



**QuarticOn Spółka Akcyjna**

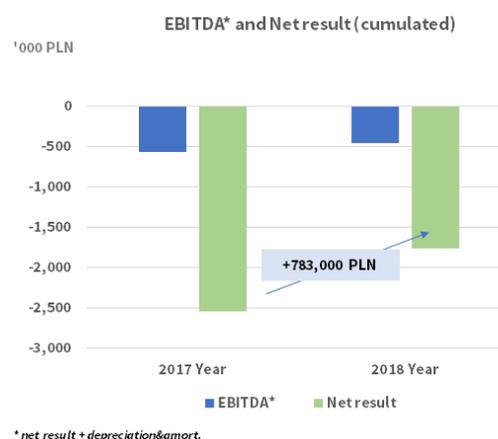
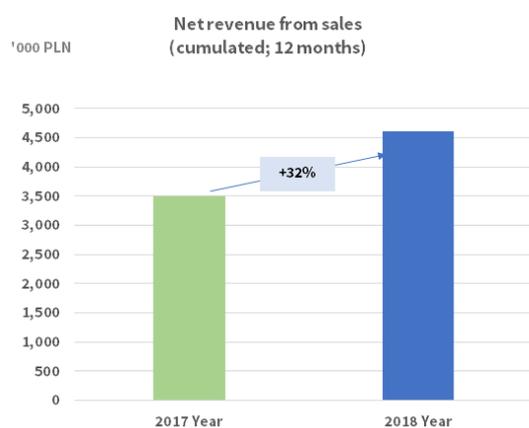
# **Quarterly Report for the 4th Quarter of the Year 2018**

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# 1

## Key financial data (four quarters 2018 cumulated)



### Balance sheet (key items)

in '000 PLN

	As of 2018-12-31	As of 2017-12-31
Fixed assets	8,900.4	6,577.9
including intangible and legal assets	8,837.9	3,118.4
Current assets	5,283.5	1,143.7
including short-term investments	3,879.0	246.0
<b>TOTAL ASSETS</b>	<b>14,183.9</b>	<b>7,721.6</b>
Equity	10,201.3	4,740.9
Liabilities and provisions for liabilities	3,982.6	2,980.7
including short term liabilities	3,733.0	1,293.0
<b>TOTAL LIABILITIES</b>	<b>14,183.9</b>	<b>7,721.6</b>

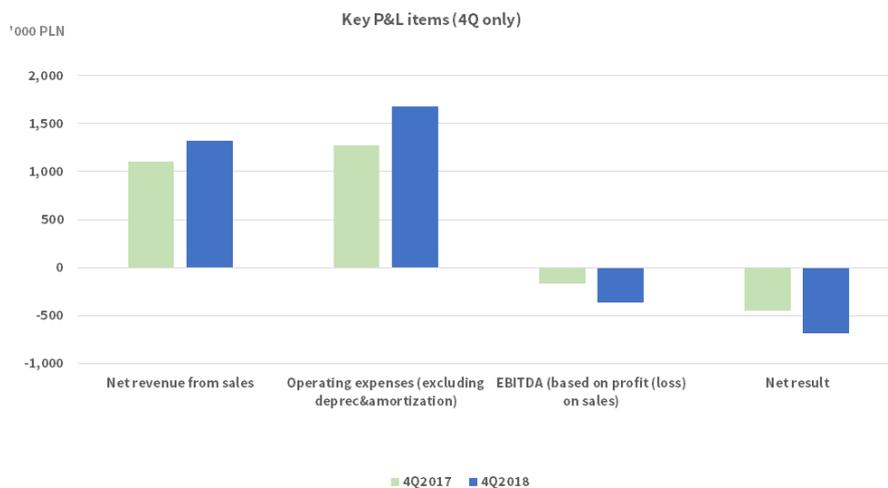
<b>Profit and loss statement (key items)</b>		<b>in '000 PLN</b>	
	Cumulated 2018 (12 months)	Cumulated 2017 (12 months)	change (2018 vs 2017)
Net revenue from sales	4,604.9	3,488.5	32.0%
Operating expenses	6,131.3	5,397.6	13.6%
including depreciation and amortization	1,065.4	1,343.6	-20.7%
<b>Profit (loss) on sales</b>	<b>-1,526.5</b>	<b>-1,909.1</b>	<b>-20.0%</b>
<b>EBITDA (based on profit (loss) on sales)</b>	<b>-461.1</b>	<b>-565.5</b>	<b>-18.5%</b>
Gross profit (loss)	-1,765.7	-2,548.8	-30.7%
Net profit (loss)	-1,765.7	-2,548.8	-30.7%

<b>Cash flow statement (key items)</b>		<b>in '000 PLN</b>	
	Cumulated 2018 (12 months)	Cumulated 2017 (12 months)	
Net profit (loss)	-1,765.7	-2,548.8	
Net cash flow from operating activities	-4,115.6	-3,711.3	
Net cash flow from financial activities	7,732.4	2,880.4	
Cash closing balance	3,879.0	246.0	



## 2

# Fourth quarter 2018 key information and data



The fourth quarter is usually one of the most important sales periods in e-commerce. Also in QuarticOn S.A. (hereinafter also referred to as QuarticOn, the Company) it is the quarter that generates the highest revenue per year. In this period, in 2018, the Company recorded 1.3 million zł sales, a result 17% higher than in the previous quarter and 19% better than the year before. The share of foreign sales amounted to 26% (in 2017 in the fourth quarter it amounted to 19%).

For QuarticOn, it was also a quarter of the largest investments in marketing activities and team building. For this reason, operating expenses (excluding amortization and depreciation) were 34% higher than in the third quarter of 2018 and 32% higher than in the fourth quarter of 2017. Concentration of expenditures in the last quarter of the year had an impact on EBITDA, which was lower than in earlier periods and amounted to

-363 tPLN<sup>1</sup> for the fourth quarter (vs. -125 tPLN in the third quarter of 2018). The Company expects that the effects of these intensive actions will convert in sales in the subsequent quarters of 2019.

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1 tPLN = thousands of PLN = '000 zł

## 2.1

# Organisational and strategic development

### IPO

In the fourth quarter of 2018, the Company completed the IPO process (NewConnect), which allowed for the stock exchange debut on January 18, 2019.

### Organisation

In the reporting period QuarticOn focused on expanding its organisation with a team of experts from: marketing, process management and IT developers. Expanding the team with the aforementioned persons will allow to carry out effective marketing activities in all sales channels and social media, as well as to optimize processes related to the preparation of new products and their subsequent implementation at clients' places

### Processes

One of the priorities for the fourth quarter of 2018 was the implementation of changes in customer service and after-sales processes, which the newly created Customer Success Team is responsible for. The changes (implementation of new internal procedures and principles of contact with clients) allowed to bring together all information about the clients in one place, starting from their expectations, through the course of tests and implementation up to the final delivery of the service tailored to them. The Company has also prepared

a client “help center zone” in which there are necessary technical manuals, FAQs and professional materials. The key tasks of the CS team also include minimizing the churn level<sup>1</sup> and carrying out up-selling activities<sup>2</sup> and cross-selling<sup>3</sup>. The first effects of these sales activities are already visible in the fourth quarter of 2018 results (the sale of new functionalities and new services to existing customers), but it should be reasonably assumed that the results of these activities will have a significant impact on the second quarter of 2019 results.

- 
- 1 The percentage indicator of lost sales.
  - 2 Up-selling or offering new services to existing clients.
  - 3 Selling complementary products.

## 2.2

### **The market in Poland (74% of sales in the quarter)**

In the reporting period, 20 new stores joined the group of our clients, including several significant brands from the fashion sector. We have also introduced a new service in the form of website audits that allowed QuarticOn to share our expert knowledge about the performance of websites, which met with great interest in the segment of mid/smaller clients (implementation of recommendations on the website allows to optimize this sales channel and, as a result, to gain higher sales).

The Company continued its activities aimed at attracting customers from the B2B sector, which led to the start of a discussion with one of the most important entities delivering their service to this segment on the Polish market.

In the analysed period, QuarticOn also expanded the group of sales partners with three new agencies. Currently, our commercial activities are supported by over 20 agencies, which enables the company to have the

opportunity to reach a larger group of potential customers quickly, and at the same time creates a common platform for joint marketing and product activities. The plans also include the set-up of a dedicated training platform for new entities starting cooperation.

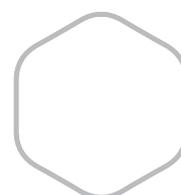
Since the beginning of the fourth quarter of 2018, sales activities have been powered by the strong promotion in social media, which has had the aim to present QuarticOn as an expert on the e-commerce market, and should provide important support in the process of acquisition of new customers.

## 2.3

### **Foreign markets (26% of sales in the quarter)**

The last quarter of 2018 featured significant activity on the British market. The company took part in large e-commerce events and participated in dedicated meetings with the groups of potential clients. The company assumes that thanks to these investments, the sales growth on the British market will be higher each quarter.

In the fourth quarter of 2018, the Czech and Slovak markets had already gained an 18% share of the total revenue of the Company. The implementation of services at Yves Rocher (CZ/SK) with completely new solutions and additional acquisition of three more stores on this market was the most important issues during this period. The company also continues intensive activities to acquire new business partners, including the e-platform group, which will allow for quick testing of new solutions dedicated to the selfservice segment.



## 2.4

### Marketing and promotional activities

In the discussed quarter, QuarticOn focused in particular on improving the information infrastructure and building the QuarticOn brand awareness across Europe. In the last three months of 2018, the Company's representatives participated in two recognizable e-commerce conferences and the QuarticOn exhibition stands were present at key conferences in Great Britain (in Manchester and London). In addition, three meet-up meetings for potential clients and partners in the UK were organized. The Company's representatives also participated in the Google conference in Dublin, as a direct partner of this event.

One of the aims of participation in many e-commerce events was the launching of the process of building awareness of the QuarticOn brand on new markets and on the Internet:

- ads activities were launched for Great Britain, Poland and the Czech Republic,
- a new web service was created as a key tool in SaaS selling model development,
- the company began to issue monthly e-books and e-content for the sector,
- a series of training webinars "how to improve sales in e-commerce" was launched,
- the employee advocacy programme in social media was launched,
- launching of social media and mailing activities for new and existing customers.

All of the above-mentioned activities allowed to increase the recognition of the QuarticOn brand on the market and strengthen the position of QuarticOn as an e-commerce expert in the countries in which we provide our services. The result of this work is also the set-up of the analytics and business advice team for our clients.

## 2.5

### Average revenue per customer (ARPC) and value churn

In the fourth quarter of 2018, the Company recorded ARPC<sup>1</sup> at the level of 2.5 tPLN, which is an increase of 27% compared to the same period of the previous year. On one hand this increase is the effect of the acquisition of more profitable customers, but also of the simultaneous reduction in the number of the smallest stores operated by QuarticOn. In the discussed quarter, the churn rate was at the level of 1.7% being higher than last year (1.1% in the fourth quarter of 2017). This change is also the result of a loss of (apart from the aforementioned small clients) a few larger clients. Some of them have decided to switch to large corporate IT solutions, in two cases the service was suspended for the time of changes on the clients' websites – the company continues negotiations about restoring the services after the completion of the changes.

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1 average revenues from client

## 2.6

### Development works (R&D)

In the fourth quarter of 2018, the Company completed its largest development project under the working name "OFFSET". Thanks to it, four modules (tools) that significantly supported the Company in the most important implementation and sales processes were created:

**QON 2.0 module:** which automates and simplifies the implementation of recommendation services in e-stores with the use of implementation templates and an optimized process. The new technology will be used in most implementation cases for new customers acquired via the B2B channel.

**VOD 2.0 module:** which has been thoroughly rebuilt and prepared to provide content recommendation services on websites.

**BAP 1.0 module:** which allows for automatic management of promo communication within the e-shop without involvement of IT teams. With this tool, one is able to add (via dashboard) customized banners and pop-up selling windows which are activated based on defined behaviors of e-shop users.

**EMA 1.0 module:** a tool supporting the implementation of a completely new service Email Marketing Automation. This tool, based on AI algorithms, automates customizable email promo activities, increasing the value of e-shop customer. Because this module is fully integrated with the recommendation engine, each customer receives a tailored set of products. The final product, developed on the basis of this solution, will be launched in the first quarter of 2019.

The project created on the basis of development works will be depreciated for 5 years.



### 3

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

The Company holds 50% of shares in the company QuarticOn (Shanghai) Company Ltd., however, this company has not started its business operations yet and has had no significant impact on the operations of the Company. 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.

### 4

## **Information on the Company's shareholder structure**

Based on the best knowledge of the Company, there were no capital changes among major shareholders from the first listing day (18/01/2019) until the day of issue of this report.

Stockholder	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 Cisko	118,500	9.6%
ACATIS Investments GmbH	118,000	9.5%
Paweł Wyborski	81,292	6.6%
Paulina Zamojska	75,000	6.1%
Others**	275,481	22.3%
<b>Total</b>	<b>1,235,273</b>	<b>100.0%</b>

\* including class A, B, C and E share series

\*\* including key employees (ESOP)

## 5

# Information on the number of persons employed by the issuer

At the end of December 2018, the Company employed or cooperated with 51.5 persons (counted on a full-time basis) including those having a contract of employment, contract of mandate or those having their own companies.



## 6

### **Forecasts of financial results**

The company did not published forecasts of financial results for 2018.

## 7

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

In the fourth quarter of 2018, the Company started design and conceptual work on new products adapted to the 'selfservice' channel (sale of plug-in services via e-commerce platforms). At the time of the issuance of the report, development works on this product were ongoing, as well as tests of selected solutions. The company assumes that in the second quarter of 2019, the product may already be commercialized.

In the described reporting period, QuarticOn made the first element of the Marketing Automation solution (the aforementioned EMA 1.0 module), which is now offered to selected clients.

In the last months of 2018, the company conducted intensive marketing activities on the British market (described in the previous sections of this report) and completed recruitment for managerial positions related to the management of processes, products and to the IT area.

# 8

## Shortened financial statement

### 8.1

#### Introduction

##### **Basic information on the Issuer::**

- a. Name of the company: **QuarticOn Spółka Akcyjna**
- b. Seat: 02-017 Warsaw, Aleje Jerozolimskie 123A
- c. Incorporation date: Notary deed of 2011-05-13
- d. 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.
- e. Polish Taxpayer Identification Number (NIP): 5213608082
- f. Polish Business Registry Number (REGON): 142977414
- g. On behalf of the Issuer, the following persons operate:
  - Wyborski Paweł – President of the Board
  - Giergielewicz Michał – Member of the Board
  - Ładno Daniel – Proxy
- h. Issuer's manner of representation: Each member of the Board independently.

All financial information has been presented in thousands of złoty (PLN).

## 8.2

# Balance sheet

### Assets

(in '000 PLN)		As of 2018-12-31	As of 2017-12-31
<b>A.</b>	<b>Fixed assets</b>	<b>8,900.4</b>	<b>6,577.9</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>8,837.9</b>	<b>3,118.4</b>
1.	R&D expenses (completed projects)	8,837.7	3,118.1
2.	Goodwill	0.0	0.0
3.	Other intangible assets	0.2	0.3
4.	Advances for intangible assets	0.0	0.0
<b>II.</b>	<b>Tangible fixed assets</b>	<b>62.5</b>	<b>95.7</b>
1.	Tangible fixed assets in use	62.5	95.7
	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	59.3	90.9
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	3.2	4.8
2.	Tangible fixed assets under construction	0.0	0.0
3.	Advances for tangible fixed assets under construction	0.0	0.0
<b>III.</b>	<b>Long-term receivables</b>	<b>0.0</b>	<b>0.0</b>
1.	From related parties	0.0	0.0
2.	From other parties, in which the company holds capital commitment	0.0	0.0
3.	From other parties	0.0	0.0
<b>IV.</b>	<b>Long-term investments</b>	<b>0.0</b>	<b>0.0</b>
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0
3.	Long-term financial assets	0.0	0.0
4.	Other long-term investments	0.0	0.0
<b>V.</b>	<b>Long-term prepayments</b>	<b>0.0</b>	<b>3,363.9</b>
1.	Deferred tax assets	0.0	0.0
2.	Other prepayments	0.0	3,363.9

<b>B.</b>	<b>Current assets</b>	<b>5,283.5</b>	<b>1,143.7</b>
<b>I.</b>	<b>Inventory</b>	<b>19.9</b>	<b>0.0</b>
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	19.9	0.0
<b>II.</b>	<b>Short-term receivables</b>	<b>1,327.7</b>	<b>893.7</b>
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	1,327.7	893.7
a)	trade receivables, maturing:	932.3	625.9
	- up to 12 months	932.3	625.9
	- over 12 months	0.0	0.0
b)	receivables from tax, subsidies, customs, social security and other benefits	254.8	10.1
c)	other	140.6	257.7
d)	claimed at court	0.0	0.0
<b>III.</b>	<b>Short-term investments</b>	<b>3,879.0</b>	<b>246.0</b>
1.	Short-term financial assets	3,879.0	246.0
a)	in related parties	0.0	0.0
b)	in other parties	0.0	0.0
c)	cash and other pecuniary assets	3,879.0	246.0
2.	Other short-term investments	0.0	0.0
<b>IV.</b>	<b>Short-term prepayments</b>	<b>56.9</b>	<b>4.0</b>
<b>C.</b>	<b>Called up share capital not paid</b>	<b>0.0</b>	<b>0.0</b>
<b>D.</b>	<b>Own shares (stocks)</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Assets</b>		<b>14,183.9</b>	<b>7,721.6</b>

## Liabilities

(in '000 PLN)		As of 2018-12-31	As of 2017-12-31
<b>A.</b>	<b>EQUITY</b>	<b>10,201.3</b>	<b>4,740.9</b>
<b>I.</b>	<b>Share capital</b>	<b>123.5</b>	<b>106.7</b>
<b>II.</b>	<b>Supplementary capital, including:</b>	<b>18,089.3</b>	<b>10,880.2</b>
	- share (stock) premium	18,089.3	10,880.2
<b>III.</b>	<b>Revaluation reserve, including:</b>	<b>0.0</b>	<b>0.0</b>
	- from fair value adjustment	0.0	0.0
<b>IV.</b>	<b>Other reserve capitals</b>	<b>0.0</b>	<b>0.0</b>
	- created in accordance to articles of incorpor. of the Company	0.0	0.0
	- on own shares (stocks)	0.0	<b>0.0</b>
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-6,245.9</b>	<b>-3,697.1</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-1,765.7</b>	<b>-2,548.8</b>
<b>VII.</b>	<b>Write-off on net profit during the financial year (negative value)</b>	<b>0.0</b>	<b>0.0</b>
<b>B.</b>	<b>Liabilities and provisions for liabilities</b>	<b>3,982.6</b>	<b>2,980.7</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>93.2</b>	<b>148.0</b>
1.	Provision for deferred income tax	0.0	0.0
2.	Provision for retirement and similar benefits	0.0	0.0
	- long-term	0.0	0.0
	- short-term	0.0	0.0
3.	Other provisions	93.2	148.0
	- long-term	0.0	0.0
	- short-term	93.2	148.0
<b>II.</b>	<b>Long-term liabilities</b>	<b>0.0</b>	<b>1,500.0</b>
1.	To related parties	0.0	0.0
2.	To other parties in which the company holds capital commitment	0.0	0.0
3.	To other parties	0.0	1,500.0
	a) credits and loans	0.0	1,500.0
	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
	e) other	0.0	0.0
<b>III.</b>	<b>Short-term liabilities</b>	<b>3,733.0</b>	<b>1,293.0</b>

1.	To related parties	261.0	261.0
	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	261.0	261.0
2.	To other parties in which the company holds capital commitment	0.0	0.0
	a) trade liabilities, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
3.	To other parties	3,472.0	1,031.9
	a) credits and loans	2,733.8	532.1
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	614.6	399.1
	- up to 12 months	614.6	399.1
	- 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	113.9	88.6
	h) payroll liabilities	8.8	11.5
	i) other	0.8	0.6
4.	Special funds	0.0	0.0
<b>IV.</b>	<b>Accruals</b>	<b>156.4</b>	<b>39.7</b>
1.	Negative goodwill	0.0	0.0
2.	Other accruals	156.4	39.7
	- long-term	0.0	0.0
	- short-term	156.4	39.7
<b>Total Liabilities</b>		<b>14,183.9</b>	<b>7,721.6</b>

## 8.3

### Profit and loss statement

(in '000 PLN)		Cum. 2018	IVQ 2018	Cum. 2017	IVQ 2017
<b>A.</b>	<b>Net revenue from sales</b>	<b>4,604.9</b>	<b>1,315.2</b>	<b>3,488.5</b>	<b>1,101.1</b>
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	4,604.9	1,315.2	3,488.5	1,101.1
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>B.</b>	<b>Operating expenses</b>	<b>6,131.3</b>	<b>1,950.1</b>	<b>5,397.6</b>	<b>1,605.5</b>
I.	Amortisation and depreciation	1,065.4	272.5	1,343.6	337.1
II.	Consumption of materials and energy	119.0	58.9	113.0	48.3
III.	External services	3,268.1	1,050.9	1,470.4	621.8
IV.	Taxes and charges, including:	34.7	12.0	2.8	1.6
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	1,281.5	414.4	2,087.9	506.9
VI.	Social security and other benefits, including:	142.2	55.0	274.8	69.1
	- retirement benefits	73.6	22.9	0.0	0.0
VII.	Other prime costs	220.4	86.4	105.2	20.6
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
<b>C.</b>	<b>Profit (loss) on sales (A - B)</b>	<b>-1,526.5</b>	<b>-634.9</b>	<b>-1,909.1</b>	<b>-504.3</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>189.0</b>	<b>189.0</b>	<b>12.5</b>	<b>3.6</b>
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	0.0	0.0	0.0	0.0
IV.	Other operating revenues	189.0	189.0	12.5	3.6
<b>E.</b>	<b>Other operating expenses</b>	<b>179.9</b>	<b>179.4</b>	<b>497.0</b>	<b>-94.0</b>
I.	Loss on disposal of non-financial fixed assets	0.0	0.0	0.0	0.0
II.	Revaluation of non-financial assets	34.5	34.5	431.9	-83.8
III.	Other operating expenses	145.4	145.0	65.1	-10.2
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-1,517.3</b>	<b>-625.4</b>	<b>-2,393.6</b>	<b>-406.8</b>
<b>G.</b>	<b>Financial revenues</b>	<b>16.2</b>	<b>16.2</b>	<b>12.3</b>	<b>3.1</b>
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:	16.2	16.2	6.5	3.0
	- 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	0.0	0.0	5.8	0.0
<b>H.</b>	<b>Financial expenses</b>	<b>264.6</b>	<b>79.5</b>	<b>167.5</b>	<b>48.7</b>
I.	Interest, including:	196.2	49.3	144.9	34.7
	- 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	68.4	30.2	22.6	14.1
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-1,765.7</b>	<b>-688.7</b>	<b>-2,548.8</b>	<b>-452.4</b>
<b>J.</b>	<b>Income tax</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>K.</b>	<b>Other statutory reductions in profit (increases in loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>L.</b>	<b>Net profit (loss) (I-J-K)</b>	<b>-1,765.7</b>	<b>-688.7</b>	<b>-2,548.8</b>	<b>-452.4</b>

## 8.4

**Cash flow statement**

(in '000 PLN)		Cum. 2018	IVQ 2018	Cum. 2017	IVQ 2017
<b>A.</b>	<b>Cash flow from operating activities – indirect method</b>				
<b>I.</b>	<b>Net profit (loss)</b>	<b>-1,765.7</b>	<b>-688.7</b>	<b>-2,548.8</b>	<b>-452.4</b>
<b>II.</b>	<b>Total adjustments</b>	<b>-2,350.0</b>	<b>-1,196.4</b>	<b>-1,162.5</b>	<b>-416.2</b>
	1. Amortisation and depreciation	1,048.0	258.0	1,716.0	264.3
	2. Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
	3. Interest and profit sharing (dividend)	179.2	33.1	76.2	-41.0
	4. Profit (loss) on investment activities	0.0	0.0	0.0	0.0
	5. Change in provisions	-54.8	-131.9	48.2	-18.8
	6. Changes in inventory	-19.9	-19.9	311.5	65.2
	7. Change in the balance of receivables	-434.0	65.2	225.9	402.4
	8. Change in short-term liabilities excluding credits and loans	238.3	-207.9	247.6	17.6
	9. Change in prepayments and accruals	3,427.6	5,541.4	-3,344.9	-662.7
	10. Other adjustments	-6,734.3	-6,734.3	-443.1	-443.1
<b>III.</b>	<b>Net cash flow from operating activities (I+/-II)</b>	<b>-4,115.6</b>	<b>-1,885.1</b>	<b>-3,711.3</b>	<b>-868.6</b>
<b>B.</b>	<b>Cash flows from investment activities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>Inflows</b>	<b>16.2</b>	<b>16.2</b>	<b>3.0</b>	<b>3.0</b>
	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:	16.2	16.2	3.0	3.0
	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	16.2	16.2	3.0	3.0
	- 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	16.2	16.2	3.0	3.0
		- 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
<b>II.</b>	<b>Outflows</b>		<b>0.0</b>	<b>0.0</b>	<b>37.5</b>	<b>2.0</b>
	1.	Purchase of intangible and legal assets, tangible fixed assets	0.0	0.0	37.5	2.0
	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
		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
<b>III.</b>	<b>Net cash flows from investment activities (I-II)</b>		<b>16.2</b>	<b>16.2</b>	<b>-34.5</b>	<b>1.0</b>
<b>C.</b>	<b>Cash flows from financial activities</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>Inflows</b>		<b>8,726.1</b>	<b>150.0</b>	<b>6,750.0</b>	<b>2,000.0</b>
	1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	7,226.1	0.0	3,400.0	0.0
	2.	Credits and loans	1,500.0	150.0	2,350.0	2,000.0
	3.	Issuance of debt securities	0.0	0.0	1,000.0	0.0
	4.	Other inflows from financial activities	0.0	0.0	0.0	0.0
<b>II.</b>	<b>Outflows</b>		<b>993.7</b>	<b>965.0</b>	<b>3,869.7</b>	<b>1,426.4</b>
	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	900.0	900.0	850.0	350.0
	5.	Redemption of debt securities	0.0	0.0	2,900.0	1,000.0
	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	93.7	65.0	119.7	76.4
	9.	Other outflows from financial activities	0.0	0.0	0.0	0.0
<b>III.</b>	<b>Net cash flow from financial activities (I-II)</b>		<b>7,732.4</b>	<b>-815.0</b>	<b>2,880.4</b>	<b>573.6</b>

<b>D.</b>	<b>Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>3,633.0</b>	<b>-2,683.9</b>	<b>-865.4</b>	<b>-294.0</b>
<b>E.</b>	<b>Balance sheet change in cash, including:</b>	<b>3,633.0</b>	<b>-2,683.9</b>	<b>-865.4</b>	<b>-294.0</b>
	- change in cash due to exchange differences	0.0	0.0	0.0	0.0
<b>F.</b>	<b>Cash opening balance</b>	<b>246.0</b>	<b>6,562.9</b>	<b>1,111.4</b>	<b>540.0</b>
<b>G.</b>	<b>Cash closing balance (F+/- D), including:</b>	<b>3,879.0</b>	<b>3,879.0</b>	<b>246.0</b>	<b>246.0</b>
	- of limited disposability	0.0	0.0	0.0	0.0

## 8.5

### Statement of changes in equity

		(in '000 PLN)	As of 2018-12-31	As of 2017-12-31
<b>I.</b>	Opening balance of equity (OB)		4,740.9	4,351.2
	a) changes in accounting principles		0.0	0.0
	b) corrections of basic errors		0.0	0.0
	c) capital increases		0.0	0.0
<b>I.a.</b>	<b>Opening balance of equity (OB) after adjustments</b>		<b>4,740.9</b>	<b>4,351.2</b>
<b>1.</b>	<b>Opening balance of share capital</b>		<b>106.7</b>	<b>73.9</b>
	1.2. Closing balance of share capital		123.5	106.7
<b>2.</b>	<b>Opening balance of called up share capital</b>		<b>0.0</b>	<b>0.0</b>
	2.1. Changes in called up share capital		0.0	0.0
	a) increase (due to)		0.0	0.0
	- called up share capital not paid		0.0	0.0
	b) decrease (due to)		0.0	0.0
	2.2. Closing balance of called up share capital		0.0	0.0
<b>3.</b>	<b>Opening balance of own shares</b>		<b>0.0</b>	<b>0.0</b>
	3.1. Increase in own shares		0.0	0.0
	3.2. Closing balance of own shares		0.0	0.0
<b>4.</b>	<b>Opening balance of supplementary capital</b>		<b>10,880.2</b>	<b>7,498.8</b>
	4.1. Changes in supplementary capital		7,209.2	3,381.3

	4.2. Closing balance of supplementary capital	18,089.3	10,880.2
<b>5.</b>	<b>Opening balance of revaluation reserve</b>	<b>0.0</b>	<b>0.0</b>
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
<b>6.</b>	<b>Opening balance of other reserve capitals</b>	<b>0.0</b>	<b>0.0</b>
	6.1. Changes in other reserve capitals	0.0	0.0
	6.2. Closing balance of other reserve capitals	0.0	0.0
<b>7.</b>	<b>Opening balance of previous years' profit (loss)</b>	<b>-3,697.1</b>	<b>-3,235.6</b>
	7.1. Opening balance of previous years' profit	0.0	0.0
	a) changes of adopted accounting principles	0.0	0.0
	b) adjustments of fundamental errors	0.0	0.0
	7.2. Opening balance of previous years' profit after reconciliation to comparable data	0.0	0.0
	7.3. Closing balance of previous years' profit	0.0	0.0
	7.4. Opening balance of previous years' loss	-3,697.1	-3,235.6
	a) changes of adopted accounting principles	0.0	0.0
	b) adjustments of fundamental errors	0.0	-461.5
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-3,697.1	-3,697.1
	7.6. Closing balance of previous years' loss	-6,245.9	-3,697.1
	7.7. Closing balance of previous years' profit (loss)	-6,245.9	-3,697.1
<b>8.</b>	<b>Net result</b>	<b>-1,765.7</b>	<b>-2,548.8</b>
	a) net profit	0.0	0.0
	b) net loss	-1,765.7	-2,548.8
	c) write-offs on profit	0.0	0.0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>10,201.3</b>	<b>4,740.9</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>10,201.3</b>	<b>4,740.9</b>

## 8.6

### Additional information (4 quarter of 2018)

Sales structure:

(in '000.PLN)	2018/10/01-2018/12/31	2017/10/01-2017/12/31
<b>Revenue from sales of products</b>	<b>1,315.2</b>	<b>1,101.1</b>
- in Poland	971.5	888.6
- other countries	343.7	212.5

Investments:

(in '000.PLN)	2018/10/01-2018/12/31	2017/10/01-2017/12/31
R&D Investment Offset I	976.1	667.7

**P&L Statement:** Other operating revenues contain release of provisions from previous years. Other operating expenses contain (revaluation of non-financial assets item) write-off of uncollectable receivables and in the 'other item' contains the write-off of unsettled accounts from previous years.

**Balance sheet:** due to completed of major R&D project, the total amount of R&D investment collected on the long-term prepayments were transferred to intangible & legal assets into the "R&D expenses" item.

## 8.7

# 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 29<sup>th</sup> 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 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 recognised in the moment the goods are supplied or the service is provided. Sale present the net value, i.e. not considering VAT and any rebates granted.

## **Costs**

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

## **QuarticOn Board:**

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**Paweł Wyborski**  
President of the Board

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**Michał Giergielewicz**  
Member of the Board

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