might reflect a positive sentiment in the industry.

Management Board of QuarticOn S.A.



Paweł Wyborski

Founder
President of the Management Board



Michał Giergielewicz

Member of the Board

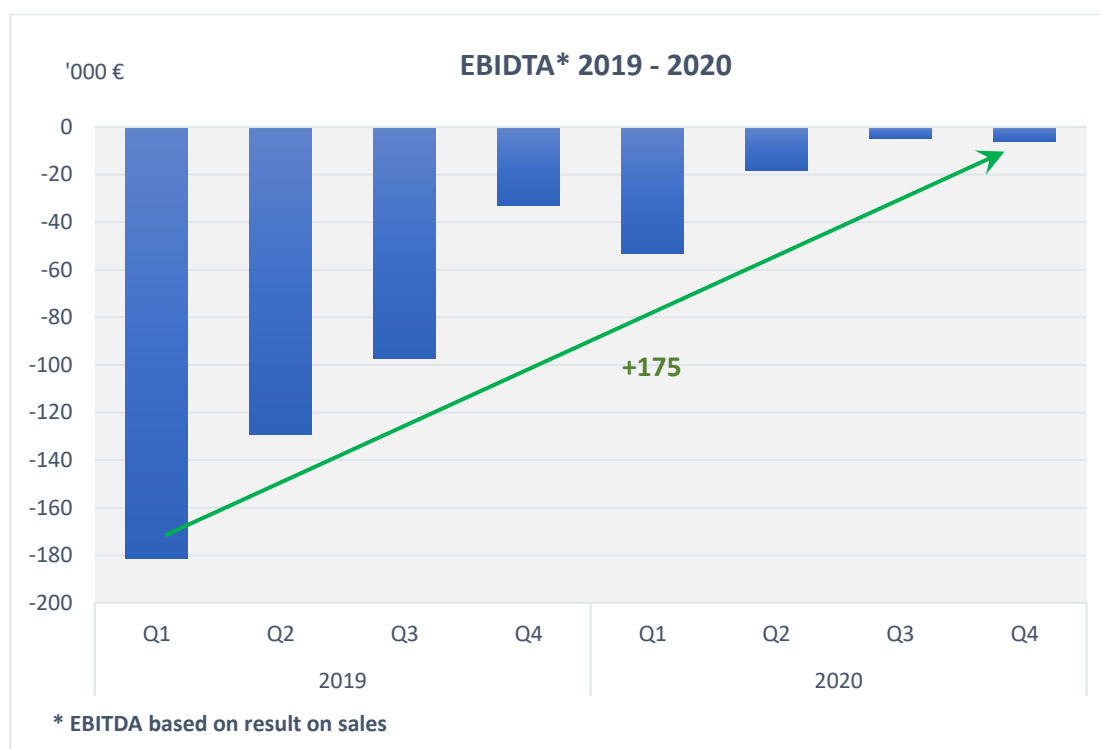
2 Covid-19 impact on QuarticOn's business

The fourth quarter is usually a good period for commercial companies. And 2020 was no exception, although the coronavirus pandemic took its toll on a large section of the traditional sales channel. The exact opposite was true for online commerce, which performed exceptionally well towards the end of the year, with substantial increases recorded by many chains in this sales channel (this is clear just from looking at data provided by major Polish retail chains such as LPP S.A and CCC S.A.). The ever-growing importance of the online channel in retail and service businesses is good news for QuarticOn. In practice the Company can feel that interest in its products is changing, and had been particularly strong in last weeks. Yet, we should keep in mind that long-term sanitary restrictions and lockdowns have left multiple industries in serious financial difficulties. In the nearest future, this might have an impact not so much on the number of online customers as on the purchasing scale.

3 Financial results

3.1 Financial results -quarterly terms:

The fourth quarter of 2020 proved to be a favourable period for QuarticOn. Compared to last quarter our sales grew by 12.1 percent to EUR 234.3k – an improvement compared to the two preceding quarters. This improvement can be attributed to the good sales season (due to Black Friday, Christmas Time), as well as to the launch of QuarticOn’s services for new major customers (e.g. the Sport Vision group, which is present on nine European markets) and a further decrease in the churn rate (drop below 3 percent).



EBITDA (based on the profit on sales) was EUR – 6.3k, a slight decrease relative to the previous quarter (by EUR – 1.5 k). Among other factors, this is attributable to higher payroll costs and a small increase in the costs of some services (e.g. those related to server hosting and commissions for partners). This change was also caused by the 2020 costs (of provisions for the preparation and audit of the financial statements, and the annual fee for covering the costs of financial market supervision), amounting to a total of EUR 6.9k, being posted in Q4 2020 quarter.

Selected data from Profit and loss statement

'000 Euro

Profit and loss statement	IVQ 2019	IIIQ 2020	IVQ 2020	IVQ 2020 / IVQ 2019	IVQ 2020 / IIIQ 2020
Net revenue from sales	268.3	209.0	234.3	-12.7%	12.1%
Operating expenses excl. depreciation & amort.	-301.2	-213.7	-240.6	-20.1%	12.6%
EBITDA (based on result on sales)*	-32.9	-4.7	-6.3	26.7	-1.5
EBIT (operating result)	-212.9	-146.3	-124.3	88.6	22.0
Net result	-225.3	-157.6	-142.5	82.8	15.1
Net revenue from sales excl. VOD clients	266.5	207.3	232.7	-12.7%	12.2%

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

Selected data from the balance sheet and cash flow statement

'000 Euro

Balance sheet	As of 31.12.2020	As of 31.12.2019
Fixed assets	1 549.7	1 877.4
- including intangible and legal assets	1 546.1	1 870.0
Current assets	149.0	401.6
- including short-term investments (excl. overdraft)	13.7	52.5
Total Assets	1 698.7	2 279.0
Equity	669.8	1 455.3
Liabilities and provisions for liabilities	1 028.9	823.7
- including short term liabilities	598.5	270.6
Total Liabilities	1 698.7	2 279.0

'000 Euro

Cash Flow	Cum 2020	Cum 2019
Net profit (loss)	-673.1	-1 088.2
Net cash flow from operating activities	167.4	-474.9
Net cash flow from financial activities	54.8	79.7
Cash closing balance	13.7	52.5

3.2 Financial results -preliminary annual results

Preliminary annual data suggest that there was a **significant improvement compared to 2019**, despite the ongoing pandemic and the resulting drop in sales by 17 percent (10 percent for PLN amounts). **Improvement** was recorded for both EBITDA (in annual terms based on the operating profit), by more than **EUR 345k** y/y and net income by **EUR 415k** relative to last year. These results could be achieved through the major optimisation of the Company's internal processes, leading to a 36-percent reduction in operating costs (excluding depreciation) year-on-year, primarily under payroll costs (reduced employment) and services.



4 Key events in 4th quarter of 2020

4.1 Polish market (share of sales in the quarter: 67%)

The fourth quarter is “the reaping time” for e-commerce, and 2020 was no exception. Online stores again had the highest revenues in the year, and customers were willing to buy online despite the pandemic having taken a heavy toll on their finances.

For providers such as QuarticOn, this is a particularly challenging period, since deployments and new customer contracts are practically limited to October and November, given that in December our customers focus almost entirely on handling the exceptionally high volume of pre-Christmas orders. Despite the resulting shorter transaction period, the fourth quarter was marked by a very good sales performance, with a clear change in the sales trend following the two preceding quarters.

On the one hand, this development was driven by the seasonal effect. On the other, QuarticOn signed a larger number of new contracts – after the unusual Q2 2020, marked by the outbreak of the pandemic, we saw interest in QuarticOn’s services grow substantially, and the new commercial contracts translated into a good sales performance in 2020.

What also helped to boost our revenues was the development of the technological solutions offered by the Company. They allowed us to increase the product sales efficiency (recommendation systems, SmartSearch) for our customers, driving the revenue scale.

Given the ever-growing effectiveness of QuarticOn’s services and the unlocking of new sales budgets in the industry, there is good reason to be a bit optimistic about the expected sales results in the months to come. While predicting market behaviour in these times is particularly difficult, as of now it is very likely that the positive trend will continue.

4.2 Foreign markets (share of sales in the quarter: 33%)

The fourth quarter of 2020 was marked by intensive activities on international markets, mainly Czech and Balkan.

Czech market

We signed new contracts on the Czech and Slovak markets, including with B2B sector customers (e.g. vybaveniprouklid.cz), to provide a full service package. Notably, we tested the implementation model at these customers through the API (Application Programming Interface), including the new look of SmartSearch, which will become a part of our standard range soon. A major advantage of this solution is that the services can be implemented and launched faster, and the entire process is handled by the customer. This is particularly evident when launching SmartSearchPremium – using the “3 steps” method, the customer can launch a fully functional service in a very short time.

In addition to signing contracts with new customers, we established cooperation with new partners, and we expect this to help us acquire new customers in further months.

Balkan market

Due to scope of the contract and the scale of the eshops, one of the biggest implementation completed in Q3 and Q4 2020 was the launch of services for the Sport Vision group, the international sport equipment retail network present on nine markets in South-Eastern Europe, including Serbia, Croatia, Bosnia, Albania and Slovenia. At present, The Company is holding talks with more companies from this region

SaaS channel

In Q4 2020 QuarticOn developed a new version of the search engine – SmartSearch Easy – which will be sold in the SaaS model. Based on its experiences, the Company has set the price at EUR 25/month for the basic version and EUR 120/month for the expanded version. The Company began running tests

(beta versions) with selected customers already in December 2020, and as of January 2021 the Company had already secured its first full-paying customers for the new solution. The initial feedback from our customers was very positive, and the product can be launched without any complicated deployment processes by the customer alone, with minimum support from the Company (the next version will be fully automated). The new product is also fully managed by the customer (this includes setting parameters, automatic payments with a linked card, as well as upgrading to a higher version). Nevertheless, due to the very “hot” period in e-commerce, some of the potential customers rescheduled the testing of our solution to the second half of January. It is also then that the Company is planning to step up its marketing support for the new solution.

The initial weeks of the new year is also a time to gather opinions and suggestions from customers to eliminate possible weaknesses quickly. This is very valuable information for the Company, allowing it to gain ongoing insights into the most important needs of its customers, as well as their expectations regarding further product development.

Another interesting development is the launch of the “powered by QuarticOn” badge in the search engine, further highlighting the Company’s contribution to providing modern solutions for e-commerce.

4.3 Marketing and customer success

In the last quarter of 2020 the Marketing Team finished working on the new offering package for potential and existing customers. It comprises product presentations in three language versions (PL, EN, CZ) and animated, short videos (explainer videos) for all products: product recommendations, marketing automation and AI Smart Search) in English with Polish subtitles. The videos are published on QuarticOn’s Youtube channel and serve as a permanent, virtual showcase of the Company. Here is an example video for SmartSearch: <https://www.youtube.com/watch?v=G3mBLGBcRO0>

The Marketing Team makes ongoing updates to and expands materials in QuarticOn’s Knowledge Base (e.g. by adding new user manuals for new product features). In Q4 2020 we updated the price list on our website and improved its functionality.

Furthermore, the Company began working on a new series of case studies presenting the performance of the technology used by QuarticOn and the technology's place in contemporary e-commerce business. First we prepared a case study for DUKA International, describing the implementation and effects of our products for this customer. More case studies will be provided in the first quarter of 2021.

4.4 IT and products

Q4 2020 saw the traffic on our customer's websites increase considerably, and, accordingly, the use of our flagship products (recommendation engine and Smart Search and Marketing Automation search engines) was much higher than in the preceding periods. This is shown by the following data:

- more than 1 billion recommendation frames (+10 percent vs. Q3) displayed
- SmartSearch handled 35 million queries (+163 percent vs. Q3)
- The Marketing Automation System handled more than 20 million send outs (+107 percent vs. Q3)

Despite the considerably increased traffic in all systems, the server hosting costs went up and the tool support costs increased by 13%.

The described period also involved the implementation of new features in all products (and the customer panel). The SmartSearch tool was also developed as a plug-in for the Shoptet.cz platform.



4.5 Average Revenue Per Customer (ARPC¹) and churn²

In Q4 2020 the average revenue per customer was EUR 386 per customer, a slight decrease relative to the previous period. The higher scale of ARPC reduction for the SaaS channel stems from the increased number of customers with medium tariffs and the churn of some of them with the highest ones. The downward trend in the SaaS ARPC indicator has been noticeable since spring 2020 but in the last four months of last year it kept at the level of EUR 44-48.

Individual channels had the following ARPC :

in Euro

ARPC	Q3 2020	Q4 2020	Change
Total	405	386	-4,3%
Traditional sales channel	637	619	-3,1%
SaaS channel	50	45	-10,4%

The said quarter saw the churn rate further decrease to 2.8 percent (in the second quarter of 2020, the most churn-affected period, this rate was at 5.6 percent). We believe that this figure should stabilise at this level, although it is difficult to make any definite predictions due to the ongoing pandemic.



¹ ARPC (Average revenue per paying customer)

² Churn - indicator showing loss of revenues as a result of customers churn

5 Information on the Company's subsidiaries

The Company holds 50% of shares in the company, a share in a shareholder company in QuarticOn (Shanghai) Company Ltd., which is not related to business work and has no significant influence on the company's operations.

The remaining 50% of the capital share in the above-mentioned the company is vested in Wan Sheng Asia Ltd based in Road Town in the British Virgin Islands. The company's initial capital was set at 118 thousand Euro. The value of liabilities and assets is also EUR 118k. Neither party paid the relevant shares and the Company did not start its activities. Therefore, the revenues and costs of the above-mentioned the companies at the end of the fourth quarter of 2020 amounted to EUR 0.

QuarticOn is considering using this company in the future to provide its services on Asian markets.

On March 19, 2019, QuarticOn Ltd. with its seat in London was registered. QuarticOn S.A. is a 100% shareholder in the share capital of this and has the same share of votes.

As at the date of the report, QuarticOn Ltd. did not increase its operating activities, the revenues and costs of which at the end of the fourth quarter of 2020 amounted to GBP 0. The company's liabilities and assets are £ 1000.

Due to the running of the current projects in the SaaS channel and the COVID19 pandemic situation, the Company has decided to postpone the start of the QuarticOn Ltd. activity for the year 2021.

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



6 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 15th February 2021, it is as follows:

Shareholder	Number of stocks*	Share
Venture FIZ	251 000	17.9%
CBNC Capital Solutions Ltd.	187 031	13.3%
Paweł Wyborski	179 401	12.8%
Q Free Trading Limited	123 500	8.8%
ACATIS Investment KVG mbH	134 100	9.5%
Kamil Cisko	118 500	8.4%
Paulina Zamojska	72 574	5.2%
Others **	338 194	24,1%
Total	1 404 300	100.0%

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

** including key employees (ESOP)

7 Information on the number of persons employed

At the end of December 2020, the Company employed or cooperated with 17 persons (counted on a full-time basis) including those having a contract of employment, contract of mandate or those having their own companies.

8 Forecasts of financial results

The company did not published forecasts of financial results for year 2020.



9 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 (as profit on sales)	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 (as operating profit)	Accounting system	Operating profit 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



10 Shortened financial statement

10.1 Introduction

Basic information for the company

Name of the company:	QuarticOn Spółka Akcyjna
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Seat:	Warsaw, Poland
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Address:	02-017 Warsaw, Al. Jerozolimskie 123A
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Incorporation date	Notarial deed 13.05.2011
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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.

Polish Taxpayer Identification Number:	NIP: 5213608082
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Polish Business Registry Number:	REGON: 142977414
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On behalf of the Issuer, the following persons operate:	Wyborski Paweł – President of the Board Giergielewicz Michał – Member of the Board
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Company's manner of representation:	Each member of the Board independently
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This quarterly report of QuarticOn S.A. was drawn up in accordance with the requirements of § 5 sec. 1 point 1 of Annex 3 to the Alternative Trading System Regulations - "Current and periodic information provided in the alternative trading system on the NewConnect market" in connection with the provisions of § 5 subparagraph 3 and sec. 4.1 and 4.2. The financial data presented in this quarterly report of the Company includes data for the period from October 1st to December 31, 2020 and comparative data for the same period of the previous year. The balance sheet data is presented as at December 31, 2020, and the comparative data as at December 31, 2019. All financial information has been presented in thousands of Euro (€).

Used exchange rates:

- 2nd Quarter of 2020: 1 EUR = 4.4660 PLN (zł),
- 3rd Quarter of 2020: 1 EUR = 4.5268 PLN (zł),
- 4th Quarter of 2020: 1 EUR = 4.6148 PLN (zł),
- 4th Quarter of 2019: 1 EUR = 4.2585 PLN (zł).

10.2 Balance sheet

Assets

		'000 Euro	
Items		As of 31.12.2020	As of 31.12.2019
A.	Fixed assets	1 549.7	1 877.4
I.	Intangible and legal assets	1 546.1	1 870.0
1.	R&D expenses	1 544.7	1 862.9
2.	Goodwill	0.0	0.0
3.	Other intangible assets	1.3	7.1
4.	Advances for intangible assets	0.0	0.0
II.	Tangible fixed assets	2.5	6.2
1.	Tangible fixed assets in use	2.5	6.2
	a) land (including right to perpetual usufruct)	0.0	0.0
	b) buildings, premises, civil and water engineering structures	0.0	0.0
	c) technical equipment and machines	2.5	6.2
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	0.0	0.3
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	1.1	1.2
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 31.12.2020	As of 31.12.2019
3.	Long-term financial assets	1.1	1.2
	a) in related parties	1.1	1.2
	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	0.0
1.	Deferred tax assets	0.0	0.0
2.	Other prepayments	0.0	0.0
B.	Current assets	149.0	401.6
I.	Inventory	0.0	0.0
II.	Short-term receivables	120.8	235.1
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	120.8	235.1
	a) trade receivables, maturing:	76.3	182.5
	- up to 12 months	76.3	182.5
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	12.5	18.2
	c) other	32.0	34.4
	d) claimed at court	0.0	0.0
III.	Short-term investments	13.7	52.5
1.	Short-term financial assets	13.7	52.5
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	13.7	52.5
2.	Other short-term investments	0.0	0.0
IV.	Short-term prepayments	14.5	114.1
C.	Called up share capital not paid	0.0	0.0
D.	Own shares (stocks)	0.0	0.0
Total Assets		1 698.7	2 279.0

Equity and liabilities

‘000 Euro

Items		As of 31.12.2020	As of 31.12.2019
A.	EQUITY	669.8	1 455.3
I.	Share capital	30.4	32.6
II.	Supplementary capital, including	4 058.1	4 397.6
	- share (stock) premium	4 058.1	4 397.6
III.	Revaluation reserve, including:	0.0	0.0
IV.	Other reserve capitals	0.0	0.4
V.	Profit (loss) from previous years	-2 745.6	-1 887.0
VI.	Nett profit (loss)	-673.1	-1 088.2
VII.	Write-off on net profit during the financial year (negative value)	0.0	0.0
B.	Liabilities and provisions for liabilities	1 028.9	823.7
I.	Provisions for liabilities	44.5	41.1
1.	Provision for deferred income tax	0.0	0.0
2.	Provision for retirement and similar benefits	5.8	6.6
	- long-term	0.0	0.0
	- short-term	5.8	6.6
3.	Other provisions	38.7	34.5
	- long-term	0.0	0.0
	- short-term	38.7	34.5
II.	Long-term liabilities	367.9	499.0
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	367.9	499.0
	a) credits and loans	367.9	499.0
	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
III.	Short-term liabilities	598.5	270.6
1.	To related parties	57.6	62.5
	a) trade liabilities, maturing:	0.0	0.0
	b) other	57.6	62.5
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	540.8	208.1
	a) credits and loans	298.2	112.8
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	175.1	84.5
	- up to 12 months	175.1	84.5
	- 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	67.4	10.7
	h) payroll liabilities	0.2	0.0

Items		As of 31.12.2020	As of 31.12.2019
	i) other	0.0	0.1
4.	Special funds	0.0	0.0
IV.	Accruals	18.0	13.0
1.	Negative goodwill	0.0	0.0
2.	Other accruals	18.0	13.0
	- long-term	0.0	0.0
	- short-term	18.0	13.0
Total Liabilities		1 698.7	2 279.0

10.3 Profit and loss statement

'000 Euro

Items		YTD 2020	Only IVQ 2020	YTD 2019	Only IVQ 2019
A.	Net revenue from sales	900.6	234.3	1 083.8	268.3
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	900.6	234.3	1 083.8	268.3
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	1 514.2	352.2	2 139.2	452.2
I.	Amortisation and depreciation	532.5	111.6	610.4	151.0
II.	Consumption of materials and energy	6.1	1.0	16.9	3.0
III.	External services	620.6	147.3	870.2	187.5
IV.	Taxes and charges, including:	9.8	4.0	10.2	1.5
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	295.8	74.4	543.0	97.4
VI.	Social security and other benefits, including:	33.4	9.9	63.6	5.0
	- retirement benefits	10.1	5.5	40.8	0.0
VII.	Other prime costs	16.1	4.0	25.0	6.8
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
C.	Profit (loss) on sales (A - B)	-613.6	-117.9	-1 055.4	-184.0
D.	Other operating revenues	20.3	2.0	80.0	39.2
I.	Gain on disposal of non-financial fixed assets	0.4	0.2	0.6	0.3
II.	Subsidies	0.0	0.0	0.0	0.0
III.	Other operating revenues	16.1	0.0	63.5	28.4
IV.	Other operating revenues	3.7	1.8	16.0	10.6
E.	Other operating expenses	29.4	8.4	71.2	68.2
I.	Loss on disposal of non-financial fixed assets	0.0	0.0	0.0	0.0
II.	Revaluation of non-financial assets	7.6	7.6	25.9	25.9
III.	Other operating expenses	21.8	0.8	45.3	42.3
F.	Profit (loss) on operating activities (C+D-E)	-622.8	-124.3	-1 046.5	-212.9
G.	Financial revenues	2.8	0.3	4.2	0.1

Items		YTD 2020	Only IVQ 2020	YTD 2019	Only IVQ 2019
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	0.0	0.0	4.2	0.1
	- 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	2.8	0.3	0.0	0.0
H.	Financial expenses	53.2	18.5	45.9	12.5
I.	Interest, including:	43.2	11.8	44.0	11.0
	- 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	10.0	6.7	1.9	1.5
I.	Gross profit (loss) (F+G-H)	-673.1	-142.5	-1 088.2	-225.3
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)	-673.1	-142.5	-1 088.2	-225.3

10.4 Cash flow statement

'000 Euro

Items		YTD 2020	Only IVQ 2020	YTD 2019	Only IVQ 2019
A.	A. Cash flow from operating activities - indirect method				
I.	I. Net profit (loss)	-673.1	-142.5	-1 088.2	-225.3
II.	II. Total adjustments	840.5	206.2	613.4	78.6
	1. Amortisation and depreciation	532.5	111.6	610.4	151.0
	2. Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
	3. Interest and profit sharing (dividend)	46.8	16.5	43.8	15.8
	4. Profit (loss) on investment activities	-0.4	-0.2	-33.9	-1.5
	5. Change in provisions	6.6	12.4	19.7	-5.3
	6. Changes in inventory	0.0	0.0	4.7	0.0
	7. Change in the balance of receivables	96.1	31.7	72.2	11.2
	8. Change in short-term liabilities excluding credits and loans	154.7	50.5	-79.7	-71.9
	9. Change in prepayments and accruals	4.2	-16.3	-23.9	-20.8
	10. Other adjustments	0.0	0.0	0.0	0.0
III.	III. Net cash flow from operating activities (I+/-II)	167.4	63.8	-474.9	-146.7
B.	B. Cash flows from investment activities	0.0	0.0	0.0	0.0
I.	I. Inflows	0.5	0.2	1.2	0.4
	1. Disposal of intangible and legal assets, tangible fixed assets	0.5	0.2	1.2	0.4
	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:	0.0	0.0	0.0	0.0
	a) in related parties	0.0	0.0	0.0	0.0

Items		YTD 2020	Only IVQ 2020	YTD 2019	Only IVQ 2019
	b) in other 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
4.	Other inflow from investment activities	0.0	0.0	0.0	0.0
II.	II. Outflows	257.3	54.0	464.5	108.8
1.	257.3	54.0	464.5	108.8	0.0
2.	Investment in real property, intangible and legal assets	0.0	0.0	0.0	0.0
3.	For financial assets, including:	0.0	0.0	0.0	0.0
4.	Other outflows from investment activities	0.0	0.0	0.0	0.0
III.	III. Net cash flows from investment activities (I-II)	-256.8	-53.8	-463.2	-108.4
C.	C. Cash flows from financial activities	0.0	0.0	0.0	0.0
I.	I. Inflows	68.5	0.1	167.8	167.8
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0.0	0.0	153.7	153.7
2.	Credits and loans	68.5	0.1	14.1	14.1
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.	II. Outflows	13.7	0.0	88.1	18.9
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	0.0	0.0	49.3	14.1
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	13.7	0.0	38.8	4.8
9.	Other outflows from financial activities	0.0	0.0	0.0	0.0
III.	III. Net cash flow from financial activities (I-II)	54.8	0.1	79.7	148.9
D.	D. Total net cash flows (A.III+/-B.III+/-C.III)	-34.7	10.1	-858.4	-106.2
E.	E. Balance sheet change in cash, including:	-34.7	10.1	-858.4	-106.2
-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
F.	F. Cash opening balance	48.5	3.6	910.9	158.7
G.	G. Cash closing balance (F+/- D), including: *	13.7	13.7	52.5	52.5
-	of limited disposability	0.0	0.0	0.0	0.0

10.5 Statement of changes in equity

‘000 Euro

Items		As of 31.12.2020	As of 31.12.2019
I.	Opening balance of equity (OB)	1 342.9	2 389.8
	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	1 342.9	2 389.8
1.	Opening balance of share capital	30.1	29.0
	1.2. Closing balance of share capital	30.4	32.6
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	4 058.1	4 247.8
	4.1. Changes in supplementary capital	0.0	149.8
	4.2. Closing balance of supplementary capital	4 058.1	4 397.6
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)	-2 745.6	-1 887.0
	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	-2 745.6	-1 887.0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-2 745.6	-1 887.0
	7.6. Closing balance of previous years' loss	-2 745.6	-1 887.0
	7.7. Closing balance of previous years' profit (loss)	-2 745.6	-1 887.0
8.	Net result	-673.1	-1 088.2
	a) net profit	0.0	0.0
	b) net loss	-673.1	-1 088.2
	c) write-offs on profit	0.0	0.0
II.	Closing balance of equity (CB)	669.8	1 455.3
III.	Equity including proposed profit distribution (loss coverage)	669.8	1 455.3

10.6 Additional information (4th quarter of 2020)

Sales structure:

'000 Euro

Items	01.10.2020 - 31.12.2020	01.10.2019 - 31.12.2019
Revenue from sales of products	234.3	268.3
- in Poland	156.1	172.1
- Other countries	78.2	96.1

Investments:

'000 Euro

Items	01.10.2020 - 31.12.2020	01.10.2019 - 31.12.2019
R&D Investment Offset	-54.0	-114.4



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

Paweł Wyborski

President of the Board

Michał Giergielewicz

Member of the Board



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