



Quarticon S.a.

# Quarterly Report 1st Quarter of 2020

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# Management Board's Commentary

**Ladies and Gentlemen,**

After many changes in 2019, especially in regard to SaaS channel development and cost optimisation, we entered the first quarter of 2020 full of optimism, hoping that the new year will be unique for our Company. We can now see that despite the challenges posed by the COVID-19 pandemic (on which we will elaborate below), we actually have a chance of achieving a much better performance than in previous periods.

In terms of sales, first-quarter performance is usually worse than in the preceding quarter. This year, sales were lower by 3,6 percent vs 6 percent a year before (for PLN numbers; the high FX rates in recent months disturb a bit this results). Built virtually from the ground up, the SaaS channel recorded a 6% increase Q/Q despite slight perturbations towards the end of March (due to COVID-19). Nevertheless, the new integration schemes set up at the time should deliver the expected sales increase already in the second quarter.

Relative to the same period of 2019, the Q1 2020 results demonstrate just how great and positive a change the Company has undergone: EBITDA improved by 129 thousand Euro, and net result increased by 102 thousand Euro. This was achieved mainly through cost optimisation, with costs reduced by 185 thousand Euro in the first quarter of 2020 (relative to the first quarter of 2019).

Looking at the early months, the changes are starting to deliver measurable effects, with the Company becoming increasingly effective at launching new services, and expanding its portfolio of new contracts month by month.

The COVID-19 pandemic is a valid concern here – more information about its impact on our business is provided further in the report. Objectively speaking, however, there is no denying that QuarticOn has felt some its adverse effects, too. Fortunately, we have not seen an abrupt attrition of our customer base or decrease in revenue. Still, we can see that it takes longer for our customers to make decisions regarding new investments and purchases of new services. The much protracted negotiations with our new partners from the Czech Republic and the Balkans are an example. What is most important, however, is that the overall sentiment has improved, and we are seeing a much greater willingness to cooperate. The decision to unlock the economy has certainly been a factor, as have been the emerging opinions and data suggesting that the e-commerce industry could actually benefit from the current crisis.

Overall, the first quarter proved to be a period in which the Company successfully deployed its new optimised processes and rules, bringing positive outcomes early on.



**Paweł Wyborski**  
Founder and President of the Management Board



**Michał Giergielewicz**  
Member of the Board

## 2

# Covid-19 impact on QuarticOn's business

The COVID-19 pandemic has dealt a strong and unexpected blow to commerce across Europe. With already more than 35 percent of its revenue coming from foreign markets, QuarticOn, too, has been faced with an entirely new market situation. Nevertheless, we should look at the impact of the COVID-19 pandemic on our business from both the short-term and long-term perspective.

There is considerable uncertainty on the market, and we see this clearly in our talks with existing and potential customers. They are taking much more time to decide on purchasing new services or expanding existing ones. Some of the customers were forced by the pandemic to put their development plans requiring additional budget on hold. Also, a number of customers have asked the Company to renegotiate their terms of cooperation (mainly payment deadlines) for the most difficult period involving limitations on retail in Poland and Europe. Except for a few isolated cases, however, the Company has not seen a significant outflow of customers. QuarticOn is negotiating temporary amendments in its contracts as well, and has introduced new financial instruments (factoring).

As of this report's date, we can see a slight shift in sentiment. With new deals being signed recently and negotiations with potential customers from the Balkans being resumed, we can afford a slightly more optimistic outlook on the coming months. But the risk of customers leaving due to problems caused by the pandemic remains a concern.

In the long term, however, the current situation is likely to create opportunities for the Company. Indeed, as noted by the majority of experts, problems with access to traditional retail will translate into higher online sales in the long term (see e.g. <https://eizba.pl/raport-e-izby-e-commerce-w-czasie-kryzysu-2020/>).

“

*Business must act fast to catch up with the new reality. The ‘E-Commerce in times of crisis 2020’ report has shown a clear preference among customers for online shopping. Almost half of the respondents aged 35-44 indicated online stores as their main shopping channel. Residents of smaller cities and towns also went online to shop for hygiene products and detergents. The report shows that the situation will strengthen e-commerce development in Poland and promote a change of shopping habits among Poles*

”

– said **PATRYCJA SASS-STANISZEWSKA**

President  
The Chamber of Electronic Economy.

This means increased competition online and a greater demand for tools to support e-commerce. For QuarticOn this might be a chance not only to secure new customers, but also to expand its sales to existing ones.

Still, it is difficult to predict the course of events and make any definitive assessments.

# The most important financial data for the first quarter of 2020

**Selected data from the profit and loss account for the fourth quarter of 2020.**

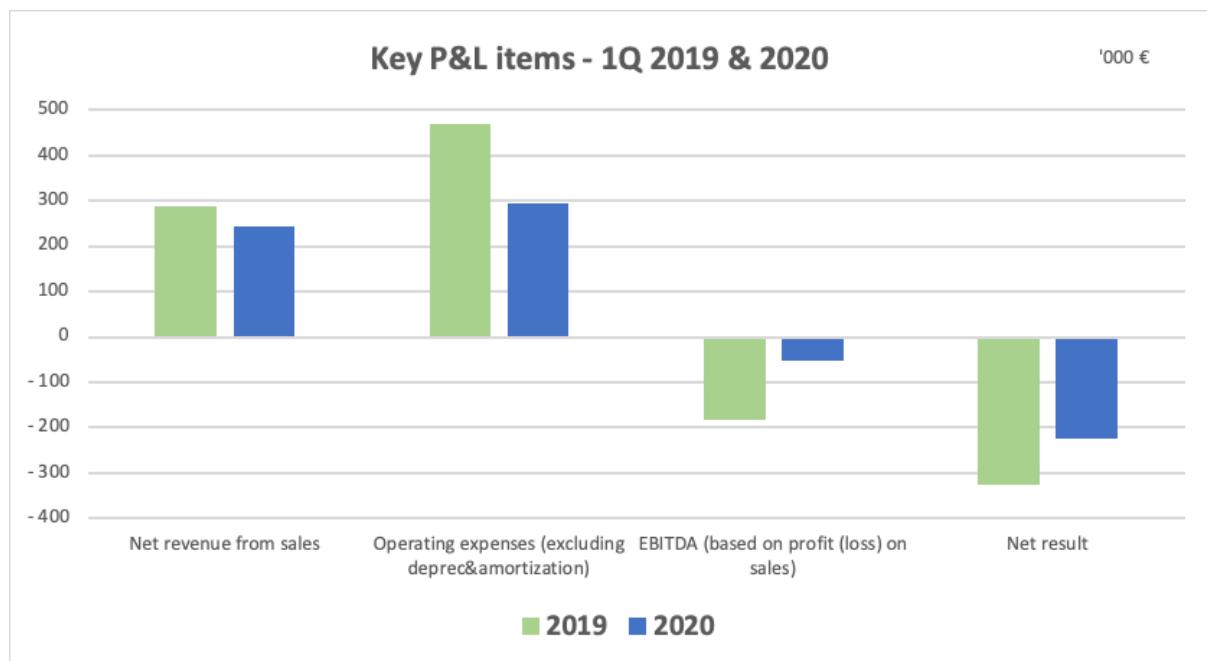
Item	I <sup>Q</sup> 2019	I <sup>VQ</sup> 2019	I <sup>Q</sup> 2020	I <sup>Q</sup> 2020 / I <sup>Q</sup> 2019	I <sup>Q</sup> 2020 / I <sup>VQ</sup> 2019
Net revenue from sales	288,9	268,3	242,3	-16%	-10%
Operating expenses excl. depreciation & amortization	-470,1	-302,4	-294,4	-37%	-3%
<b>EBITDA (based on result on sales)*</b>	<b>-181,2</b>	<b>-34,1</b>	<b>-52,1</b>	<b>129</b>	<b>-18</b>
EBIT (operating result)	-318,9	-189,4	-216,1	103	-27
<b>Net result</b>	<b>-326,6</b>	<b>-201,8</b>	<b>-224,5</b>	<b>102</b>	<b>-23</b>
Net revenue from sales excl. VOD clients	264,7	266,5	240,7	-9%	-10%
R&D Investment	-120,4	-114,4	-89,4	-31	-25

\* EBITDA [ang. earnings before interest, taxes, depreciation and amortization] = calculated based on 'result on sales' for monthly and quarterly results and based on "result on operating activities" for annual results/

Financial results improved considerably from the year before (Q1 2020 vs Q1 2019). With sales slightly down (excluding the VOD channel, by Euro 24,000), the Company reduced its costs (by 185 thousand Euro), achieving a significant improvement in EBITDA and net result (by 129 thousand Euro and 102 thousand Euro, respectively). This was made possible primarily by the 2019 cost optimisation and business reorganisation programme, reducing both service and payroll costs.

Two factors caused the minor decrease in EBITDA relative to Q4 2019: a drop in sales by 10 percent and slight increase in costs. It should be noted, however, that there were two different reasons for this: one involved “one-off” costs incurred in the first quarter to increase the share capital and prepare the financial statements (about 4,8 thousand Euro), the other a minor increase in costs, mainly payroll (about 6,6 thousand Euro).

The company has also introduced new financing tools (factoring, overdraft) and is working on the implementation of new solutions that will further improve the financial situation (process optimization process carried out throughout the year (Q1 2020 vs 2019) has already improved operating cash flow by almost EUR 0.3 M).



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

Balance sheet	in thou. Euro	
	As of 31.03.2020	As of 31.03.2019
Fixed assets	1 796,7	2 062,1
- including intangible and legal assets	1 608,2	1 928,7
Current assets	271,0	862,4
- including short-term investments	3,6	511,2
<b>TOTAL ASSETS</b>	<b>2 067,6</b>	<b>2 924,6</b>
Equity	1 158,8	2 039,4
Liabilities and provisions for liabilities	908,8	908,8
- including short term liabilities	783,6	803,1
<b>TOTAL LIABILITIES</b>	<b>2 067,6</b>	<b>2 924,6</b>

Cash Flow	in thou. Euro	
Item	Q1 2020	Q1 2019
Net profit (loss)	-224,5	-326,6
Net cash flow from operating activities	-44,8	-334,6
Net cash flow from financial activities	0,0	-46,3
Cash closing balance (excluding overdraft)	3,6	511,2

## 4

# Key events in Q1 2020

### 4.1

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

One of our Q1 2020 highlights on the Polish market was the launch of SmartSearch. It is an all-new service which supports embedded search engines of e-stores, making them much more effective tools for customers to search for products, a very important aspect with e-commerce now being on the rise. In April this year a decision was made to provide a three-month free access to the SmartSearch product. Through these measures, QuarticOn aimed to strengthen Polish retail by supporting effective online sales. In the long term, this could drive sales of QuarticOn's products, contributing to a better financial performance.

The Company has also made some adjustments to its product range (simplified pricing, a more modular product range), giving customers a better understanding of our services and allowing the system to be sold as a complement to solutions previously considered competitive. In addition, we were able to further shorten product deployment times.

In Q1 2020 we gained new customers from the bookselling business (QuarticOn already has a major share of this market), as well as from gardening and sporting equipment sectors. Moreover, we secured two new business partners.

## 4.2

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

QuarticOn is developing its foreign sales also on new markets. In the first quarter we had meetings with partners and customers from Bulgaria, Serbia and Croatia, which we expect to culminate in new contracts already in Q2 (see: COVID-19 impact). Depending on the market situation, the Company will strive to gain new partners also in other European countries.

#### **Czech market / SaaS channel**

As far as the Czech and Slovak markets are concerned, QuarticOn's main preoccupation in the first quarter of 2020 was to expand the SaaS sales base. SaaS sales were up by 6 percent relative to the previous quarter (Q4 2019), reaching almost 14 thousand Euro . The quarter in question also saw the Company establish relations with new e-commerce platforms (major platforms in the Czech Republic and Poland) and work intensively on new SmartSearch plugins. Notably, with all these technological changes, it is now easier for customers to integrate and install our products to scale up their sales on selected platforms. We expect these efforts to impact sales already in Q2 2020.

## 4.3

### **Marketing and customer success**

In the quarter in question, our Marketing Team focused on SaaS channel marketing measures and on making our products and services more visible in external marketplaces. During the early months of 2020 the Company revised its price list on the website and started implementing new, active forms of product demonstration. Moreover, we tested new lead-ad campaigns, and the Marketing Team started working on some new sales presentations. Following negotiations with our suppliers, we were able to reduce our marketing campaign costs.

In Q1 2020 the Marketing Team completed a number of tasks in progress, involving:

- automation of key marketing processes in the CRM system;
- making a series of 30 instructional videos on e-commerce to be put on YouTube;
- digitisation of core “help centre” tasks.

For the Customer Support Team, the first quarter is a period in which they meet with clients to sum up previous year’s cooperation and make arrangements for the current year. Also, it is an opportunity to learn about our customer’s opinions and needs on the one hand, and to provide them with product sale plans for the coming months on the other. While face-to-face meeting plans had to be abandoned due to the COVID-19 pandemic, we managed to have some productive meetings online. As a result, we could deploy a number of new language versions and product modules, as well as expand our range of services and, most importantly, extend existing contracts for a further 12 months. These efforts concerned the Polish, Czech and Slovak markets, allowing the Company to secure more sales leads with less financial expenditures. Notably, following conceptual work in Q1 2020, the Company is now poised to start the promotion of its new service – SmartSearch – as well as new plugins for e-commerce platforms.

## 4.4

### IT and products

Despite faring quite well through the crisis, QuarticOn launched a preventive initiative called “IT Cost Optimisation” early into the pandemic. In effect, starting from Q2, we will pay about 10 to 30 percent less for selected IT services and licenses. This could be achieved through optimising QuarticOn’s resources on the one hand, and successfully negotiating temporary discounts on the other.

Also, the Company made adjustments to its product roadmap to focus primarily on developing and supporting products with the greatest sales potential. It is worth adding that product roadmap management alone has been streamlined (in terms of both resource planning and plan implementation assessment).

These efforts were centred around developing the new SmartSearch service and improving the Marketing Automation module. The former was successfully deployed for three major clients from various industries. SmartSearch was adapted to collect quantitative, qualitative and sales data on the products searched. In addition, customers gained access to a Customer Panel which provides them with key statistics and charts based on SmartSearch queries. In addition to search results, the Customer Panel can be used to gather information on the number of searches and the most popular phrases and products, among other things. Using the CTR, CR and sales data, online stores also have a user-friendly tool to analyse their sales results, draw conclusions and optimise marketing efforts (e.g. through marketing campaigns, remarketing). Data are presented in a breakdown into autocomplete and SERP searches, covering any time range. What is extremely important is that SmartSearch has also been developed as a plugin for the new Polish e-commerce platform RedCart.

## 4.5

### Average Revenue Per Customer (ARPC<sup>1</sup>) and churn<sup>2</sup>

In Q1 2020 SaaS sales made up 5.7 percent of total revenue. ARPC for all customers in Q1 2020 was almost 400 Euro. Individual channels had the following ARPC:

	ARPC	Q4 2019	Q1 2020	in Euro trend
Total		404	397	-1,6%
Traditional sales channel		594	569	-4,2%
SaaS channel		57	62	9,7%

The Q1 vs Q4 changes for EUR currency are differ than these presented in PLN due to high exchange rate volatility. For PLN currency total ARPC increased about +5,1%.

Q1 2020 churn rate was 1,6% and was lower than for previous quarters. With anti-churn measures in place and through product range adjustments, we were able to reduce the churn rate. The Company is expecting to keep them in place moving forward in 2020, although it is difficult to predict at this moment how customers will behave when faced with the COVID-19 pandemic.



<sup>1</sup> ARPC – average revenue per client

<sup>2</sup> Churn –

# 5

## 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 2020 amounted to 0 GBP.

Due to the high priority of developing the SaaS channel and the current COVID19 pandemic situation, The Company decided to postpone the start of the QuarticOn Ltd. activity for the late 2020 months.

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

## 6

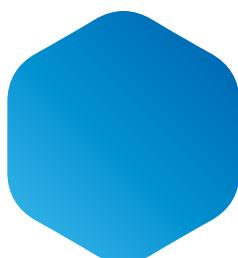
# Information on the Company's shareholder structure

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 29th May 2020, 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	171 761	12,2%
Q Free Trading Limited	123 500	8,8%
ACATIS Investment KVG mbH	134 100	9,5%
Kamil Cisło	118 500	8,4%
Paulina Zamojska	72 574	5,2%
Others**	345 834	24,6%
<b>Razem</b>	<b>1 404 300</b>	<b>100,0%</b>

\* 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 March 2020, the Company employed or cooperated with 31 persons (counted on a full-time basis) including those having a contract of employment, contract of mandate or those having their own companies.

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## **Forecasts of financial results**

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

# **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 (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**

## 11

# Shortened financial statement

### 11.1

## Introduction

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, Giergiewicz 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:

- 1st Quarter of 2020: 1 EUR = 4.5523 PLN (zł),
- 4th Quarter of 2019: 1 EUR = 4.2585 PLN (zł),
- 1st Quarter of 2019: 1 EUR = 4.3013 PLN (zł),

## 11.2

### Balance sheet

#### Assets

		Items in ,000 Euro	As of 31.03.2020	As of 31.03.2019
<b>A.</b>	<b>Fixed assets</b>		<b>1 796,7</b>	<b>2 062,1</b>
<b>I.</b>	<b>Intangible and legal assets</b>		<b>1 608,2</b>	<b>1 928,7</b>
1.	R&D expenses		1 599,2	1 917,4
2.	Goodwill		0,0	0,0
3.	Other intangible assets		9,0	11,3
4.	Advances for intangible assets		0,0	0,0
<b>II.</b>	<b>Tangible fixed assets</b>		<b>4,4</b>	<b>13,1</b>
1.	Tangible fixed assets in use		4,4	13,1
a)	land (including right to perpetua usufruct)		0,0	0,0
b)	buildings, premises, civil and water engineering structures		0,0	0,0
c)	technical equipment and machines		4,3	12,4
d)	means of transport		0,0	0,0
e)	other tangible fixed assets		0,2	0,7
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
	a) in related parties		
	b) in other parties, in which the company holds capital commitment	0,0	0,0
	c) in other parties		
4.	Other long-term investments	0,0	0,0
<b>V.</b>	<b>Long-term prepayments</b>	<b>184,1</b>	<b>120,4</b>
1.	Deferred tax assets	0,0	0,0
2.	Other prepayments	184,1	120,4
<b>B.</b>	<b>Current assets</b>	<b>271,0</b>	<b>862,4</b>
<b>I.</b>	<b>Inventory</b>	<b>0,0</b>	<b>0,1</b>
1.	Materials	0,0	0,0
2.	Intermediate products and work in progress	0,0	0,0
3.	Finished products	0,0	0,0
4.	Goods	0,0	0,0
5.	Advances for deliveries and services	0,0	0,1
<b>II.</b>	<b>Short-term receivables</b>	<b>247,8</b>	<b>347,2</b>
1.	Receivables from related parties	0,0	0,0
	a) trade receivables, maturing:	0,0	0,0
	- up to 12 months	0,0	0,0
	- over 12 months	0,0	0,0
	b) other	0,0	0,0
2.	Receivables from other entities in which the company holds capital commitment	0,0	0,0
	a) trade receivables, maturing:	0,0	0,0
	- up to 12 months	0,0	0,0
	- over 12 months	0,0	0,0
	b) other	0,0	0,0

3.	Receivables from other entities		247,8	347,2
a)	trade receivables, maturing:		209,0	241,5
	- up to 12 months		209,0	241,5
	- over 12 months		0,0	0,0
b)	receivables from tax, subsidies, customs, social security and other benefits		6,6	72,4
c)	other		32,2	33,3
d)	claimed at court		0,0	0,0
<b>III.</b>	<b>Short-term investments</b>		<b>3,6</b>	<b>511,2</b>
1.	Short-term financial assets		3,6	511,2
a)	in related parties		0,0	0,0
b)	in other parties		0,0	0,0
c)	cash and other pecuniary assets		3,6	511,2
2.	Other short-term investments		0,0	0,0
<b>IV.</b>	<b>Short-term prepayments</b>		<b>19,5</b>	<b>3,9</b>
<b>C.</b>	<b>Called up share capital not paid</b>		<b>0,0</b>	<b>0,0</b>
<b>D.</b>	<b>Own shares (stocks)</b>		<b>0,0</b>	<b>0,0</b>
<b>Total Assets</b>			<b>2 067,6</b>	<b>2 924,6</b>

## Equity and liabilities

	(in thou. Euro)	As of 31.03.2020	As of 31.03.2019
<b>A.</b>	<b>EQUITY</b>	<b>1 158,8</b>	<b>2 039,4</b>
I.	<b>Share capital</b>	<b>30,8</b>	<b>28,7</b>
II.	<b>Supplementary capital, including</b>	<b>4 113,8</b>	<b>4 205,6</b>
	- share (stock) premium	4 113,8	4 205,6
III.	<b>Revaluation reserve, including:</b>	<b>0,0</b>	<b>0,0</b>
	- from fair value adjustment	0,0	0,0
IV.	<b>Other reserve capitals</b>	<b>0,0</b>	<b>0,0</b>
	- created in accordance to articles of incorpor. of the Company	0,0	0,0
	- on own shares (stocks)	0,0	0,0
V.	<b>Profit (loss) from previous years</b>	<b>-2 761,3</b>	<b>-1 868,3</b>
VI.	<b>Nett profit (loss)</b>	<b>-224,5</b>	<b>-326,6</b>
VII.	<b>Write-off on net profit during the financial year (negative value)</b>	<b>0,0</b>	<b>0,0</b>
B.	<b>Liabilities and provisions for liabilities</b>	<b>908,8</b>	<b>885,1</b>
I.	<b>Provisions for liabilities</b>	<b>32,2</b>	<b>25,0</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	32,2	25,0
	- long-term	0,0	0,0
	- short-term	32,2	25,0
II.	<b>Long-term liabilities</b>	<b>0,0</b>	<b>0,0</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	0,0
a)	credits and loans	0,0	0,0
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>783,6</b>	<b>803,1</b>
1.	To related parties	57,3	60,7
	a) trade liabilities, maturing:	0,0	0,0
	- up to 12 months	0,0	0,0
	- over 12 months	0,0	0,0
	d) other	57,3	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
	- up to 12 months	0,0	0,0
	- over 12 months	0,0	0,0
	d) other	0,0	0,0
3.	To other parties	726,3	742,4
	a) credits and loans	582,6	600,1
	b) arising from issuance of debt securities	0,0	0,0
	c) other financial liabilities	0,0	0,0
	d) trade liabilities, maturing:	131,4	116,3
	- up to 12 months	131,4	116,3
	- 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	12,2	23,6
	h) payroll liabilities	0,0	2,1
	i) other	0,1	0,2
4.	Special funds	0,0	0,0
<b>IV.</b>	<b>Accruals</b>	<b>93,0</b>	<b>57,0</b>
1.	Negative goodwill	0,0	0,0
2.	Other accruals	93,0	57,0
	- long-term	0,0	0,0
	- short-term	93,0	57,0
<b>Total Assets</b>		<b>2 067,6</b>	<b>2 924,6</b>

## 11.3

**Profit and loss statement**

		(in thou. Euro)	Only IQ 2020	Only IQ 2019
<b>A.</b>	<b>Net revenue from sales</b>		<b>242,3</b>	<b>288,9</b>
	from related parties		0,0	0,0
I.	Net revenue from sales of products		242,3	288,9
II.	Change in the balance of products (increase - positive value, decrease - negative value)		0,0	0,0
III.	Costs of manufacturing products for internal purposes		0,0	0,0
IV.	Net revenue from sales of goods and materials		0,0	0,0
<b>B.</b>	<b>Operating costs</b>		<b>441,2</b>	<b>626,2</b>
I.	Amortisation and depreciation		146,8	156,1
II.	Consumption of materials and energy		2,9	7,1
III.	External services		185,7	278,0
IV.	Taxes and charges, including:		2,6	4,6
	- excise duty		0,0	0,0
V.	Payroll		87,8	153,9
VI.	Social security and other benefits, including:		9,7	17,1
	- retirement benefits		6,9	11,9
VII.	Other prime costs		5,7	9,4
VIII.	Value of goods and materials sold		0,0	0,0
<b>C.</b>	<b>Profit (loss) on sales (A - B)</b>		<b>-198,9</b>	<b>-337,3</b>
<b>D.</b>	<b>Other operating revenues</b>		<b>0,9</b>	<b>20,7</b>
I.	Gain on disposal of non-financial fixed assets		0,1	0,0
II.	Subsidies		0,0	0,0
III.	Other operating revenues		0,0	18,3
IV.	Other operating revenues		0,8	2,4
<b>E.</b>	<b>Other operating expenses</b>		<b>18,1</b>	<b>2,3</b>
I.	Loss on disposal of non-financial fixed assets		0,0	0,0
II.	Revaluation of non-financial assets		0,0	0,0
III.	Other operating expenses		18,1	2,3
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>		<b>-216,1</b>	<b>-318,9</b>
<b>G.</b>	<b>Financial revenues</b>		<b>2,1</b>	<b>3,2</b>
I.	Dividend and profit sharing, including:		0,0	0,0

	a) from related parties, including: - those in which the company holds capital commitment	0,0	0,0
	b) from other parties, including: - those in which the company holds capital commitment	0,0	0,0
II.	Interest, including: - from related parties	0,0	2,4
III.	Revenue from disposal of financial assets, including: - in related parties	0,0	0,0
IV.	Revaluation of financial assets	0,0	0,0
V.	Other	2,0	0,8
<b>H.</b>	<b>Financial expenses</b>	<b>10,5</b>	<b>10,8</b>
I.	Interest, including: - for related parties	10,5	10,8
II.	Loss on disposal of financial assets, including: - for related parties	0,0	0,0
III.	Revaluation of financial assets	0,0	0,0
IV.	Other	0,0	0,0
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-224,5</b>	<b>-326,6</b>
<b>J.</b>	<b>Income tax</b>	<b>0,0</b>	<b>0,0</b>
<b>K.</b>	<b>Other statutory reductions in profit (increases in loss)</b>	<b>0,0</b>	<b>0,0</b>
<b>L.</b>	<b>Net profit (loss) (I-J-K)</b>	<b>-224,5</b>	<b>-326,6</b>

11.4

## Cash flow statement

		(in thou. EURO)	IQ 2020	IQ 2019
<b>A.</b>	<b>Cash flow from operating activities - indirect method</b>			
<b>I.</b>	<b>Net profit (loss)</b>		<b>-224,5</b>	<b>-326,6</b>
<b>II.</b>	<b>Total adjustments</b>		<b>179,8</b>	<b>-8,0</b>
1.	Amortisation and depreciation		146,8	156,1
2.	Profit (loss) from differences of exchange rates		0,0	0,0
3.	Interest and profit sharing (dividend)		10,2	8,4
4.	Profit (loss) on investment activities		0,0	0,0
5.	Change in provisions		-1,1	3,9
6.	Changes in inventory		0,0	4,5
7.	Change in the balance of receivables		-3,7	-43,0
8.	Change in short-term liabilities excluding credits and loans		54,5	-31,0
9.	Change in prepayments and accruals		-19,3	-90,4
10.	Other adjustments		-7,7	-16,5
<b>III.</b>	<b>Net cash flow from operating activities (I+/-II)</b>		<b>-44,8</b>	<b>-334,6</b>
<b>B.</b>	<b>Cash flows from investment activities</b>		<b>0,0</b>	<b>0,0</b>
<b>I.</b>	<b>Inflows</b>		<b>0,0</b>	<b>2,4</b>
1.	Disposal of intangible and legal assets, tangible fixed assets		0,0	0,0
2.	Disposal of investments in real property and in intangible and legal assets		0,0	0,0
3.	From financial assets, including:		0,0	2,4
	a) in related parties		0,0	0,0
	- disposal of financial assets		0,0	0,0
	- dividends and profit sharing		0,0	0,0
	- repayment of granted long-term loans		0,0	0,0
	- interest		0,0	0,0
	- other inflows from financial assets		0,0	0,0
	b) in other parties		0,0	2,4
	- disposal of financial assets		0,0	0,0
	- dividends and profit sharing		0,0	0,0
	- repayment of granted long-term loans		0,0	0,0
	- interest		0,0	2,4

	- other inflows from financial assets	0,0	0,0
4.	Other inflow from investment activities	0,0	0,0
<b>II.</b>	<b>Outflows</b>	<b>0,8</b>	<b>12,1</b>
1.	Purchase of intangible and legal assets, tangible fixed assets	0,8	12,1
2.	Investment in real property, intangible and legal assets	0,0	0,0
3.	For financial assets, including:	0,0	0,0
a)	in related parties	0,0	0,0
	- purchase of financial assets	0,0	0,0
	- long-term loans granted	0,0	0,0
b)	in other entities	0,0	0,0
	- purchase of financial assets	0,0	0,0
	- long-term loans granted	0,0	0,0
4.	Other outflows from investment activities	0,0	0,0
<b>III.</b>	<b>Net cash flows from investment activities (I-II)</b>	<b>-0,8</b>	<b>-9,7</b>
<b>C.</b>	<b>Cash flows from financial activities</b>	<b>0,0</b>	<b>0,0</b>
<b>I.</b>	<b>Inflows</b>	<b>0,0</b>	<b>0,0</b>
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0,0	0,0
2.	Credits and loans	0,0	0,0
3.	Issuance of debt securities	0,0	0,0
4.	Other inflows from financial activities	0,0	0,0
<b>II.</b>	<b>Outflows</b>	<b>0,0</b>	<b>46,3</b>
1.	Purchase of own shares (stocks)	0,0	0,0
2.	Dividend and payments to stockholders	0,0	0,0
3.	Profit distribution liabilities other than profit distribution payments to stockholders	0,0	0,0
4.	Repayment of credits and loans	0,0	34,9
5.	Redemption of debt securities	0,0	0,0
6.	Payment of other financial liabilities	0,0	0,0
7.	Payment of liabilities arising from financial leases	0,0	0,0
8.	Interest	0,0	11,5
9.	Other outflows from financial activities	0,0	0,0
<b>III.</b>	<b>Net cash flow from financial activities (I-II)</b>	<b>0,0</b>	<b>-46,3</b>
<b>D.</b>	<b>Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>-45,5</b>	<b>-390,6</b>
<b>E.</b>	<b>Balance sheet change in cash, including:</b>	<b>-45,5</b>	<b>-390,6</b>
-	change in cash due to exchange differences	0,0	0,0
<b>F.</b>	<b>Cash opening balance</b>	<b>49,1</b>	<b>901,8</b>
<b>G.</b>	<b>Cash closing balance (F+/- D), including:</b>	<b>3,6</b>	<b>511,2</b>
-	of limited disposability	0,0	0,0

11.5

## Statement of changes in equity

		(in thou. EURO)	As of 31.03.2020	As of 31.03.2019
I.	<b>Opening balance of equity (OB)</b>		<b>1 242,9</b>	<b>2 366,0</b>
	a) changes in accounting principles		0,0	0,0
	b) corrections of basic errors		0,0	0,0
	c) capital increases		0,0	0,0
I.a.	<b>Opening balance of equity (OB) after adjustments</b>		<b>1 242,9</b>	<b>2 366,0</b>
1.	<b>Opening balance of share capital</b>		<b>30,5</b>	<b>28,7</b>
	1.2. Closing balance of share capital		30,8	28,7
2.	<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
3.	<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
4.	<b>Opening balance of supplementary capital</b>		<b>3 973,7</b>	<b>4 205,6</b>
	4.1. Changes in supplementary capital		0,0	0,0
	4.2. Closing balance of supplementary capital		4 113,8	4 205,6
5.	<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
6.	<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
7.	<b>Opening balance of previous years' profit (loss)</b>		<b>-1 765,3</b>	<b>-1 452,1</b>
	7.1. Opening balance of previous years' profit		0,0	0,0
	a) changes of adopted accounting principles		0,0	0,0
	b) adjustments of fundamental errors		0,0	0,0
	7.2. Opening balance of previous years' profit after reconciliation to comparable data		0,0	0,0

	7.3. Closing balance of previous years' profit	0,0	0,0
	7.4. Opening balance of previous years' loss	-1 765,3	-1 452,1
	a) changes of adopted accounting principles	0,0	0,0
	b) adjustments of fundamental errors	0,0	0,0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-1 765,3	-1 452,1
	7.6. Closing balance of previous years' loss	-2 761,3	-1 868,3
	7.7. Closing balance of previous years' profit (loss)	-2 761,3	-1 868,3
8.	<b>Net result</b>	<b>-224,5</b>	<b>-326,6</b>
	a) net profit	0,0	0,0
	b) net loss	-224,5	-326,6
	c) write-offs on profit	0,0	0,0
II.	<b>Closing balance of equity (CB)</b>	<b>1 158,8</b>	<b>2 039,4</b>
III.	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>1 158,8</b>	<b>2 039,4</b>

11.6

## Additional information (4th quarter of 2019)

Sales structure:

(in thou. EURO)	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Revenue from sales of products	242,3	288,9
- In Poland	155,5	211,6
- Other countries	86,8	77,3

Investments:

(in thou. EURO)	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
R&D Investment Offset I	-89,4	-120,4

## 11.7

# 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 reevaluating 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



QuarticOn S.A.



④ Al. Jerozolimskie 123A, 02-017 Warsaw

📞 +48 22 844 02 51

✉️ contact@quarticon.com

🌐 www.quarticon.com

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quarticon