



QUARTICON S.A.

QUARTERLY REPORT

2nd quarter of 2020

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Management Board's Commentary

Ladies and Gentlemen,

This year's second quarter was a difficult time for all of us (especially its first part). With the spread of the COVID-19 pandemic, the market experienced massive store closings and reduced revenues, and the situation of many businesses, in particular from the services sector, had deteriorated considerably. While it was a difficult time for QuarticOn too, its financial performance throughout Q2 2020 improved by more than EUR +33.8k (PLN +155k) relative to the previous quarter (EBITDA). Notably, EBITDA had returned to the positive position for June alone.

This performance is due to our entire team's hard work. With new sales contracts in Poland and abroad (as mentioned in our current reports), we were able to close our sales gap due to customer churn (we elaborate on this further in the report). We took measures to further reduce costs, including through better-negotiated deals, cutting them by EUR 46.4k (PLN 233k) relative to the previous quarter. We were actually hoping for slightly more, but slower negotiation and contract signing times were a part of the coronavirus pandemic's negative impact. In effect, some of these deals will be closed in Q3 2020.

The second quarter also involved intensive work on adding new features to our products. What we also saw was a growing popularity of the SmartSearch browser (it is nice to hear feedback from e-stores saying that their customers think highly of the solution, as they are "finally able to find the right products"). And we are planning to roll out a number of interesting solutions soon.

As far as corporate matters are concerned, the key event is the upcoming Extraordinary General Meeting, scheduled to take place on 28 August 2020. In addition to standard resolutions on the acceptance of the last year's financial statements (see Current EBI Report No. 10/2020 of 01 August 2020), the Meeting will vote on increasing the Company's share capital. With the newly raised capital, the Company will speed up its development in strategic areas: the SaaS channel (which holds considerable growth potential), on new markets and in the product domain (the Company is planning to commence work on a new, innovative product). Moreover, after the pandemic-affected period, marked by slowed-down efforts to find new potential acquisition targets, we are currently surveying the market for potential acquisitions. Realistically speaking, however, it will be difficult to close this process by the end of this year, so a suggestion has been made that the upcoming General Meeting of Shareholders extend the time limit for deploying the authorised share capital until the end of 2021.

It is worth stressing that, as challenging as it was for the Company, the second quarter, primarily towards the end (June), brought a fair amount of reinvigoration – in terms of both establishing new business relationships and advancing on existing ones. And while the third quarter is a holiday season, we hope the positive changes will continue into the coming months.

Management Board of QuarticOn S.A.



Paweł Wyborski
Founder,
President of the Management Board



Michał Giergielewicz
Member of the Board

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Covid-19 impact on QuarticOn's business

As mentioned at the beginning, Q2 2020 was heavily affected by the consequences of the economic lockdown instituted in late Q1 2020. Some industries and sectors of the economy (e.g. tourism, catering, hotels) lost their customers virtually overnight, while others (food, hygiene products, cosmetics) were unable to satisfy the increased demand for their products. Since QuarticOn S.A. provides e-commerce services for a broad spectrum of customers from a variety of e-commerce branches, we experienced both increased interest from some customers and a complete shutdown from others. The former translated into a greater popularity of QuarticOn's services, while the latter caused customers to put our services on hold or abandon them altogether (with the resulting higher-than-usual churn rate).

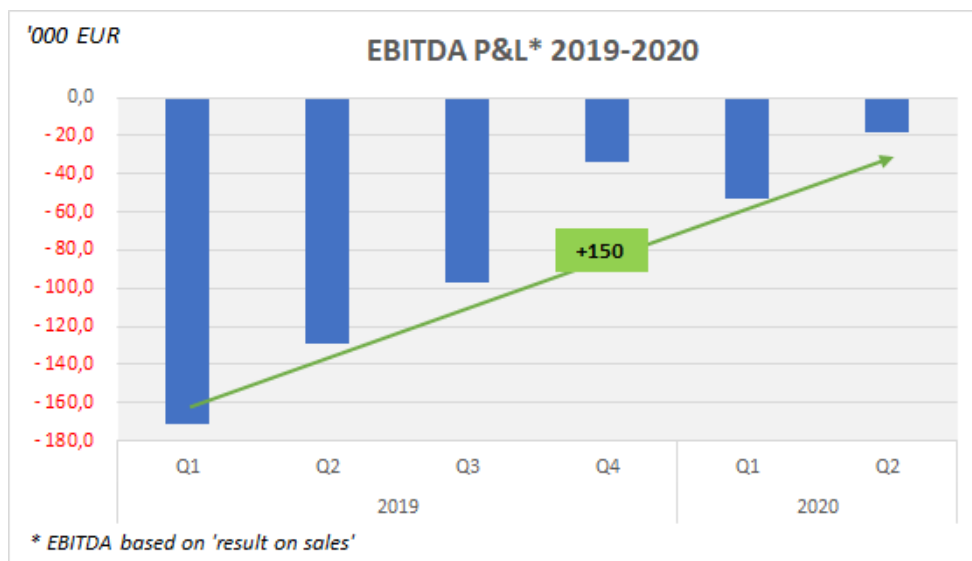
It should be emphasized, that from the perspective of the coming months, the situation is difficult to predict and unambiguously assessments. On the one hand, you can see the growing potential of the online sector, and on the other hand, there is also a feeling of uncertainty about the period „after holidays”.

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The most important financial data for the second quarter of 2020

Selected data from the profit and loss account for the second quarter of 2020

The Q2 2020 financial results are better than the Q1 2020 results: despite a slight decrease in sales, cost reductions enabled QuarticOn to improve its EBITDA by EUR +33.8k (PLN 155k) in quarter-to-quarter terms (while also achieving a positive result in June). Over a year and a half the Company managed to increase its EBITDA by over EUR 150k (PLN 700k).



As already mentioned, Q2 2020 sales were slightly lower relative to the previous quarter, but this difference was more than offset by the reduced costs. The latter (operating costs, including depreciation) were lower by EUR 46.4k (PLN 232k) (q/q). Here, the most significant decreases were recorded for pay levels (reductions) and outsourced services (contract renegotiations). Consequently, the Company's net income grew by EUR 65.1k (PLN 309k) relative to the previous quarter.

Selected data from Profit and loss statement

Items	'000 Euro				
	IIQ 2019	IQ 2020	IIQ 2020	IIQ 2020 / IQ 2020	IIQ 2020 / IIQ 2019
Net revenue from sales	268,3	242,3	229,7	-12,7	-38,6
Operating expenses excl. depreciation & amortization	-397,7	-294,4	-248,0	-46,4	-149,6
EBITDA (based on result on sales)*	-129,4	-52,1	-18,4	33,8	111,0
Amortisation and depreciation	-159,3	-146,8	-143,1	3,7	16,1
EBIT (operating result)	-271,8	-216,1	-146,4	69,7	125,4
Net result	-282,5	-224,5	-159,6	65,1	122,9

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

When comparing Q2 2020 and Q2 2019 results, the differences between key items are even more substantial. The negative effect of the sales drop by EUR 38.6k (PLN 115k) was offset by cost reductions at almost EUR 150k (PLN 585k). As a result, EBITDA improved by EUR 111k (PLN 468k), and net income by EUR 122k (PLN 489k) compared to last year.



Selected data from the balance sheet and cash flow statement

Balance sheet

Items	'000 Euro	
	As of 30.06.2020	As of 30.06.2019
Fixed assets	1 498,1	1 824,4
- including intangible and legal assets	1 493,3	1 813,5
Current assets	449,9	807,6
- including short-term investments (excl. overdraft)	14,6	290,0
Total Assets	1 948,0	2 632,1
Equity	999,1	1 780,6
Liabilities and provisions for liabilities	948,9	851,5
- including short term liabilities	502,1	777,5
Total Liabilities	1 948,0	2 632,1

Cash Flow

Items	'000 Euro	
	I-VI 2020	I-VI 2019
Net profit (loss)	-388,6	-612,8
Net cash flow from operating activities	92,2	-342,0
Net cash flow from financial activities	22,4	-46,9
Cash closing balance	14,6	290,0



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Key events in Q2 2020

4.1

Polish market (share of sales in the quarter: 66%)

The second quarter 2020 on the Polish market, like on others, was “marked” by the coronavirus. Still, in this period the Company managed to sign several major contracts and, perhaps more importantly, considerably upscaled its sales funnel, i.e. ongoing business talks with potential customers. In addition, as a gesture of solidarity in these hard times, QuarticOn provided three-month free access to one of its products – the “smart search” browser.

One of the highlights was the signing of a partnership agreement with Orange Polska S.A. under which QuarticOn’s e-commerce products will be included in the service offering by Orange Polska S.A. (the Company has prepared a dedicated offer for the Orange’ customers).

Orange Polska S.A. is one of the leaders on the Polish telecommunications market, with a large portfolio of business customers from the e-commerce sector – they represent a very interesting group of potential customers for the Company.

Nevertheless, in order to continue sales development, it is important to thoroughly revise the perception of the role the e-commerce channel plays for the growth of businesses. The Company’s customers are showing increasing interest in e-commerce, with growing budgets allocated towards it. In the mid- and long-term the global effects of these changes should have a durable and positive impact on the Company’s sales results.

4.2

Foreign markets (share of sales in the quarter: 34%)

QuarticOn continues to develop its foreign sales, although the pandemic has delayed the business talks processes. However, the contracts with customers from Serbia and Croatia we have recently signed afford a more positive outlook for QuarticOn.

Czech market / SaaS channel

The second quarter of 2020 on the Czech and Slovak markets was marked by talks with the customers who had suffered the most from the pandemic. We were able to extend contracts with some of them until the end of this year, and with a number of customers the agreements were extended for shorter periods. This also proved to be an opportunity to learn customers' opinions about our products and their expectations.

Following the turmoil caused by the pandemic (the consequences of which were suffered, for instance, by the Company's customers from e-commerce platforms, translating into lower sales in this channel, as mentioned by the Company in the current report - concerning sales in the SaaS channel), the Company intensified talks with agencies and partners to have them support the sales of QuarticOn's solutions in both the traditional and the SaaS channels. These businesses can reach potential customers directly and quickly, holding a prospect of increased sales in the months to come.

4.3

Marketing and customer success

The second quarter of 2020 for the company is primarily the optimization of marketing activities in terms of increasing the visibility of plugins sold in the SaaS model. The Marketing team focused on developing a new marketing strategy: communication was changed and specialized „content” was developed to facilitate the configuration of the tools offered by the Company.

The company aims to increase the awareness of the potential client about the services offered. To help in this task they have in particular:

- specialized help-center showing the functioning of an e-commerce store in the SaaS model with the company’s products,
- expansion of information collected about customers by e-commerce stores,
- optimization of marketing campaigns,
- index of new functionalities with a new price list on the website.

The company focuses on automation and greater independence of customers. An important goal of the activities is to minimize the participation of QuarticOn employees in the process of implementation the company's application for clients.



4.4

IT and products

The second quarter of 2020 was marked by intensive work on further improving QuarticOn's products. New campaigns were added and changes were made in the email generator within the Marketing Automation module, and the mailing speed was considerably increased.

A number of improvements were also made to SmartSearch, a solution which met with a very warm reception (one of them is the suggester, providing customers with phrase suggestions).

Since the Company's tools offer extensive possibilities and configuration options, "the customer panel" (control centre) is also being constantly improved. Last quarter we also added new product segregation options, results preview and the option to display website results).

Furthermore, the Company is continuously optimising its IT infrastructure to reduce costs on the one hand, and to keep them at a similar level despite greater data streams, on the other.



SmartSearch is one of the most notable solutions launched recently by the Company. In the second quarter of 2020 alone, the solutions we implemented supported more than 11 million searches. Easy to implement, the product offers considerable benefits, driving search engine revenues (e.g. +45 percent for one of our customer) and providing insights into customer needs, as well as allowing a very quick response due to SmartSearch's real-time monitoring of results. Detailed settings and robust statistics are the two core qualities that make SmartSearch a highly valuable source of insights into customer needs. Hence the very positive customer feedback.



4.5

Average Revenue Per Customer (ARPC¹) and churn²

In Q2 2020 SaaS sales made up 6 percent of total revenue. The ARPC for all customers in Q2 2020 was EUR 416 (PLN 1.860k), up by 4.9 percent from Q1 2020. Individual channels had the following ARPC:

ARPC	in Euro		
	Q1 2020	Q2 2020	trend
Total	397	416	4,9%
Traditional sales channel	569	627	10,2%
SaaS channel	62	67	8,4%

As already stressed, the Q2 2020 churn rate was higher than usual at 5.6%. The consequences of the pandemic (economic lockdown) suffered by QuarticOn's customers had partly led to customer attrition, as reflected in the higher level of this rate. Nevertheless, the Company is making efforts to minimise this type of negative impact. At this point, however, it is difficult to predict customer behaviour as the threat of COVID-19 continues to loom large.

¹ ARPC – average revenue per client

² Churn – the churn rate for the traditional sales channel only.

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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. 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 second quarter of 2020 amounted to EUR 0, the value of liabilities and assets is EUR 118k.

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 second 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 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 14th August 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	172 352	12,2%
Q Free Trading Limited	123 500	8,8%
ACATIS Investment KVG mbH	134 100	9,5%
Kamil Cisto	118 500	8,4%
Paulina Zamojska	72 574	5,2%
Others**	345 243	24,6%
Total	1 404 300	100,0%

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

** including key employees (ESOP)



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Information on the number of persons employed

At the end of June 2020, the Company employed or cooperated with 28 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 IIQ 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

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Shortened financial statement

10.1

Introduction

Basic information for the Company:

Name of the company:	QuarticOn Spółka Akcyjna
Seat:	Warsaw, Poland
Address:	02-017 Warsaw, ul. Aleje Jerozolimskie 123A
Incorporation date:	Notary deed of 13.05.2011 r.
<p>Entry to the Register of Entrepreneurs under National Court Register Number KRS 0000389015. The entry has been made by the District Court in Warsaw, 12th Commercial Division of the National Court Register on 11.06.2011. In result of a transformation into Spółka Akcyjna (Joint Stock Company), new number has been granted: KRS 0000715276.</p>	
Polish Taxpayer Identification Number (NIP):	5213608082
Polish Business Registry Number (Regon):	142977414
On behalf of the Issuer, the following persons operate:	Wyborski Paweł – President of the Board, Giergielewicz Michał – Member of the Board
Company's manner of representation:	Each member of the Board independently

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

- 1st Quarter of 2020: 1 EUR = 4.5523 PLN (zł),
- 2nd Quarter of 2020: 1 EUR = 4.4660 PLN (zł),
- 2nd Quarter of 2019: 1 EUR = 4.2520 PLN (zł).

10.2

Balance sheet

Assets

Items in '000 Euro		As of 30.06.2020	As of 30.06.2019
A.	Fixed assets	1 498,1	1 824,4
I.	Intangible and legal assets	1 493,3	1 813,5
1.	R&D expenses	1 489,3	1 800,8
2.	Goodwill	0,0	0,0
3.	Other intangible assets	4,1	12,7
4.	Advances for intangible assets	0,0	0,0
II.	Tangible fixed assets	3,6	10,9

1.	Tangible fixed assets in use		3,6	10,9
	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	3,5	10,4
	d)	means of transport	0,0	0,0
	e)	other tangible fixed assets	0,1	0,6
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	0,0
1.	Real property		0,0	0,0
2.	Intangible and legal assets		0,0	0,0
3.	Long-term financial assets		1,1	0,0
	a)	in related parties	1,1	0,0
	b)	in other parties, in which the company holds capital commitment	0,0	0,0
	c)	in other parties	0,0	0,0
4.	Other long-term investments		0,0	0,0
V.	Long-term prepayments		0,0	0,0
1.	Deferred tax assets		0,0	0,0
2.	Other prepayments		0,0	0,0
B.	Current assets		449,9	807,6
I.	Inventory		0,0	0,0
1.	Materials		0,0	0,0
2.	Intermediate products and work in progress		0,0	0,0
3.	Finished products		0,0	0,0
4.	Goods		0,0	0,0
5.	Advances for deliveries and services		0,0	0,0
II.	Short-term receivables		172,7	286,2
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 ent		172,7	286,2
	a)	trade receivables, maturing:	122,0	218,9
		- up to 12 months	122,0	218,9
		- over 12 months	0,0	0,0
	b)	receivables from tax, subsidies, customs, social security and other benefits	18,0	33,2
	c)	other	32,7	34,1
	d)	claimed at court	0,0	0,0
III.	Short-term investments		14,6	290,0
1.	Short-term financial assets		14,6	290,0
	a)	in related parties	0,0	0,0
	b)	in other parties	0,0	0,0
	c)	cash and other pecuniary assets	14,6	290,0
2.	Other short-term investments		0,0	0,0
IV.	Short-term prepayments		262,6	231,5
C.	Called up share capital not paid		0,0	0,0
D.	Own shares (stocks)		0,0	0,0
Total Assets			1 948,0	2 632,1

Equity and liabilities

Items in '000 Euro		As of 30.06.2020	As of 30.06.2019
A.	EQUITY	999,1	1 780,6
I.	Share capital	31,4	29,1
II.	Supplementary capital, including	4 193,3	4 254,3
	- share (stock) premium	4 193,3	4 254,3
III.	Revaluation reserve, including:	0,0	0,0
	- from fair value adjustment	0,0	0,0
IV.	Other reserve capitals	0,0	0,0
	- created in accordance to articles of incorpor. of the Company	0,0	0,0
	- on own shares (stocks)	0,0	0,0
V.	Profit (loss) from previous years	-2 837,0	-1 889,9
VI.	Nett profit (loss)	-388,6	-612,8
VII.	Write-off on net profit during the financial year (negative value)	0,0	0,0
B.	Liabilities and provisions for liabilities	948,9	851,5
I.	Provisions for liabilities	32,9	31,6
1.	Provision for deferred income tax	0,0	0,0
2.	Provision for retirement and similar benefits	6,3	0,0
	- long-term	0,0	0,0
	- short-term	6,3	0,0
3.	Other provisions	26,7	31,6
	- long-term	0,0	0,0
	- short-term	26,7	31,6
II.	Long-term liabilities	356,0	0,0
1.	To related parties	0,0	0,0
2.	To other parties in which the company holds capital commitment	0,0	0,0
3.	To other parties	356,0	0,0
	a) credits and loans	356,0	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

III.	Short-term liabilities	502,1	777,5
1.	To related parties	59,6	61,4
	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	59,6	61,4
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	442,5	716,2
	a) credits and loans	270,6	618,0
	b) arising from issuance of debt securities	0,0	0,0
	c) other financial liabilities	0,0	0,0
	d) trade liabilities, maturing:	130,6	75,2
	- up to 12 months	130,6	75,2
	- 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	31,9	22,2
	h) payroll liabilities	6,8	0,5
	i) other	2,6	0,2
4.	Special funds	0,0	0,0
IV.	Accruals	57,9	42,3
1.	Negative goodwill	0,0	0,0
2.	Other accruals	57,9	42,3
	- long-term	0,0	0,0
	- short-term	57,9	42,3
Total Liabilities		1 948,0	2 632,1

10.3

Profit and loss statement

Items in '000 Euro		YTD 2020	Only IIQ 2020	YTD 2019	Only IIQ 2019
A.	Net revenue from sales	476,7	229,7	560,5	268,3
	from related parties	0,0	0,0	0,0	0,0
I.	Net revenue from sales of products	476,7	229,7	560,5	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	841,4	391,2	1 190,4	556,9
I.	Amortisation and depreciation	292,1	143,1	317,2	159,3
II.	Consumption of materials and energy	4,2	1,2	10,8	3,6
III.	External services	354,7	164,6	491,5	210,3
IV.	Taxes and charges, including:	3,8	1,1	8,0	3,3
	- excise duty	0,0	0,0	0,0	0,0
V.	Payroll	161,3	72,3	310,0	154,3
VI.	Social security and other benefits, including:	15,8	5,4	39,8	22,5
	- retirement benefits	12,9	5,9	24,0	11,9
VII.	Other prime costs	9,5	3,4	13,1	3,5
VIII.	Value of goods and materials sold	0,0	0,0	0,0	0,0
C.	Profit (loss) on sales (A - B)	-364,7	-161,5	-629,9	-288,7
D.	Other operating revenues	18,1	17,1	37,9	16,9
I.	Gain on disposal of non-financial fixed assets	0,2	0,1	0,0	0,0
II.	Subsidies	0,0	0,0	0,0	0,0
III.	Other operating revenues	16,7	16,7	35,1	16,7
IV.	Other operating revenues	1,2	0,4	2,7	0,3
E.	Other operating expenses	20,2	2,0	2,4	0,1
I.	Loss on disposal of non-financial fixed assets	0,0	0,0	0,0	0,0
II.	Revaluation of non-financial assets	0,0	0,0	0,0	0,0
III.	Other operating expenses	20,2	2,0	2,4	0,1
F.	Profit (loss) on operating activities (C+D-E)	-366,8	-146,4	-594,4	-271,8
G.	Financial revenues	0,0	-2,1	3,5	1,0
I.	Dividend and profit sharing, including:	0,0	0,0	0,0	0,0

	a) from related parties, including:	0,0	0,0	0,0	0,0
	- those in which the company holds capital commitment	0,0	0,0	0,0	0,0
	b) from other parties, including:	0,0	0,0	0,0	0,0
	'- those in which the company holds capital commitment	0,0	0,0	0,0	0,0
II.	Interest, including:	0,0	0,0	3,5	1,0
	- 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	-2,1	0,1	0,0
H.	Financial expenses	21,9	11,1	21,9	11,7
I.	Interest, including:	21,5	10,7	21,9	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	0,4	0,4	0,0	0,7
I.	Gross profit (loss) (F+G-H)	-388,6	-159,6	-612,8	-282,5
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)	-388,6	-159,6	-612,8	-282,5

10.4

Cash flow statement

Items in '000 Euro		YTD 2020	YTD 2019
A.	Cash flow from operating activities - indirect method		
I.	Net profit (loss)	-388,6	-612,8
II.	Total adjustments	480,8	270,9
	1. Amortisation and depreciation	292,1	317,2
	2. Profit (loss) from differences of exchange rates	0,0	0,0
	3. Interest and profit sharing (dividend)	20,9	18,5
	4. Profit (loss) on investment activities	-0,2	0,0
	5. Change in provisions	-6,3	10,2
	6. Changes in inventory	0,0	4,7
	7. Change in the balance of receivables	51,4	21,6
	8. Change in short-term liabilities excluding credits and loans	81,0	-77,2
	9. Change in prepayments and accruals	42,0	9,3
	10. Other adjustments	0,0	-33,3
III.	Net cash flow from operating activities (I+/-II)	92,2	-342,0
B.	Cash flows from investment activities	0,0	0,0
I.	Inflows	0,2	3,5
	1. Disposal of intangible and legal assets, tangible fixed assets	0,2	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	3,5
	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	3,5

		- 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	3,5
		- other inflows from financial assets	0,0	0,0
	4.	Other inflow from investment activities	0,0	0,0
II.	Outflows		150,4	236,9
	1.	Purchase of intangible and legal assets, tangible fixed assets	150,4	236,9
	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
III.	Net cash flows from investment activities (I-II)		-150,1	-233,5
C.	Cash flows from financial activities		0,0	0,0
I.	Inflows		32,9	0,0
	1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0,0	0,0
	2.	Credits and loans	32,9	0,0
	3.	Issuance of debt securities	0,0	0,0
	4.	Other inflows from financial activities	0,0	0,0
II.	Outflows		10,4	46,9
	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	35,3
	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	10,4	11,6
	9.	Other outflows from financial activities	0,0	0,0

III.	Net cash flow from financial activities (I-II)		22,4	-46,9
D.	Total net cash flows (A.III+/-B.III+/-C.III)		-35,5	-622,3
E.	Balance sheet change in cash, including:		-35,5	-622,3
	- change in cash due to exchange differences		0,0	0,0
F.	Cash opening balance		50,1	912,3
G.	Cash closing balance (F+/- D), including:		14,6	290,0
	- of limited disposability		0,0	0,0

10.5

Statement of changes in equity

Items in '000 Euro		As of 30.06.2020	As of 30.06.2019
I.	Opening balance of equity (OB)	1 387,7	2 393,4
	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	1 387,7	2 393,4
1.	Opening balance of share capital	31,1	29,1
	1.2. Closing balance of share capital	31,4	29,1
2.	Opening balance of called up share capital	0,0	0,0
	2.1. Changes in called up share capital	0,0	0,0
	a) increase (due to)	0,0	0,0
	- called up share capital not paid	0,0	0,0
	b) decrease (due to)	0,0	0,0
	2.2. Closing balance of called up share capital	0,0	0,0
3.	Opening balance of own shares	0,0	0,0
	3.1. Increase in own shares	0,0	0,0
	3.2. Closing balance of own shares	0,0	0,0
4.	Opening balance of supplementary capital	4 193,3	4 254,3

	4.1. Changes in supplementary capital	0,0	0,0
	4.2. Closing balance of supplementary capital	4 193,3	4 254,3
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)	-2 837,0	-1 889,9
	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	-2 837,0	-1 889,9
	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	-2 837,0	-1 889,9
	7.6. Closing balance of previous years' loss	-2 837,0	-1 889,9
	7.7. Closing balance of previous years' profit (loss)	-2 837,0	-1 889,9
8.	Net result	-388,6	-612,8
	a) net profit	0,0	0,0
	b) net loss	-388,6	-612,8
	c) write-offs on profit	0,0	0,0
II.	Closing balance of equity (CB)	999,1	1 780,6
III.	Equity including proposed profit distribution (loss coverage)	999,1	1 780,6

10.6

Additional information (2nd quarter of 2020)

Sales structure:

Items in thou. Euro	01.04.2020 – 30.06.2020	01.04.2019 - 30.06.2019
Revenue from sales of products	229,7	268,3
- In Poland	150,5	182,6
- Other countries	79,2	85,7

Investments:

Investments	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
R&D Investment Offset	-59,3	-100,1



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 revaluing its value into other operating expenses. If the reason for the asset impairment write-off ceases, value equal to the entire asset or its constituent part previously wrote-off increases the value of an asset and is included respectively into other operating revenue.

Depreciation is being carried out with use of the straight-line method, established individually for each intangible and legal asset. Standard depreciation period and annual depreciation rate are established with useful economic life of an asset taken into account. Correctness of adopted periods and rates is verified periodically.

Non-property assets with initial value below PLN 3 500,00 are written-off once, in the month they are put into use.

Capital work in progress is valued in the amount of total direct costs of acquiring, lowered by impairment write-offs.

Capital work in progress is not depreciated until it is finished and put into use.

Investments

Investments cover assets acquired from economical benefits caused by increase in value of these assets, revenue acquired from them in form of interest, dividends (share in profit) or other benefits, including trade transactions. In particular, investments are financial assets, real estate and intangible assets that are not used by the Company, but were acquired for the purpose of these benefits.

Real estate and intangible and legal assets included into investments are valued in accordance to the principles for valuing fixed assets and intangible and legal assets.

Shares in subsidiaries are valued in accordance to purchase price with possible impairment taken into account.

Receivables

Receivables are valued in the amount due, with observation of conservative valuation principle and presented in their net value (lowered by impairment write-downs).

Value of receivables is subject to periodic revision, taking into account the probability for it being paid through an impairment write-off.

Impairment write-offs are also being made for receivables brought to court. Impairment write-offs are included respectively to other operating or financial expenses in dependence of the type of receivable the write-off concerns.

Extinguished, expired or uncollectible (bad) debts lower the previous write-offs lower. If there were no write-offs for a given extinguished, expired or uncollectible (bad) debt, a write-off is made directly in other operating costs.

Inventory

The value of the inventory is calculated on the basis of purchase price, while rotation is valued with use of the FIFO principle.

In the balance, inventory is presented at its net value, i.e. lowered by the value of write-downs caused by it being valued in accordance to its net sales value.

Cash and cash equivalents

Cash in bank and at hand is valued in accordance to its nominal value.

Prepayments and accruals

Prepayments are being presented in relation to costs incurred that concern the future reporting periods.

Accruals are being presented in the value of probable debts in the current reporting period, caused in particular:

- by payments made for the benefit of the unit by its trade partners, if the debt value can be realistically valued,
- by obligations related to current activity, future payments to unknown parties that can be estimated despite the fact that the day when liability will arise is not known yet, including warranty repairs and statutory warranty for long life products sold.

Equity

Equity is presented in the amount indicated in the articles of incorporation and entered into the court register. Declared, but not paid capital contributions are presented as called up share capital not paid. Supplementary capital is made from additional contributions. Reserve capital is made from previous years' profit

Provisions for liabilities

Provisions for liabilities are presented in their justified, reliably estimated value.

These provisions are being made for:

- definite or largely probable future liabilities, the amount of which can be reliably estimated, in particular for losses from economic transactions in progress, for warranties made, guarantees, credit operations, results of court proceedings in progress;
- retirement and disability packages required by provisions of Art. 92 of the Labour Code. The provision is made in amount basing on the estimated probability of reaching retirement age in a 5-year age ranges.

Liabilities

Liabilities are being presented in the amount due.

Unearned revenue

Unearned revenue is valued in accordance to conservative valuation principle and cover the value of funds received or due from trade partners to be paid in future reporting periods.

Deferred income tax

The company stopped estimating assets due to deferred income tax, because the difference between the gross financial result and tax base - after eliminating the so-called fixed differences - is minimal.

Revenue recognition

Sales revenue is recognized in the moment the goods are supplied or the service is provided. Sale present the net value, i.e. not considering VAT and any rebates granted.

Costs

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

QuarticOn Board:



Paweł Wyborski
President of the Board



Michał Giergielewicz
Member of the Board



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