



**QuarticOn S.A.**

# **Annual Report**

## **2019**

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### FX rates impact notice:

All currency values were converted to EUR using following exchange rates: year 2018 EUR 1 = 4.3 PLN and year 2019 EUR 1 = 4.2585 PLN. It resulted that some figures related to dynamics or periodic changes are different than those presented in PLN in Polish issue of the Report.





**Annual Report of the  
Management Board for  
the Year 2019**



## 1.1

# Letter to the Shareholders

### **Ladies and Gentlemen,**

The year 2019 was a challenging period for QuarticOn. Most notably, the Company had to deal with issues such as process reorganisation, cost reduction, launching SaaS sales and, at the very beginning of 2019, its NewConnect début. All these developments have changed our Company dramatically, and for the better, as we can best see it now.

QuarticOn's NewConnect stock exchange float was a significant and extraordinary event for the Company and its employees, forcing us to make extensive changes within the organisation and to revise our thinking about QuarticOn – indeed, being a publicly traded company involves many new responsibilities and a fair share of limitations, as well as, most importantly, a greater sense of responsibility for the Company's performance.

In order to understand just how much the Company has changed and improved its financial results over the year, its performance should be looked at through the lens of its efforts in individual quarters. QuarticOn's reorganisation (sales process overhaul and cost optimisation) was perhaps the greatest challenge of the last year – not only because of the sheer scope (affecting

all areas of the Company's operations), but also due to the difficult decision we had to make to downsize our workforce. Nevertheless, looking at the Company's performance in early (Q1 2019) and late 2019 (Q4 2019), the impact of these changes is massive: operating costs (excluding amortisation) reduced by EUR 173.77k (PLN 0.74 million), EBITDA increased by EUR 150.30k (PLN 0.64 million) and net income grew by EUR 105.67k (PLN 0.45 million). This is perhaps better demonstrated in absolute EBITDA figures: EUR -183.03k (PLN -779.00k) in Q1 2019 and EUR -32.94k (PLN -140.00k) in Q4 2019. Here, great credit should go to the entire team of QuarticOn for its highly professional approach to, and consistent efforts in, carrying out the demanding reorganisation process.

Changes in sales processes are always associated with the risk of momentary revenue issues. There is the inevitable risk of periodic fluctuations in revenue, as experienced by the Company at some points of 2019: the churn rate at the beginning of the year was much higher than we would have wanted it to be (we terminated our relationship with several major customers – some of these were voluntary decisions, some not). Still, in annual terms, sales revenue remained at the same level as a year before, albeit with a much bigger proportion of foreign sales (32 percent in 2019 compared to 24 percent in 2018).

And new solutions continue to be developed as part of the Company's reorganisation project.

<sup>1</sup> For quarterly performance: EBITDA is calculated on the basis of the profit on sales and for annual performance: EBITDA is calculated based on EBIT.

Commercially, the SaaS sales launch was the highlight of the last year. Here, a note of explanation is warranted: QuarticOn has provided SaaS services, i.e. cloud-based services, from its very foundation. For a long time, however, we had more of a traditional approach to the sales process itself, winning customers thanks to our outstanding team of distributors and a group of commercial partners. Starting from Q3 2019, we have been doing this in a more up-to-date format of SaaS, selling our services as plug-ins (applications) on e-commerce platforms. We believe that the market holds a lot of promise, allowing us to scale our sales faster than the traditional model. We started with platforms in Poland, the Czech Republic and Slovakia. And at the end of 2019 this channel made up 6 percent of our revenue. After five months. Of course, objectively speaking, it is not a game changer for our business yet, and we are still learning how to be as effective as possible within this sales model. Nevertheless, we think the 2020 SaaS results will be quite interesting.



The 2019 milestones we have mentioned laid the foundation for the Company's further development in 2020. We are more efficient and resilient, and we have a better and more flexible offer for our customers, as well as a team that is eager to take on new, ambitious challenges. Recent months have shown that we are able to "fight" in a dynamic market environment as the Company continues to push forward despite many obstacles and a precarious market situation amidst the COVID-19 pandemic.

**Regards**



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**Paweł Wyborski**  
Founder and President of the Board,  
QuarticOn S.A.



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**Michał Giergielewicz**  
Member of the Board

## 1.2

# Company background

The QuarticOn S.A. company (“QuarticOn”, “the Company”) emerged from the conversion of Quartic Sp. z o.o. (a limited-liability company), and was officially established after its entry into the National Court Register in February 2018. Its legal predecessor was registered in June 2011, and until 2015 the Company engaged in a different kind of business within that predecessor’s framework, using e-commerce data to improve the effectiveness of online advertising. Following an in-depth market analysis, in 2015 the Company decided to focus on developing a tool based on artificial intelligence (AI) and a sales process and online marketing support and personalisation system.

The Company’s authorised representatives are:



**Wyborski Paweł**

President of the Board



**Giergielewicz Michał**

Member of the Board

## 1.3

# Corporate matters

### 1.3.1

## IPO and share issues

**IPO:** on 18 January 2019 the Company made its début on the NewConnect market organised by the Warsaw Stock Exchange (GPW), floating its Series A and E shares to the public. This was the second IPO on NewConnect in 2019.

**New share issues:** under Resolution No 3 of the Extraordinary General Meeting of QuarticOn S.A. of 08 November 2019 on the issue of Series F shares a total of 16 100 shares were subscribed for under the new issuance by the existing shareholder ACATIS Investment Kapitalverwaltungsgesellschaft mbH. The shares have been duly subscribed and paid for, and the share capital increase was registered on 10 January 2020.

**New share issuance:** under Resolution No 232/2020 of the GPW Management Board Series B, C and F shares were to be first listed on 26 March 2020.



## 1.3.2

### **Management board composition in 2019**

As at the end of 2019 the Company's Management Board was composed of:



**Wyborski Paweł**

President of the Management Board



**Giergielewicz Michał**

Member of the Management Board

As at the date of this Report there have been no changes in the composition of the Company's Management Board.

## 1.3.3

### **Supervisory board composition in 2019:**

The following changes took place in the composition of the Supervisory Board in 2019:

- On 05 April 2019 Mr Sławomir Kornicki resigned as a Member of the Supervisory Board of QuarticOn S.A., effective immediately,

- On 09 April 2019 Ms Łucja Gdala handed in her resignation as a Member of the Supervisory Board of QuarticOn S.A.,
- On 17 April 2019 the Company received a declaration from Mr Paweł Wyborski, a Shareholder, signed on the same date, on the dismissal of Ms Paulina Zamojska as a Member of the Supervisory Board under § 12 (4) of the Company's Articles of Association and the appointment of Mr Bartłomiej Łagowski under § 12 (1)(b) of the Company's Articles of Association,
- The Extraordinary General Meeting of QuarticOn S.A. held on 24 April 2019 dismissed Mr Ludwik Majewski from the Supervisory Board, effective after 31 May 2019, and appointed Mr Paweł Lebiedziński and Mr Michał Markowski into the Supervisory Board, effective from 24 April 2019,
- The Annual General Meeting of QuarticOn S.A. held on 27 June 2019 appointed Mr Paweł Chojecki into the Supervisory Board, effective from the same day.

#### 1.3.4

### **Corporate governance**

In its EBI Report No 4/2019 of 30 January 2019 the Company outlined its policies to follow the “Code of Best Practice of NewConnect Listed Companies”. Last year the Company followed all of these practices.

## 1.4

# **Subsidiaries and affiliates; no obligation to issue consolidated financial statements**

The Company has a 50% shareholding in QuarticOn (Shanghai) Company Ltd., which, however, is not operational yet and as such does not have any significant impact on the Company's business. QuarticOn is considering to use the said entity in the future to sell its services on Asian markets.

QuarticOn Ltd., a London-based company, was registered on 19 March 2019, after the reporting period. It is wholly owned by QuarticOn S.A. As at the date of this Report, this entity has not become operational yet.

Consequently, QuarticOn is exempt from the obligation to issue a consolidated report incorporating the above-mentioned related parties under Article 58 (1) of the Accounting Act.



## 1.5

# The company's business

### 1.5.1

## Core business

QuarticOn S.A. is a technology company developing cloud-based SaaS applications.

Under the SaaS model the application is stored and executed on the service provider's computers, and made available to users online. Consequently, the program does not have to be installed and started on customer computers. In other words, installation, administration, updates and technical support responsibilities shift from the customer to the service provider, with the former agreeing for the latter to take control of the software and ensure its continued functionality.

The Company's mission is to deliver smart and autonomous applications designed to solve specific business problems encountered by e-commerce site administrators using AI algorithms based on insights from customer-website data. QuarticOn's technology is a cloud-based SaaS solution, so it is easy to deploy and use anywhere in the world.

As at the date of this Report QuarticOn offers its services both in the traditional sales format (a network of distributors and partners) and under the new model, as apps (plug-ins) for e-commerce platforms. This way our offering is available for the smallest e-stores operating on platforms, as well as for the



largest business groups dealing with omnichannel commerce.

The traditional range includes more than 90 features, grouped into packages with different scopes of services, such as product recommendations, marketing automation and smart search, while the new model consists of a single key feature designed to solve one e-commerce challenge and running as a plug-in on the e-commerce platforms.

QuarticOn's primary markets are in Central Europe (Poland, the Czech Republic, Slovakia, Baltic states), but it also has customers in Serbia, the UK and Croatia.

## 1.5.2 **Development strategy**



### 1.5.2.1 **Market environment**

According to e-Marketer's (a business intelligence firm) 2019 May report, global retail sales will amount to USD 25.038 trillion in 2019, a 4.5 percent increase in annual terms. The expected rate of growth in 2019 will be slightly higher than in 2018 (4.3 percent), yet lower in comparison to 2013–2017, when the market grew at a rate of 5.7–7.5 percent annually. Global retail sales will grow at slower rates in 2018 and 2019 because of the growing economic uncertainty and the waning economic growth in many regions of the world.

E-commerce, the Company's target market, is one of the fastest-growing segments of the global economy. In 2018 it had an estimated value of USD 2.928 trillion, an approx. 23 percent increase relative to 2017. As already noted, eMarketer's analysts expect online sales to grow at a slower rate in 2019, although they assume a growth trend in excess of 20 percent to USD 3.535 trillion. Starting from 2020, the market is projected to grow at a consistently high rate, estimated in the range of 14.9–19.0 percent. Although the development rate of this segment is projected to decrease, it is predicted that online sales will amount to USD 6.542 trillion in 2023, up by approx. 85 percent from the current level.

VALUE OF THE E-COMMERCE MARKET IN  
2018:

**2.928 trillion USD**

ESTIMATED VALUE OF THE E-COMMERCE  
MARKET IN 2019:

**3.535 trillion USD**

PREDICTED ESTIMATED VALUE OF THE  
E-COMMERCE MARKET IN 2023:

**6.542 trillion USD**

MARKET INCREASE IN 2018  
RELATIVE TO 2017:

**23%**

STARTING FROM 2020, THE MARKET  
IS PROJECTED TO GROW:

**14.9-19.0%**

MARKET INCREASE IN 2023  
RELATIVE TO 2019:

**+85%**

## 1.5.2.2

### Development strategy

The Company's strategy aims for dynamic organic growth in line with the previously mentioned market trends, based on three growth pillars:



#### **Expansion into new markets.**

The Company is currently a leader in the segment of personalised product recommendations on the Central European market. In the short-term (one to three years) QuarticOn is planning to consolidate its position on this market (in the Czech Republic, Slovakia and Hungary), as well as to expand into Western European markets (including the UK). In the long term (four to six years) the Company will aim to expand further, going into the US and, later, Asian markets.



#### **Product portfolio expansion.**

The Company assumes that its end-of-2019 product portfolio will underpin its market offering, aligned with the needs of various groups of potential customers. QuarticOn S.A. believes that in the coming one to two years it will be critical to focus product portfolio efforts on developing AI-based tools designed to bring a new quality to marketing automation and product recommendation. From a three to five years' perspective, the Company is considering developing new AI- and machine learning-based technologies designed to customise offerings for mass customers – conceptual work on such solutions is already in progress.





### **Developing traditional and new sales channels.**

QuarticOn's development will largely rely on the launch of service sales through e-commerce platform applications. Given its scale (about 2 million SOHO stores) and the sales process in the full SaaS model, this market segment is highly appealing to the Company. By opening this sales channel in 2019, QuarticOn could "learn" how to operate in this sales model. Looking at how this channel is developing, the Company expects to secure a substantial number of customers from multiple foreign markets.

By carrying out this plan across the three pillars described above, QuarticOn will transform its business, in a matter of four to five years, to rely on three sales channels (B2B, partnership and SaaS), providing a range of new, customised services (small customers on platforms on the one hand, and major omnichannel organisations on the other) and offering innovative AI-based solutions, among others. Its offering will be available across the European Union and in North America.



## 1.6

# Summary of key events in 2019

### 1.6.1

## Sales models

The Company's services are based on the SaaS (software as a service) model, where software is offered as a cloud-based online service, allowing customers to use it without installation. However, the sales process alone is handled through two channels: the traditional one, based on the Company's own sales structures and a network of partners, and the new one, via e-commerce platforms, where it sells its services (applications) as plug-ins for e-stores operating on a given platform. In simplified terms, this channel is also referred to as "the SaaS channel". It is a new sales model of the Company, which started to be developed in Q3 2019.



## 1.6.2

### **Polish market (68 percent of revenue)**

In 2019 the Polish market accounted for 68 percent of the Company's revenue. QuarticOn's customer mix is highly diverse: from small entities to big online stores, to large omnichannel networks.

Last year the Company made an overhaul of its sales model (implemented in Q2 2019) and product offering. Currently, its range includes about 90+ features, all effective tools to optimise sales across e-commerce channels, which can be deployed stage- or group-wise. The modular offering allows customers who have successfully implemented the initial features to purchase more features to satisfy their emerging needs (e.g. consulting or advisory services). With our new sales model, we are able not only to win new customers and partners, but also to be actively involved in the development of additional services for our existing customers. These changes were also supported by marketing measures: efforts in social media, new-product promotion and building QuarticOn's brand as an e-commerce expert.

Late 2019 saw the Company launch a new product for the Polish market, called "Smart Search" (first deployments had been completed in early 2020). "Smart Search" is a smart search engine built in the customer's e-store which can be integrated with the recommendations engine.

One of the most significant developments for the Company took place in Q3 2019, when it launched its SaaS sales via e-commerce platforms in Poland, the Czech Republic and Slovakia. This is a whole new sales model for the Company, offering the potential to drive sales stronger than the traditional channel.

### 1.6.3

## Foreign markets (32 percent of revenue)

The proportion of foreign markets in revenue increased from 24 percent in 2018 to 32 percent in 2019. In the first half of 2019 the Company secured customers through its traditional channel, and in the second half of the year also via e-commerce platforms (the SaaS channel). This explains why the bulk of the Company's efforts in the last months of 2019 focused on building this sales channel on the Czech and Slovak markets. These efforts were the primary factors behind the Company's substantial revenue increase in this area.

In addition, at the turn of 2020 we began talks with new e-commerce platforms in Europe and commenced work on further products to be available on them later in 2020.

THE PROPORTION OF FOREIGN  
MARKETS IN REVENUE:

**32%**

SALES SCALE:

**EUR 350k**



## 1.6.4

### Czech and Slovak markets

According to Datanyze, QuarticOn is a market leader in its segment in the Czech Republic.

In early 2019 the Company also stepped up its efforts to expand to the Slovak market, establishing cooperation with three partners:

#### **PRICEMANIA.SK** **Pricemanía.**

One of the most popular comparison shopping websites for which we have developed a unique solution for real-time personalisation of products from about 8 000 stores. QuarticOn's cooperation with Pricemanía.sk also involves a promotional partnership based on Pricemanía's active educational efforts on the Slovak market.

#### **CREATIVE** sites

#### **CreativeSites.**

With which a deal was made to provide personalised-recommendation services. It is an e-commerce platform used by more than 400 customers, mainly small and medium-sized stores. In choosing them as a partner, the Company also recognised that this platform, too, will soon be integrated with QuarticOn's services (as of now, one multi-store, present also on other markets outside of Slovakia, has been implemented as a pilot project).

#### **BIDDING [TOOLS]** **BiddingTools.**

The leader in CPC campaign automation on the Czech and Slovak markets. Through integration with QuarticOn solutions, they aim to drive the efficiency of their services.

Hence, QuarticOn is hoping this partnership will help to actively promote its technology among BuildingTools' customers.

By partnering with new entities and engaging in efforts to promote QuarticOn's brand on the Czech and Slovak markets (including through articles in e-commerce media), the Company is expecting to improve its brand recognition in the medium term, consolidate its position on these markets and win new customers, as well as drive its sales.

In the second half of 2019, in addition to securing new customers through its traditional channel, the Company also invested resources in integration with platforms and searched for technology partners to support tool deployments at new customers on the Czech and Slovak markets. Another major event took place in early August, with QuarticOn's commercial launch of its application on the [Shoptet.cz](#) and [Shoptet.sk](#) platforms, and on CreativeSites. Hence, the last months of 2019 on these markets were marked by work on sales expansion in the SaaS channel: the Company performed an analysis of its first platform deployments and made a number of changes to further automate app installation. New features were developed for some customers, and these were later made available to all stores on CreativeSites.sk.



## 1.6.5

### **The UK market**

QuarticOn's sales results on the UK market in Q1 2019 were far below expectations (despite the Company's presence on fairs and seminars in the UK, and its meetings with representatives of e-commerce businesses), making it commercially unreasonable to maintain a two-person sales representation team.

Consequently, in Q1 2019 the Company decided to shift its mode of operation on this market to a partnership-based model, the aim being to build a network of business partners working on a pay-per-customer basis. In addition, we established QuarticOn Ltd. (a company wholly owned by QuarticOn SA) to help us develop commercial relationships in the UK. This entity is meant to be the party which enters into contracts with UK partners.

With this new operational model, we were able to achieve cost savings (by eliminating fixed costs associated with the sales representation team), but winning reliable partners proved to be a much more time-consuming process than the Company initially thought. As cost optimisation and SaaS sales deployment were the key priorities for the Company at the time, the UK venture had been rescheduled to the second half of 2020.





## 1.6.6

### Marketing and promotion

QuarticOn's marketing activities in the year in question were carried out in several key areas:



**Optimisation of marketing and promotional efforts:** The Marketing Team reviewed the scope and effects of the marketing efforts, allowing the Company to reduce its marketing costs on the one hand, and to develop and launch new advertising campaigns, using far superior content than previously, on the other.



**Communication and image building:** One of the aims for 2019 was to increase the Company's recognisability outside of Poland (in other European countries). In the first months of 2019 the Company had its website professionally translated into English and Czech, and added new contact forms (linked to specific sellers and their calendars), and new features to meet the needs of individual markets. With new CRM tools, we were able to automate our critical marketing efforts and communication with customers and business partners.



**New pricing and offering:** QuarticOn's Marketing Team has designed and developed a new product price list, and also thoroughly revised the description of our system's features, providing a much better explanation of how they work. Communication involving the updated offering has been simplified and adjusted to allow customers to match their QuarticOn subscription and services to their needs with ease (modular design).



**New tools:** One of the steps to streamline our processes was to deploy a single integrated CRM tool for all users involved in winning and retaining customers. The key elements of the deployment were completed in Q4 2019, enabling QuarticOn to manage its sales funnel much more effectively, and to communicate with potential customers on an automated basis.

In 2019 the Company carried out a strategy involving publication of expert content on e-commerce support (including webinars dedicated to specific subjects around e-commerce) – more than 700 individuals watched these materials over only a quarter. Video materials were highly popular as well. The Company produced more than 20 short training videos on e-commerce to explain how the market works in a simple and clear way.

Also, QuarticOn was invited by Publicis Groupe to participate in the preparation of Polish market's largest report on the e-commerce consumer: "Kręte ścieżki konsumenta" ("The Winding Ways of the Consumer"). The report was officially published at a nationwide conference, with Company representatives among the experts discussing the report's findings and the future of the e-commerce market and sales personalisation services.

MATERIALS DEVELOPED BY THE COMPANY WERE VIEWED  
BY OVER

**700 individuals**

## 1.6.7

### Customer service



The core responsibilities of the Customer Success Team in 2019 can be divided into four groups:

1

#### **Developing anti-churn measures:**

considering the negative impact of high churn rates in the first quarters of 2019, it was imperative for the Company to come up with new measures in this regard. Tool-wise, significant support came from the new CRM system (better customer communication, satisfaction surveys), and process-wise, positive outcomes were achieved by the overhaul of customer support measures and processes (quick problem response, fast quotation for new tools and support in solving ongoing e-store issues or dilemmas). One of such measures was to arrange and implement a system-embedded (based on the CRM system) “anti-churn funnel” with a clear-cut list of tasks for individual stages of customer cooperation (including methods and optimum types of customer communication). This helped us to introduce more structure to teamwork, establish a hierarchy of tasks and responsibilities, and also gain a much better insight into customer needs.

2

#### **Establishing the Help & Support Centre (HSC):**

Our Customer Service Team also worked on structuring and cataloguing knowledge (service, development, rules, Q&A, etc.) for existing and prospective customers in the form of a learning centre. This is part of HSC’s overhaul effort commenced in the last quarter of 2019, expected to make customer communication a much more automated process. The already-mentioned new training materials and short educational videos (clocking in at a total of 40 hours of video material) were in fact produced for this specific

purpose. QuarticOn assumes that this solution will offer greater control over the churn rate (and its reduction) on the one hand, and allow our customers to make the most of QuarticOn's system to drive the growth of their businesses on the other.

**3****Automating customer communication in line with customer life cycle:**

In Q3 and Q4 QuarticOn devised and implemented the final version of the solution to support automated customer communication for onboarding, trial period information, product and offering revisions. Customer communication is handled by email and chats.

**4****Paid “support plan”:**

Based on its experience and talks with customers, in 2019 QuarticOn developed the concept of “support plans”. This solution is designed to align support measures for individual customer groups, including through structuring information on the measures they may expect (as part of the support plan) and which of them are obligatory for us, and which ones are provided on-demand (at a charge). By changing this area of our customer services, we should be able to optimise the scale of development conclusions and act on them more efficiently. This solution was introduced on trial basis at the turn of 2020.

The Customer Success Team is responsible for direct contacts with the Company's customers. Certain periods of the year are dedicated to meetings with customers to summarise cooperation so far, as well as to agree on the scope of cooperation in the next months. At the same time, the Company promotes its new products and services, whether already on offer, or to be launched.

## 1.7

# IT infrastructure and product

### 1.7.1

## IT infrastructure



In early 2019 QuarticOn worked to optimise the IT infrastructure and to further improve its stability. In effect, we were able to achieve cost savings (starting from Q2) and considerable flexibility in managing these resources without compromising, but potentially enhancing, its functionality. In 2019 the Company also reorganised the work of developer teams (by consolidating dispersed IT teams and guiding them towards comprehensive support for specific tasks and projects), which allowed it to make a more effective and clear assessment of developers' portfolio-development efforts. This led to improved management of day-to-day tasks and allowed for greater team scalability (and flexibility), resulting in increased work efficiency in this area already in the first months of 2020.

Also, in the second half of 2019 the Company made a number of modifications and improvements to its system used to monitor the functioning of QuarticOn's services at its customers. This should translate into greater functional stability of QuarticOn's solutions. In addition, preparations were made together with the Customer Success Team to implement new "Customer Support Plans (Support Plans)".

## 1.7.2

### Product development

#### E-commerce platforms

One of the key projects carried out in 2019 involved integration with external e-commerce platforms to make QuarticOn's tools available to a broader group of stores using these platforms, all delivered in the SaaS model. In the first phase of this project the Company has focused on local platforms, although a test application for the global platform Shopify is ready as well. Shopify is one of the largest e-commerce platforms globally. This is QuarticOn's first venture involving a platform of such proportions. In a sense the Company considers this product to be a "testing ground" as it continues to work on the technology of applications for these kinds of platforms, with the resulting insights being used to design new applications for similar, global solutions.

Locally, it proved a major challenge to launch and develop QuarticOn's application in the SaaS model on the Shoptet.cz platform, the e-commerce leader on the Czech market. Using our application, online stores on this platform can leverage the power of product recommendations to be more in sync with their customers' needs. A number of improvements were also made on the Polish platform Shoper.pl to smooth out and enhance the overall functionality of our solutions.

Following an analysis conducted in Q4 2019 to investigate the potential of various platforms and technology partners, the Company opened talks with several prospective partners on integration with some e-commerce tools. By preparing the technology

for the integration process on several platforms at the same time, QuarticOn will achieve greater revenue streams faster. The Company believes that the SaaS sales model holds a considerable potential for scalability on multiple markets at once.

## Products

In 2019 the Company also developed products for the traditional sales channel, focusing especially on improving the effectiveness of the updated offering. Below are a number of notable developments:

- The email marketing automation service underwent considerable changes: with the optimised data feed and data warehouse integration processes, it is now possible to implement more complex sales-based scenarios and to activate non-transacting consumers, effectively driving sales and increasing the average shopping basket value. Moreover, a number of functional areas were optimised using insights gained from cooperation with customers. As a result, we could expedite the deployment process and make our advertising campaigns more effective while reducing infrastructure maintenance costs.
- Another interesting solution developed by the Company in 2019 involved a smart personalised search engine for online store products (SmartSearch). The guiding idea behind the new product is to create a “search engine that understands customers and their needs”: finding the right product among hundreds or thousands available items is quite a challenge, and



this new tool makes it much easier (as irrelevant as it may seem, this is actually major factor given the time spent by the user on the website). With customers showing considerable interest in initial trial versions, commercial deployments began in Q4 2019. In addition, a development plan was devised for this product to include expanded recommendation and personalisation algorithms and add reporting and analytics capabilities.



## 1.8

# Selected financial data (PLN, EUR)

### 1.8.1

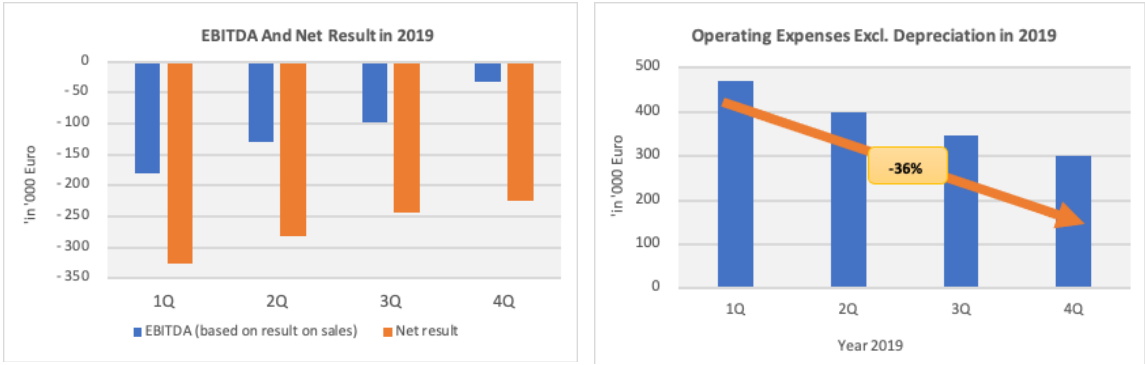
## Introduction to financial results

In year-to-year terms QuarticOn's annualised results for 2019 are rather unremarkable: the decreased balance sheet total and the increased net loss are by all means unimpressive. However, it is only from a quarterly perspective that we can see how significant of a change had taken place over the year:

	in 000 EUR					
	Year 2018	IQ 2019	IIQ 2019	IIIQ 2019	IVQ 2019	Year 2019
Net revenue from sales	1 070,9	288,9	268,3	249,1	268,3	<b>1 083,8</b>
Operating expenses excl. depreciation & amort.	-1 183,8	-470,1	-397,7	-346,3	-301,2	<b>-1 528,8</b>
<b>EBITDA (based on result on sales)</b>	<b>-112,9</b>	<b>-181,2</b>	<b>-129,4</b>	<b>-97,2</b>	<b>-32,9</b>	<b>-445,0</b>
Amortisation and depreciation	-313,6	-156,1	-159,3	-138,9	-151,0	<b>-610,4</b>
Result on other operating revenues and expenses	68,0	18,4	16,9	2,3	-28,9	<b>8,9</b>
EBIT (operating result)	-358,5	-318,9	-271,8	-233,8	-212,9	<b>-1 046,5</b>
<b>Net profit (loss)</b>	<b>-416,3</b>	<b>-326,6</b>	<b>-282,5</b>	<b>-244,4</b>	<b>-225,3</b>	<b>-1 088,2</b>
EBITDA (based on operating result)	-44,9	-162,8	-112,5	-94,9	-61,9	<b>-436,1</b>

Cost changes were they key factor for QuarticOn's net income in 2019. The substantial operating cost (excluding amortisation) reductions over the year - by EUR 173.77k (PLN 740.0k) between Q4 2019 and Q1 2019 - could be achieved through cutting personnel, IT infrastructure and day-to-day operating (marketing, services) costs. These measures allowed the Company to mitigate the risk of expenses remaining at the Q1 2019 level. In effect, the operating costs (excluding amortisation) increased

by EUR 345.01k (PLN 1.4 million) y/y. Amortisation was another factor for the 2019 net income. It increased by almost two-fold relative to 2018 as a result of launching new sales support products and tools, and the end-of-2018 deployments, with amortisation effectively increased by about EUR 31.70k (PLN 135.0k) a month.



Sales revenues were largely the same in both reference years (the symbolic increase by EUR 12.9k (PLN 10k<sup>2</sup>) relative to 2018 has no actual impact on final results). Nevertheless, given the scale of change, requiring full-time commitment from the all of the Company’s staff, maintaining previous years’ revenue can be seen as a positive outcome.

EBIT changes predominately stem from the above-mentioned cost savings. Additional factors for the 2019 EBIT were the revaluations of non-financial assets recognised under other revenues and operating costs.

Furthermore, the balance sheet shows decreased levels of cash (used to finance day-to-day operations), receivables and liabilities.

<sup>2</sup> All currency values were converted to EUR using following exchange rates: year 2018 EUR 1 = 4,3 PLN and year 2019 EUR 1 = 4,2585 PLN 2019: It resulted that some figures related to dynamics or periodic changes are different than those presented in PLN in Polish issue of the Report.

## 1.8.2

## Selected financial statements data

## Selected balance sheet data:

	in '000 EUR		in '000 PLN	
	As of 31.12.2019	As of 31.12.2018	As of 31.12.2019	As of 31.12.2018
Fixed assets	1 877,4	2 069,9	7 994,9	8 900,4
- including intangible and legal assets	1 870,0	2 055,3	7 963,5	8 837,9
Current assets	401,6	1 224,3	1 710,3	5 264,3
- including short-term investments	52,5	902,1	223,6	3 879,0
<b>Total Assets</b>	<b>2 279,0</b>	<b>3 294,1</b>	<b>9 705,2</b>	<b>14 164,7</b>
Equity	1 455,3	2 366,7	6 197,4	10 176,9
Liabilities and provisions for liabilities	823,7	927,4	3 507,9	3 987,8
- including short term liabilities	270,6	869,8	1 152,4	3 740,3
<b>Total Liabilities</b>	<b>2 279,0</b>	<b>3 294,1</b>	<b>9 705,2</b>	<b>14 164,7</b>

## Selected profit &amp; loss account data:

	in '000 EUR		in '000 PLN	
	Year 2019	Year 2018	Year 2019	Year 2018
Net revenue from sales	1 083,8	1 070,9	4 615,4	4 604,9
Operating expenses (excluding depreciation & amort.)	1 528,8	1 183,8	6 510,4	5 090,3
<b>EBITDA</b>	<b>-445,0</b>	<b>-112,9</b>	<b>-1 895,0</b>	<b>-485,4</b>
Depreciation & Amortization	610,4	313,6	2 599,4	1 348,6
Gross profit (loss)	-1 088,2	-416,3	-4 634,2	-1 790,0
Net profit (loss)	-1 088,2	-416,3	-4 634,2	-1 790,0

### Selected cash flow statement data:

	in '000 EUR		in '000 PLN	
	Year 2019	Year 2018	Year 2019	Year 2018
Net profit (loss)	-1 088,2	-416,3	-4 634,2	-1 790,0
Net cash flow from operating activities	-474,9	-953,1	-2 022,2	-4 098,2
Net cash flows from investment activities	-463,2	-0,3	-1 972,6	-1,2
Net cash flow from financial activities	79,7	1 798,2	339,5	7 732,3
Cash closing balance	52,5	902,1	223,6	3 879,0

In 2018 R&D expenses were recognised under Operational Activities, Other Adjustments, whereas in 2019 they were shown as Expenditures on Intangible Assets.



## 1.9

# Financial situation

### 1.9.1

## Predicted financial situation (in relation to the development goals for the coming months)

The Company is focusing on implementing the here presented development strategy, which aims to increase the Company's value based on three pillars (markets, products, sales channels). Currently, QuarticOn is placing greater emphasis on efforts to drive its financial results in the next reporting periods, and to achieve a long-term break-even point for EBITDA in 2020:

#### **Cost optimisation:**

The Company was able to substantially reduce its overhead expenses by better structuring its processes and introducing organisational changes, as well as optimising employment. QuarticOn is not planning to increase its costs substantially in the months to come.

#### **Effective sales:**

The sales models and processes implemented in 2019 should help to fill the sales funnel and expedite deployments, translating into new contracts (including with new customer groups) and higher sales.

#### **Expansion into European markets:**

QuarticOn expects that the partnerships established on the Southern European market should boost the Company's sales in this region.

### **Development of e-commerce platform applications:**

The first applications (plug-ins) for e-commerce platforms in Poland, the Czech Republic and Slovakia were launched in 2019. The coming months will see the Company launch new plug-ins on existing platforms, as well as applications for whole new platforms.

### **Revised model of financing strategic and long-term projects:**

The Company has applied for EU funding for a single major project.

## **1.9.2 Financial projections**

The Company did not issue any financial projections for 2019.



## 1.10

# Operating risks

### 1.10.1

## Risks and opportunities related to COVID19 pandemics

The current (as at the time of this Report) situation related to the pandemics affects everyone in the retail sector. The quarantine that Europe as a whole has affected major retail chains, which normally generate most of their revenue from off-line sales (closed stores, full warehouses, shopping centre rental) but now, after they have come to grips with the new situation, are starting to invest more and more in online sales channels. On the other hand, there are businesses which operate solely online, and for them the current situation is an opportunity to boost their sales. In its portfolio, QuarticOn has customers from both these groups. With the former (large chains), admittedly there was considerable nervousness initially, and this translated into a slight increase in service withdrawals, poorer payment quality, and longer negotiation periods. But the end of Q2 2020 saw an improvement, and the Company observed more and more new inquiries about its services, which led to signing new contracts. It was a good idea to launch our new tool SmartSearch, which has enjoyed very favourable reviews from our customers, and is easy to sell and quick to implement.

From a long-term perspective, this situation is an opportunity for QuarticOn to grow, as a substantial part of experts believe online sales to continue to accelerate in these circumstances (commerce to double its share in e-commerce YoY). With its modular service structure, the Company is able to provide both large and small businesses with solutions that support online sales. This potential growth is driven by both the businesses, which develop this sales channel, and the customers, who start shopping



for new products groups online. In addition, the number of online shoppers is growing as new users, who have previously bought online only sporadically, go online.

## 1.10.2

### **Risks associated with personal data processing**

From the personal data processing point of view, the basic service we provide to our customers can rely on three models. In the first, we do not process any personal data of anyone using our customers' websites, as such websites only use cookies, including a cookie to collect information about user behaviour (and this cookie file only identifies a browser, not its specific user). In the second, we might process personal data as the service we provide to our customers might associate cookies with e-mail addresses of persons using our customers' websites, and use this information to link shopping history and preferences to specific users. Data gathered this way, and processed by our proprietary software, is used to offer tailored shopping recommendations to specific users. In the third, which works similarly to the second, personal data is also processed, but shopping recommendations are submitted to the e-mail addresses of the end users of our customers' websites. These stores are solely responsible for the processing of their customers' personal data, hence our risk is negligible here.

Nevertheless, we are required to ensure legal compliance as we process other personal data, and especially the personal data of our employees, associates, and business partners.

As a company, we need to fulfil the requirements provided for, e.g. in Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), and the Personal Data Protection Act, which impose a number of requirements on personal data controllers and specify conditions for personal data processing. Our customers are subject to the requirements defined in the GDPR, which is directly applicable across the EU and in relation to data processing within the EU. The GDPR defines such rules for personal data processing as legitimacy, fairness, transparency, limitation of data processing, data minimisation, correctness, limited time of data processing, integrity, confidentiality, and accountability. Moreover, the GDPR introduces a number of rights for persons whose data is being processed. The GDPR places more responsibility on personal data controllers and entities processing data on behalf of such controllers, as well as laying out how data can be transferred to third countries, such as the USA, and imposing fines on controllers and data processing entities for violations of GDPR provisions. Furthermore, under the GDPR, supervisory authorities in EU Member States are authorised to introduce temporary or permanent limitations on such processing, or even forbidding such processing. Data controllers are also required to report any data breach to supervisory authorities within 72 hours of becoming aware of such breach. And entities processing data on behalf of controllers are required to immediately report any data breach to controllers. Any violation of GDPR regulations is punishable by fines up to EUR 20 million or up to 4% of annual revenue (whichever amount is higher). In addition, GDPR regulations strengthens the rights of people who have suffered some damage as a result of GDPR violation to claim compensation. It is possible that this might increase the number of civil-law claims against data controllers or processing entities. We believe that this might pose the risk of incurring costs related to court actions, including the payment of compensation to people who have suffered damage due to such violation. In the event of a GDPR violation, the Company can, in particular, be required to pay high fines or compensations, which could adversely affect our financial situation, growth prospects, performance, or the market price of our shares.

Since the GDPR and the Personal Data Protection Act have become effective only recently, and personal data protection regulations are EU laws that directly apply within the Republic of Poland, there is a risk as to how these laws will be interpreted, and what court and administrative practices will be adopted and followed here. Consequently, there is a risk that the steps that are now being taken by the Company to protect personal data might be considered wrong or inadequate in the light of future administrative or court decisions, which, in turn, might result in the above-mentioned fines or compensation liability towards natural persons.



### 1.10.3

## **Macroeconomic risks**

Our business operations are dependent on the macroeconomic situation on the markets, where we provide or will provide our services, including especially in Poland and the Czech Republic. Our financial performance is affected by such external factors in those countries as economic growth rate, consumption level, fiscal and monetary policy, and inflation. The efficiency of our operations depends on how large a part of retail the e-commerce market is, and on how much is being spent on IT solutions to support sales and marketing. All these factors indirectly influence our revenue and financial performance, and also determine how successful we are in implementing our strategy, and what our growth prospects are.

### 1.10.4

## **Risks of diminishing market attractiveness of our products and growing competition**

The Company operates on its markets alongside its competitors. Services provided by QuarticOn can be categorised as innovative, state-of-the-art technologies, and this market is likely to experience unpredictable, major, and dynamic developments, also in relation to competition. Such developments, however, can take the form of new technological or marketing solutions, including those related to the business model adopted to provide and sell services to make them seem more attractive. While our services continue to be competitive, the ongoing mergers, acquisitions, and other investment processes in these sectors can lead to some major changes, both in terms of our market position, measured as our market share, and our competitive edge, based on the terms and conditions,

and prices, of our services. It is possible that a change in business models adopted by our competitors, or some new market developments, will affect our market share, which, in turn, can adversely affect our business operations, growth prospects, financial situation and/or financial performance.

### 1.10.5

## **Risks associated with the development of new products and unsuccessful strategy**

The market QuarticOn operates on is a relatively young one, and its emergence followed up the rapid development of technology and customers' needs. There is a risk that despite previous analyses and estimations related to our potential and market expectations, the launching of new products will not be met with sufficient enthusiasm from our customers, and new products will attract less users than we hope for. Therefore, the money we have spent on the development of new products might produce less profit than we expect and negatively affect our financial standing.

In addition, as a market, advanced technologies are characterised by a large degree of unpredictability and volatility. So, given the aforementioned rapid technological advancement, the Company is facing the risks associated with the need to be able to quickly adapt our strategy to changing market conditions, and to modify, or adjust, our products to better meet the needs of our customers and make the Company as profitable as possible at the same time.

QuarticOn regularly reviews its development strategy to adapt it to any changing internal or external conditions. Nevertheless, there is a risk that this strategy might not be fully successful, which could affect our operations, financial situation, growth prospects, performance, or the market price of our shares.

### 1.10.6

## **Technological and market-change-related risks**

We operate in an industry that undergoes many, frequent, and major changes in relation to the available and applied technologies, designed either to upgrade the existing products or to launch new ones. Even though we continuously and regularly monitor the market for any possible technological developments, it is possible that the technologies on which we rely in our operations will become obsolete for us and/or our customers.

In order to be able to operate successfully on this market, we need to incur considerable R&D costs. But despite such costs, the Company is unable to guarantee that our product and software development strategy will be successful. This is due to such reasons as:

- 1** in order to adapt to rapid technological advancements, we might need to incur higher costs than those we are able to bear,
- 2** as new technologies appear alongside the existing ones, we might need to spread our funds more thinly across different projects.

Industry standards on our market are changing constantly, as services transform and product availability fluctuates. Should we find ourselves unable to quickly accommodate to these changes, our competitive position, as well as financial situation and growth prospects, will suffer.

### 1.10.7

## **Risks related to a lower profitability of projects developed by the company as part of its R&D**

The market QuarticOn operates in is a relatively young one, and its emergence followed up the rapid development of technology and customers' needs. New products that we are now developing (such as smart search, new mailing modules, and plug-ins for new e-commerce platforms) are based on our analysis of market needs. There is a risk that despite previous analyses and estimations related to our potential and market expectations, the launching of new products will not be met with sufficient enthusiasm from our customers, and new products will attract less users than we hope for. Therefore, the money we have spent on the development of new products might produce less profit than we expect and negatively affect our financial standing.

In addition, as a market, advanced technologies are characterised by a large degree of unpredictability and volatility. So, given the aforementioned rapid technological advancement, the Company is facing the risks associated with the need to be able to quickly adapt our strategy to changing market conditions, and to modify, or adjust, our products to better meet the needs of our customers and make the Company as profitable as possible at the same time.

Over the past few years, the Company developed, produced and launched 12 tools, including 3 in late 2019, either to support implementations or as finished products to be sold. One of these, RTB, because of its very low revenue, was 100% written off in 2017, and in 2019 it was 100% depreciated (the write-off was released, and the balance-sheet value of this project is now zero). The Company currently expects all its other projects to bring economic benefits to compensate for the money it has invested.

But there is a risk that the Company will not see the expected return on those projects, which might force it to make further write-offs in the future.

### 1.10.8

## **Risks of serious cash-flow interruptions and loss of financial liquidity**

The risks described above might affect our financial situation, and especially financial liquidity. The Company's liquidity is affected especially by its revenue, debt collection efficiency, and expenditure level. Risks associated with technological developments on the market, increase in competition, and lower revenue from provided services, can all lead to reduced revenue. The Company assumes efficient management of expenditures, which, in the event of lower revenue, can be reduced, but there is also a limit to such reduction. The Company believes that one of the ways to balance the burden of funding its development is to secure external funding from investors, banks, or EU funds.



## 1.11

# Shareholders at the end of 2019

At the end of 2019, the Company had the following shareholders:

Shareholder	Number of shares*	Share percentage
Venture FIZ	251 000	18,1%
CBNC Capital Solutions Ltd.	187 031	13,5%
Paweł Wyborski	171 761	12,4%
Q Free Trading Limited	123 500	8,9%
ACATIS Investment KVG mbH	118 000	8,5%
Kamil Cisto	118 500	8,5%
Paulina Zamojska	72 574	5,2%
Others**	345 834	24,9%
<b>Total</b>	<b>1 388 200</b>	<b>100,0%</b>

\* All Class A, B, C, D, E and F shares

\*\* Including key employees (ESOP)

And to the best of our knowledge, at the date of this report QuarticOn has the following shareholders:

Shareholder	Number of shares*	Share percentage
Venture FIZ	251 000	17,9%
CBNC Capital Solutions Ltd.	187 031	13,3%
Paweł Wyborski	172 352	12,3%
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%
<b>Total</b>	<b>1 404 300</b>	<b>100,0%</b>

\* All Class A, B, C, D, E and F shares

\*\* Including key employees (ESOP)

The number of shares and share capital from the issue of Class F shares changed in 2019, but the entry into KRS was made in 2020.

## 1.12

# Other information

### 1.12.1

## Employment

In late December 2019, the Company employed (in terms of FTEs) 36.1 persons (employment contracts, contracts of mandate, B2B), which was 18 persons less than the year before.

In 2019, the average number of persons employed on the basis of employment contracts or appointment to the Management Board was 15.42 persons and 2 Members of the Board, respectively. In total, 17.42 persons.

### 1.12.2

## Salaries for the management and supervisory

In 2019, the sum of salaries for the Members of the Management Board was EUR 127.0k (PLN 540.85k).

In 2019, Supervisory Board members did not receive any salary.

### 1.12.3

#### **Expert auditor's fee**

The expert auditor's fee for the 2019 audit was EUR 3.5k (PLN 14.9k).

### 1.12.4

#### **Salary of the authorised adviser**

In 2019, the Authorised Adviser's (Dom Maklerski BDM S.A.) fee for its services was EUR 4.5k (PLN 19.2k).

### 1.12.5

#### **Basis for financial statement**

This 2019 Annual Report by QuarticOn was prepared pursuant to § 5 Sections 6.1. – 6.3. Appendix 3 to the Alternative Trading System Rules: Current and periodic information communicated through the alternative trading system on the NewConnect market.

The financial statement was prepared pursuant to the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2019, item 351), hereinafter “the Act”, and secondary legislation thereto, which specifies, e.g., accounting standards for businesses based in, or managed from, the Repu-

blic of Poland.

Accounting records are kept according to the historical cost principle (items in the balance-sheet and financial result were valued pursuant to the Accounting Act), so the effect of inflation is not accounted for. The Company aggregates its costs by type and prepares its Profit and Loss Account using a single-step/comparative version. The figures in our financial statement are in PLN. For reference purposes, we provided financial data for the previous financial year from 1 January 2018 to 31 December 2018.



## 1.13

# Declarations by the management

### 1.13.1

## Declaration by the management board about the integrity and compliance of the financial statement and reference data

The Management Board of QuarticOn S.A hereby declares that, to the best of its knowledge, the financial statement and reference data comply with the regulations applicable to the Company and provide a true, reliable and clear account of the economic and financial situation of the Company and its financial result, and the Operating Report of the Company provides a true picture of the situation in the Company, including major risks.

### 1.13.2

## Declaration by the management board about the audit company being legally selected to audit its annual financial statement

The Management Board of QuarticOn S.A hereby declares that it selected the audit company to audit its financial statements in compliance with the applicable law, and that the audit company and the audit team were in a position to prepare a fair and unbiased report from the audit of the annual financial

statement in line with the applicable law, professional standards, and integrity.

**Management Board, QuarticOn S.A.**



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**Paweł Wyborski**  
President of the Board

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**Michał Giergielewicz**  
Member of the Board – CFO



The background of the cover is a blue-tinted image of a hand holding a pen, poised to write on a document. A large, semi-transparent number '2' is overlaid on the right side of the image. Two white hexagonal outlines are positioned at the top and bottom center of the page.

**Financial statements for the  
Period from 01.01.2019  
to 31.12.2019**



## 2.1

# Introduction to the financial statements

### 1. Entity data

Name:	QuarticOn Spółka Akcyjna
Address:	Aleje Jerozolimskie 123A, 02-017 Warsaw
PKD (Polish Classification of Activities) codes defining the company's basic operations:	6201Z
Tax identification number:	NIP 5213608082
Number in the relevant court register:	KRS 0000715276

### 2. Duration of the entity, if not perpetual

Not applicable.

### 3. Period covered by the financial statements

Financial statements drawn up for the period from 01.01.2019 to 31.12.2019.

### 4. Indication whether the financial statements contain combined data

These financial statements contain no combined data.

## 5. Assumption of going concern

These financial statements have been drawn up assuming that the entity will continue to operate as a going concern in the foreseeable future.

There are no known circumstances that would point to any threat to the company's ability to continue as a going concern.

## 6. Information on mergers

Not applicable.

## 7. Accounting policy

### **Overview of the adopted methods of valuation of assets and liabilities (including amortisation and depreciation):**

The accounting rules applicable to the respective balance sheet items and the profit and loss account are presented below.

#### **Tangible fixed assets and intangible assets**

Tangible fixed assets and intangible assets are recognised according to purchase prices less amortisation write-offs and impairment losses.

The purchase price of fixed assets also includes the cost of servicing debt incurred to finance them for the period of assembly and adaptation and the related exchange rate differences less any revenues generated in this way. The purchase price of a fixed asset is increased by its ] costs, involving reconstruction, modernisation and development, resulting in the value in use of that

fixed asset after improvement being higher than its value at the time of putting into service.

Foreign tangible fixed assets in use brought into use on the basis of a lease contract are recognised as fixed assets if the contract meets the conditions specified in Art. 3 par. 4 of the Accounting Act.

If a tangible fixed asset or intangible asset in use is put into liquidation, withdrawn from use or other reasons cause its impairment, a revaluation write-down is charged to other operating expenses. If the reason for which impairment losses are recognised for tangible fixed assets in use and intangible assets is no longer applicable, the equivalent of all or the relevant part of the already made impairment write-down increases the value of a given asset and is recognised accordingly under other operating revenues.

The straight-line method is used for depreciation. In determining the period of depreciation and the annual depreciation rate, the useful economic life of a tangible fixed asset in use and intangible asset is taken into account. The correctness of the assumed periods and amortisation rates shall be periodically verified. The values presented below define the standard depreciation rates, but in justified cases, taking into account the useful life, the Management Board may decide to use an individualised depreciation rate.

The Management Board determines the depreciation period and rate for intangible assets pursuant to Art. 33 of the Accounting Act, taking into account their useful economic life:

- R&D expenses 20%
- other 50%

The Company uses the following depreciation rates for the basic groups of tangible fixed assets in use:

- buildings, premises, civil and water engineering structures 2.5%
- technical equipment and machines 10% – 30%
- vehicles 20%
- other tangible fixed assets in use 2.5% – 30%

Tangible fixed assets in use include tangible fixed assets with the expected useful economic life longer than a year and purchase price exceeding EUR 821.88 (PLN 3 500).

Tangible fixed assets in use in group 491 (computers and computer hardware) with a value higher than EUR 352.24 (PLN 1 500) and lower than EUR 821.88 (PLN 3 500) are depreciated on a one-off basis (write-off of 100% of the initial value) in the month in which they are put into use. Tangible fixed assets under construction are recognised at the amount of total costs directly related to their purchase, less impairment losses.

Tangible fixed assets under construction are not depreciated until their construction is completed and they are put into use.

### **Investments**

Investments include assets acquired to achieve economic gain arising from the increase in value of these assets, obtaining revenues on them in the form of interest, dividends (shares in revenues) or other benefits, including from commercial transactions and, in particular, financial assets and those real property assets and intangible assets, which are not used by the Company, but were acquired to achieve such gain.

Real property and intangible assets included under investments are recognised according to the principles applied for tangible fixed assets in use and intangible assets.

Shares in other subsidiary entities are recognised at their purchase price, taking into account potential depreciation.

### **Receivables**

Receivables are recognised as the amount due, applying the principle of prudent valuation, and provided as net values (less any write-downs).

The value of receivables is subject to periodic revaluation, taking into account the probability of their being paid by making a write-down. Uncollectible receivables are receivables overdue by more than 1 year, where the debtor has suspended its activities, declared bankruptcy or has been put into liquidation. Write-downs are also made on receivables claimed in court. Write-downs are recognised accordingly under other operating or financial expenses, depending on the type of receivable subject to a given write-down. Redeemed, overdue or uncollectible receivables reduce the previously made write-downs. As for redeemed, overdue or uncollectible receivables for which no write-downs have been made, the write-down is charged directly to other operating expenses.

### **Inventory**

The value of inventory is determined on the basis of the purchase price, while inventory issue is recognised using the first-in first-out method.

Inventory is recognised in the balance sheet as a net value, i.e. less the value of write-downs from their valuation according to net sales prices.

### **Cash and cash equivalents**

Cash in hand and at bank is recognised according to its nominal value.

### **Rozliczenia międzyokresowe kosztów**

Deferred expenses are recognised in relation to the costs incurred relating to future reporting

periods. This item also includes R&D expenses, which will constitute intangible assets after completion.

Accrued expenses are recognised in the amount of probable liabilities for the current reporting period, arising in particular from:

- services provided to the entity by the entity's contracting parties, where the amount of the receivable can be reliably estimated,
- the obligation to perform future services connected with current activities, the amount of which can be estimated even though the date of incurring the liability is not yet known, including due to guarantee repairs and warranty for the long-term use products sold.

### **Equity**

The share capital is expressed as the amount specified in the agreement and entered in the court register. The stated outstanding share capital contributions are recognised as outstanding share capital contributions.

Supplementary capital is made up of additional payments made by shareholders.

Reserve capital is made up of the distribution of previous years' profit.

### **Provisions for liabilities**

Provisions for liabilities are expressed at a justified, reliably estimated value.

Provisions are created for:

- certain or highly probable future liabilities, the amount of which can be estimated in a reliable

manner and, in particular, for losses on ongoing business transactions, including due to provided guarantees, sureties, lending operations, and results of ongoing judicial proceedings;

- unused employees' holiday entitlements.

### **Liabilities**

Liabilities are recognised at the amount due.

### **Deferred and accrued revenues**

Deferred and accrued revenues are recognised taking into account the principle of prudent valuation and cover the equivalent of the funds received or due from contracting parties for services to be performed in future reporting periods.

### **Deferred income tax**

The Company has decided not to determine the assets and provisions for deferred income tax, as there is a tax loss for previous years, which will be settled with the tax office under corporate income tax.

### **Financial result determinations:**

#### **Recognising revenue**

Revenues on sales are recognised at the time of supplying goods or providing services. Sales are expressed as net values, i.e. excluding goods and services tax and all discounts.

#### **Cost**

The incurred costs are recognised in the profit and loss account for comparison with revenue in the period to which they refer.

### **Management Board estimates**

Drawing up financial statements requires the Management Board of the Company to make certain estimates and assumptions, which are reflected in the financial statements and in the notes and explanations. Actual results may differ from estimates. The Management Boards' estimates relate to, i.a., write-downs, provisions, prepayments and accruals and the adopted amortisation and depreciation rates and deferred taxes.

### **Transactions in foreign currencies**

Transactions expressed in foreign currencies other than the Polish zloty are converted into Polish zloty using:

- the exchange rate actually applied on that day, arising from the nature of the operation – for the sale or purchase of currencies or the payment of amounts due or liabilities;
- the average exchange rate announced for a given currency by the National Bank of Poland for the day preceding that day – in the case of payment of amounts due or liabilities, if it is not justified to use the exchange rate provided for in 1, as well as for other operations.

As at the balance sheet date, the assets and liabilities expressed in currencies other than the Polish zloty are converted into Polish zloty according to the average exchange rate determined for a given currency by the National Bank of Poland for that day. The exchange rate differences from conversion are recognised in the item of revenues or financial expenses, respectively, or, in cases specified by law, capitalised in the value of assets.

Disposals of currencies are recognised using the first-in first-out method.

The following exchange rates were adopted in the financial statements for the purposes of valuation:

**31.12.2019**



EUR 1 = 4.2585 (National Bank of Poland exchange rate table No. 251/A/  
NBP/2019 of 31.12.2019)

USD 1 = 3.7977 (National Bank of Poland exchange rate table No. 251/A/  
NBP/2019 of 31.12.2019)

### **31.12.2018**

EUR 1 = 4.3000 (National Bank of Poland exchange rate table No. 252/A/  
NBP/2018 of 31.12.2018)

USD 1 = 3.7597 (National Bank of Poland exchange rate table No. 252/A/  
NBP/2018 of 31.12.2018)

## **Financial result**

The financial result is composed of:

- result on operating activities, including on other operating revenues and costs net financial result,
- obligatory encumbrance of financial result due to income tax whose payer is the Entity.

## **Drawing up the financial statements:**

These financial statements were drawn up in accordance with the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2019, item 351), hereinafter referred to as “the Act” and the secondary legislation issued on its basis, which defined, inter alia, the accounting principles for entities having their registered offices or places of management on the territory of the Republic of Poland.

Accounting entries are made according to historical cost accounting, due to which the impact of inflation is not taken into account.

The company recognises costs by type and draws up its profit and loss account in the single-step variant.

Numerical data in the financial statements are presented in Polish zloty.

Financial data for the previous financial year, covering the period from 01.01.2018 to 31.12.2018 are presented as comparative data.

### **Additional information**

#### **Members of the Management Board**

The Members of the Board of the Company, during the financial year and after its end until the day of drawing up these statements, were:

- Wyborski Paweł – President of the Management Board
- Giergielewicz Michał – Member of the Management Board – Chief Financial Officer

#### **Other accounting principles adopted by the entity:**

None.

## **8. Additional details**

#### **The entity entrusted with keeping the accounts**

The entity keeping the accounts was the company Estelligence sp. z o.o. (limited liability company).

## 2.2

# Balance sheet

(in ,000 Euro)

		As of 31.12.2019	As of 31.12.2018	Comp. data for previous year
<b>A.</b>	<b>FIXED ASSETS</b>	<b>1 877,4</b>	<b>2 069,9</b>	<b>0,0</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>1 870,0</b>	<b>2 055,3</b>	<b>0,0</b>
1.	R&D expenses	1 862,9	2 055,3	0,0
2.	Goodwill	0,0	0,0	0,0
3.	Other intangible assets	7,1	0,0	0,0
4.	Advances for intangible assets	0,0	0,0	0,0
<b>II.</b>	<b>Tangible fixed assets</b>	<b>6,2</b>	<b>14,5</b>	<b>0,0</b>
1.	Tangible fixed assets in use	6,2	14,5	0,0
	a) land (including right to perpetua usufruct)	0,0	0,0	0,0
	b) buildings, premises, civil and water engineering structures	0,0	0,0	0,0
	c) technical equipment and machines	6,0	13,8	0,0
	d) means of transport	0,0	0,0	0,0
	e) other tangible fixed assets	0,2	0,8	0,0
2.	Tangible fixed assets under construction	0,0	0,0	0,0
3.	Advances for tangible fixed assets under construction	0,0	0,0	0,0
<b>III.</b>	<b>Long-term receivables</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
1.	From related parties	0,0	0,0	0,0
2.	From other parties, in which the company holds capital commitment	0,0	0,0	0,0
3.	From other parties	0,0	0,0	0,0
<b>IV.</b>	<b>Long-term investments</b>	<b>1,2</b>	<b>0,0</b>	<b>0,0</b>
1.	Real property	0,0	0,0	0,0
2.	Intangible and legal assets	0,0	0,0	0,0
3.	Long-term financial assets	1,2	0,0	0,0
	a) in related parties	1,2	0,0	0,0
	b) in other parties, in which the company holds capital commitment	0,0	0,0	0,0
	c) in other parties	0,0	0,0	0,0
4.	Other long-term investments	0,0	0,0	0,0
<b>V.</b>	<b>Long-term prepayments</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
1.	Deferred tax assets	0,0	0,0	0,0
2.	Other prepayments	0,0	0,0	0,0

<b>B.</b>	<b>CURRENT ASSETS</b>		<b>401,6</b>	<b>1 224,3</b>	<b>0,0</b>
<b>I.</b>	<b>Inventory</b>		<b>0,0</b>	<b>4,6</b>	<b>0,0</b>
1.	Materials		0,0	0,0	0,0
2.	Intermediate products and work in progress		0,0	0,0	0,0
3.	Finished products		0,0	0,0	0,0
4.	Goods		0,0	0,0	0,0
5.	Advances for deliveries and services		0,0	4,6	0,0
<b>II.</b>	<b>Short-term receivables</b>		<b>235,1</b>	<b>304,3</b>	<b>0,0</b>
1.	Receivables from related parties		0,0	0,0	0,0
a)	trade receivables, maturing:		0,0	0,0	0,0
	- up to 12 months		0,0	0,0	0,0
	- over 12 months		0,0	0,0	0,0
b)	other		0,0	0,0	0,0
2.	Receivables from other entities in which the company holds capital commitment		0,0	0,0	0,0
a)	trade receivables, maturing:		0,0	0,0	0,0
	- up to 12 months		0,0	0,0	0,0
	- over 12 months		0,0	0,0	0,0
b)	other		0,0	0,0	0,0
3.	Receivables from other ent		235,1	304,3	0,0
a)	trade receivables, maturing:		182,5	210,5	0,0
	- up to 12 months		182,5	210,5	0,0
	- over 12 months		0,0	0,0	0,0
b)	receivables from tax, subsidies, customs, social security and other benefits		18,2	60,3	0,0
c)	other		34,4	33,5	0,0
d)	claimed at court		0,0	0,0	0,0
<b>III.</b>	<b>Short-term investments</b>		<b>52,5</b>	<b>902,1</b>	<b>0,0</b>
1.	Short-term financial assets		52,5	902,1	0,0
a)	in related parties		0,0	0,0	0,0
b)	in other parties		0,0	0,0	0,0
c)	cash and other pecuniary assets		52,5	902,1	0,0
2.	Other short-term investments		0,0	0,0	0,0
<b>IV.</b>	<b>Short-term prepayments</b>		<b>114,1</b>	<b>13,2</b>	<b>0,0</b>
<b>C.</b>	<b>CALLED UP SHARE CAPITAL NOT PAID</b>		<b>0,0</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>0,0</b>
<b>TOTAL ASSETS</b>			<b>2 279,0</b>	<b>3 294,1</b>	<b>0,0</b>

in 000 Euro

		As of 31.12.2019	As of 31.12.2018	Comp. data for previous year
<b>A.</b>	<b>EQUITY</b>	<b>1 455,3</b>	<b>2 366,7</b>	<b>2 366,7</b>
<b>I.</b>	<b>Share capital</b>	<b>32,6</b>	<b>28,7</b>	<b>28,7</b>
<b>II.</b>	<b>Supplementary capital, including</b>	<b>4 397,6</b>	<b>4 206,8</b>	<b>4 206,8</b>
	- share (stock) premium	4 397,6	4 206,8	4 206,8
<b>III.</b>	<b>Revaluation reserve, including:</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
	- from fair value adjustment	0,0	0,0	0,0
<b>IV.</b>	<b>Other reserve capitals</b>	<b>0,4</b>	<b>0,0</b>	<b>0,0</b>
	- created in accordance to articles of incorpor. of the Company	0,0	0,0	0,0
	- on own shares (stocks)	0,4	0,0	0,0
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-1 887,0</b>	<b>-1 452,5</b>	<b>-1 452,5</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-1 088,2</b>	<b>-416,3</b>	<b>-416,3</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>0,0</b>
<b>B.</b>	<b>LIABILITIES AND PROVISIONS FOR LIABILITIES</b>	<b>823,7</b>	<b>927,4</b>	<b>927,4</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>41,1</b>	<b>21,2</b>	<b>32,1</b>
1.	Provision for deferred income tax	0,0	0,0	0,0
2.	Provision for retirement and similar benefits	6,6	0,0	10,9
	- long-term	0,0	0,0	0,0
	- short-term	6,6	0,0	10,9
3.	Other provisions	34,5	21,2	21,2
	- long-term	0,0	0,0	0,0
	- short-term	34,5	21,2	21,2
<b>II.</b>	<b>Long-term liabilities</b>	<b>499,0</b>	<b>0,0</b>	<b>0,0</b>
1.	To related parties	0,0	0,0	0,0
2.	To other parties in which the company holds capital commitment	0,0	0,0	0,0
3.	To other parties	499,0	0,0	0,0
	a) credits and loans	499,0	0,0	0,0
	b) arising from issuance of debt securities	0,0	0,0	0,0
	c) other financial liabilities	0,0	0,0	0,0
	d) liabilities on bills of exchange	0,0	0,0	0,0
	e) other	0,0	0,0	0,0
<b>III.</b>	<b>Short-term liabilities</b>	<b>270,6</b>	<b>869,8</b>	<b>869,8</b>

1.	To related parties	62,5	60,7	60,7
	a) trade liabilities, maturing:	0,0	0,0	0,0
	- up to 12 months	0,0	0,0	0,0
	- over 12 months	0,0	0,0	0,0
	b) other	62,5	60,7	60,7
2.	To other parties in which the company holds capital commitment	0,0	0,0	0,0
	a) trade liabilities, maturing:	0,0	0,0	0,0
	- up to 12 months	0,0	0,0	0,0
	- over 12 months	0,0	0,0	0,0
	b) other	0,0	0,0	0,0
3.	To other parties	208,1	809,1	809,1
	a) credits and loans	112,88	635,8	635,8
	b) arising from issuance of debt securities	0,0	0,0	0,0
	c) other financial liabilities	0,0	0,0	0,0
	d) trade liabilities, maturing:	84,5	144,7	144,7
	- up to 12 months	84,5	144,7	144,7
	- over 12 months	0,0	0,0	0,0
	e) received advances for deliveries	0,0	0,0	0,0
	f) liabilities on bills of exchange	0,0	0,0	0,0
	g) tax, customs, insurance and other liabilities	10,7	26,4	26,4
	h) payroll liabilities	0,0	2,0	2,0
	i) other	0,1	0,2	0,2
4.	Special funds	0,0	0,0	0,0
<b>IV.</b>	<b>Accruals</b>	<b>13,0</b>	<b>36,4</b>	<b>25,5</b>
1.	Negative goodwill	0,0	0,0	0,0
2.	Other accruals	13,0	36,4	25,5
	- long-term	0,0	0,0	0,0
	- short-term	13,0	36,4	25,5
<b>TOTAL LIABILITIES</b>		<b>2 279,0</b>	<b>3 294,1</b>	<b>3 294,1</b>

## 2.2.3

### Profit and loss account

in 000 Euro

	YTD 2019	YTD 2018	Comp. data for previous year
<b>A. Net revenue from sales</b>	<b>1 083,8</b>	<b>1 070,9</b>	<b>0,0</b>
from related parties	0,0	0,0	0,0
I. Net revenue from sales of products	1 083,8	1 070,9	0,0
II. Change in the balance of products (increase - positive value, decrease - negative value)	0,0	0,0	0,0
III. Costs of manufacturing products for internal purposes	0,0	0,0	0,0
IV. Net revenue from sales of goods and materials	0,0	0,0	0,0
<b>B. Operating expenses</b>	<b>2 139,2</b>	<b>1 497,4</b>	<b>0,0</b>
I. Amortisation and depreciation	610,4	313,6	0,0
II. Consumption of materials and energy	16,9	27,7	0,0
III. External services	870,2	765,7	0,0
IV. Taxes and charges, including:	10,2	8,1	0,0
- excise duty	0,0	0,0	0,0
V. Payroll	543,0	298,0	0,0
VI. Social security and other benefits, including:	63,6	33,1	0,0
- retirement benefits	40,8	17,1	0,0
VII. Other prime costs	25,0	51,3	0,0
VIII. Value of goods and materials sold	0,0	0,0	0,0
<b>C. Profit (loss) on sales (A - B)</b>	<b>-1 055,4</b>	<b>-426,5</b>	<b>0,0</b>
<b>D. Other operating revenues</b>	<b>80,0</b>	<b>101,8</b>	<b>0,0</b>
I. Gain on disposal of non-financial fixed assets	0,6	0,0	0,0
II. Subsidies	0,0	0,0	0,0
III. Other operating revenues	63,5	57,8	0,0
IV. Other operating revenues	16,0	44,0	0,0
<b>E. Other operating expenses</b>	<b>71,2</b>	<b>33,8</b>	<b>0,0</b>
I. Loss on disposal of non-financial fixed assets	0,0	0,0	0,0
II. Revaluation of non-financial assets	25,9	0,0	0,0
III. Other operating expenses	45,3	33,8	0,0
<b>F. Profit (loss) on operating activities (C+D-E)</b>	<b>-1 046,5</b>	<b>-358,5</b>	<b>0,0</b>
<b>G. Financial revenues</b>	<b>4,2</b>	<b>3,8</b>	<b>0,0</b>
I. Dividend and profit sharing, including:	0,0	0,0	0,0

	a)	from related parties, including:	0,0	0,0	0,0
		- those in which the company holds capital commitment	0,0	0,0	0,0
	b)	from other parties, including:	0,0	0,0	0,0
		'- those in which the company holds capital commitment	0,0	0,0	0,0
II.	Interest, including:		4,2	3,8	0,0
	- from related parties		0,0	0,0	0,0
III.	Revenue from disposal of financial assets, including:		0,0	0,0	0,0
	- in related parties		0,0	0,0	0,0
IV.	Revaluation of financial assets		0,0	0,0	0,0
V.	Other		0,0	0,0	0,0
<b>H.</b>	<b>Financial expenses</b>		<b>45,9</b>	<b>61,5</b>	<b>0,0</b>
I.	Interest, including:		44,0	45,6	0,0
	- for related parties		0,0	0,0	0,0
II.	Loss on disposal of financial assets, including:		0,0	0,0	0,0
	- for related parties		0,0	0,0	0,0
III.	Revaluation of financial assets		0,0	0,0	0,0
IV.	Other		1,9	15,9	0,0
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>		<b>-1 088,2</b>	<b>-416,3</b>	<b>0,0</b>
<b>J.</b>	<b>Income tax</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>L.</b>	<b>Net profit (loss) (I-J-K)</b>		<b>-1 088,2</b>	<b>-416,3</b>	<b>0,0</b>



## 2.2.4

### Statement of changes in equity

in 000 Euro

		As of 31.12.2019	As of 31.12.2018	Comp. data for previous year
<b>I.</b>	<b>Opening balance of equity (OB)</b>	<b>2 389,8</b>	<b>1 102,5</b>	<b>1 102,5</b>
	a) changes in accounting principles	0,0	0,0	0,0
	b) corrections of basic errors	0,0	0,0	0,0
	c) capital increases	0,0	0,0	0,0
<b>I.a.</b>	<b>Opening balance of equity (OB) after adjustments</b>	<b>2 389,8</b>	<b>1 102,5</b>	<b>1 102,5</b>
<b>1.</b>	<b>Opening balance of share capital</b>	<b>29,0</b>	<b>24,8</b>	<b>24,8</b>
	1.1. Opening balance of share capital	29,0	24,8	24,8
	1.2. Closing balance of share capital	32,6	28,7	28,7
<b>2.</b>	<b>Opening balance of called up share capital</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
	2.1. Changes in called up share capital	0,0	0,0	0,0
	a) increase (due to)	0,0	0,0	0,0
	- called up share capital not paid	0,0	0,0	0,0
	b) decrease (due to)	0,0	0,0	0,0
	2.2. Closing balance of called up share capital	0,0	0,0	0,0
<b>3.</b>	<b>Opening balance of own shares</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
	3.1. Increase in own shares	0,0	0,0	0,0
	3.2. Closing balance of own shares	0,0	0,0	0,0
<b>4.</b>	<b>Opening balance of supplementary capital</b>	<b>4 247,8</b>	<b>2 530,3</b>	<b>2 530,3</b>
	4.1. Changes in supplementary capital	149,8	1 676,6	1 676,6
	4.2. Closing balance of supplementary capital	4 397,6	4 206,8	4 206,8
<b>5.</b>	<b>Opening balance of revaluation reserve</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
	5.1. Changes in revaluation reserve	0,0	0,0	0,0
	5.2. Closing balance of revaluation reserve	0,0	0,0	0,0

<b>6.</b>	<b>Opening balance of other reserve capitals</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
	6.1. Changes in other reserve capitals	0,4	0,0	0,0
	6.2. Closing balance of other reserve capitals	0,4	0,0	0,0
<b>7.</b>	Opening balance of previous years' profit (loss)	-1 887,0	-859,8	-1 452,5
	7.1. Opening balance of previous years' profit	0,0	0,0	0,0
	a) changes of adopted accounting principles	0,0	0,0	0,0
	b) adjustments of fundamental errors	0,0	0,0	0,0
	7.2. Opening balance of previous years' profit after reconciliation to comparable data	0,0	0,0	0,0
	7.3. Closing balance of previous years' profit	0,0	0,0	0,0
	7.4. Opening balance of previous years' loss	-1 887,0	-859,8	-1 452,5
	a) changes of adopted accounting principles	0,0	0,0	0,0
	b) adjustments of fundamental errors	0,0	0,0	0,0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-1 887,0	-859,8	-1 452,5
	7.6. Closing balance of previous years' loss	-1 887,0	-1 452,5	-1 452,5
	7.7. Closing balance of previous years' profit (loss)	-1 887,0	-1 452,5	-1 452,5
<b>8.</b>	Net result	-1 088,2	-416,3	-416,3
	a) net profit	0,0	0,0	0,0
	b) net loss	-1 088,2	-416,3	-416,3
	c) write-offs on profit	0,0	0,0	0,0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>1 455,3</b>	<b>2 366,7</b>	<b>2 366,7</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>1 455,3</b>	<b>2 366,7</b>	<b>2 366,7</b>

## 2.2.5

### Cash flow statement

in 000 EURO

		Cum 2019	Cum 2018	Comp. data for previous year
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES - INDIRECT METHOD</b>			
<b>I.</b>	<b>Net profit (loss)</b>	<b>-1 088,2</b>	<b>-416,3</b>	<b>0,0</b>
<b>II.</b>	<b>Total adjustments</b>	<b>613,4</b>	<b>-536,8</b>	<b>0,0</b>
1.	Amortisation and depreciation	610,4	313,6	0,0
2.	Profit (loss) from differences of exchange rates	0,0	0,0	0,0
3.	Interest and profit sharing (dividend)	43,8	41,7	0,0
4.	Profit (loss) on investment activities	-33,9	-65,9	0,0
5.	Change in provisions	19,7	-13,2	0,0
6.	Changes in inventory	4,7	-4,6	0,0
7.	Change in the balance of receivables	72,2	-96,5	0,0
8.	Change in short-term liabilities excluding credits and loans	-79,7	57,1	0,0
9.	Change in prepayments and accruals	-23,9	797,1	0,0
10.	Other adjustments	0,0	-1 566,1	0,0
<b>III.</b>	<b>Net cash flow from operating activities (I+/-II)</b>	<b>-474,9</b>	<b>-953,1</b>	<b>0,0</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>I.</b>	<b>Inflows</b>	<b>1,2</b>	<b>3,8</b>	<b>0,0</b>
1.	Disposal of intangible and legal assets, tangible fixed assets	1,2	0,0	0,0
2.	Disposal of investments in real property and in intangible and legal assets	0,0	0,0	0,0
3.	From financial assets, including:	0,0	3,8	0,0
a)	a) in related parties	0,0	0,0	0,0
	- disposal of financial assets	0,0	0,0	0,0
	- dividends and profit sharing	0,0	0,0	0,0
	- repayment of granted long-term loans	0,0	0,0	0,0
	- interest	0,0	0,0	0,0
	- other inflows from financial assets	0,0	0,0	0,0
b)	b) in other parties	0,0	3,8	0,0
	- disposal of financial assets	0,0	0,0	0,0
	- dividends and profit sharing	0,0	0,0	0,0
	- repayment of granted long-term loans	0,0	0,0	0,0
	- interest	0,0	3,8	0,0
	- other inflows from financial assets	0,0	0,0	0,0
4.	Other inflow from investment activities	0,0	0,0	0,0

<b>II.</b>	<b>Outflows</b>		<b>464,5</b>	<b>4,1</b>	<b>0,0</b>
1.	Purchase of intangible and legal assets, tangible fixed assets		464,5	4,1	0,0
2.	Investment in real property, intangible and legal assets		0,0	0,0	0,0
3.	For financial assets, including:		0,0	0,0	0,0
a)	a) in related parties		0,0	0,0	0,0
	- purchase of financial assets		0,0	0,0	0,0
	- long-term loans granted		0,0	0,0	0,0
b)	b) in other entities		0,0	0,0	0,0
	- purchase of financial assets		0,0	0,0	0,0
	- long-term loans granted		0,0	0,0	0,0
4.	Other outflows from investment activities		0,0	0,0	0,0
<b>III.</b>	<b>Net cash flows from investment activities (I-II)</b>		<b>-463,2</b>	<b>-0,3</b>	<b>0,0</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>		<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>I.</b>	<b>Inflows</b>		<b>167,8</b>	<b>2 029,3</b>	<b>0,0</b>
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions		153,7	1 680,5	0,0
2.	Credits and loans		14,1	348,8	0,0
3.	Issuance of debt securities		0,0	0,0	0,0
4.	Other inflows from financial activities		0,0	0,0	0,0
<b>II.</b>	<b>Outflows</b>		<b>88,1</b>	<b>231,1</b>	<b>0,0</b>
1.	Purchase of own shares (stocks)		0,0	0,0	0,0
2.	Dividend and payments to stockholders		0,0	0,0	0,0
3.	Profit distribution liabilities other than profit distribution payments to stockholders		0,0	0,0	0,0
4.	Repayment of credits and loans		49,3	209,3	0,0
5.	Redemption of debt securities		0,0	0,0	0,0
6.	Payment of other financial liabilities		0,0	0,0	0,0
7.	Payment of liabilities arising from financial leases		0,0	0,0	0,0
8.	Interest		38,8	21,8	0,0
9.	Other outflows from financial activities		0,0	0,0	0,0
<b>III.</b>	<b>Net cash flow from financial activities (I-II)</b>		<b>79,7</b>	<b>1 798,2</b>	<b>0,0</b>
<b>D.</b>	<b>TOTAL NET CASH FLOWS (A.III+/-B.III+/-C.III)</b>		<b>-858,4</b>	<b>844,9</b>	<b>0,0</b>
<b>E.</b>	<b>BALANCE SHEET CHANGE IN CASH, INCLUDING:</b>		<b>-858,4</b>	<b>844,9</b>	<b>0,0</b>
	- change in cash due to exchange differences		0,0	0,0	0,0
<b>F.</b>	<b>CASH OPENING BALANCE</b>		<b>910,9</b>	<b>57,2</b>	<b>0,0</b>
<b>G.</b>	<b>CASH CLOSING BALANCE (F+/- D), INCLUDING:</b>		<b>52,5</b>	<b>902,1</b>	<b>0,0</b>
	- of limited disposability		0,0	0,0	0,0

## 2.2.6

### Income tax calculation

In 000 EURO

		TOTAL 2019	TOTAL 2018
<b>A.</b>	<b>Gross profit (loss) for a given year</b>	<b>-1 088,22</b>	<b>-416,29</b>
<b>B.</b>	Tax-exempt income (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes) including:	66,22	60,56
	Others	1,44	0,16
	Positive exchange rate differences on the balance sheet valuation (Article 12 par. 2)	1,32	2,71
	Revaluation of non-financial assets (Article.16, par. 1, point 26, letter a)	63,46	57,8
<b>C.</b>	<b>Non-taxable income in the current year, including:</b>	<b>0,00</b>	<b>33,16</b>
	Others	0,0	0,16
	Balance-sheet income (correction of basic error in 2016) (Article 12, par. 3j)	0,0	0,00
	Reversal of the provision (Article 12 par. 1 point 4 letter e)	0,00	33,00
	Reversal of write-downs (Article 16 par. 1 point 26 a)	0,0	0,00
<b>D.</b>	<b>Revenues subject to taxation in the current year, included in the accounting books of previous years, including:</b>	<b>0,0</b>	<b>0,0</b>
	Interest on deposits accrued in 2017 paid in 2018 (Article 16 par. 1 point 11)	0,0	0,0
<b>E.</b>	<b>Costs that are not tax-deductible costs (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes), including:</b>	<b>43,63</b>	<b>38,53</b>
	Negative exchange differences on balance sheet valuation (Article 15a)	0,53	6,09
	Representation (Article 16 par. 1 point 28)	0,0	0,00
	Budget interest (Article 16 par. 1 point 21)	0,0	0,0
	Write-downs of outdated balances (Article 16 par. 1 point 25)	43,06	32,4
<b>F.</b>	<b>Costs not recognized as tax deductible expenses in the current year, including:</b>	<b>686,19</b>	<b>378,38</b>
	Others	10,70	3,45
	Interest on loans and bonds (Article 16 par 1 item 11)	26,68	30,34
	Provisions for paid cost (Article 16, par. 1, point 27)	8,67	18,30
	Write-downs on receivables and intangible assets. (Article 16g, par. 13)	25,9	0,00
	Accounting depreciation (Article 16d, par. 1)	610,41	313,63
	Salary, social security contributions (Article 16 par. 1 point 57 a)	0,68	7,04
	VAT not deducted, not constituting tax deductible costs (Article 16 par. 1 item 46)	0,97	3,8
	Medical packages not used by employees (article 16)	2,18	1,8
<b>G.</b>	<b>Costs recognized as tax deductible expenses in the current year recognized in previous years' books including:</b>	<b>28,74</b>	<b>6,67</b>
	Interest paid on loans and bonds (Article 16 par.. 1 point 11)	21,63	6,67
	Salaries, social security contributions (Article 15, par. 4g)	7,11	0,0

<b>H.</b>	<b>Loss from previous years, including:</b>	<b>0,0</b>	<b>0,0</b>
<b>I.</b>	<b>Other changes in the tax base, including:</b>	<b>615,88</b>	<b>329,40</b>
	Tax depreciation in the current year (Article 16d)	603,21	308,23
	Prepayments of deferred income (Article 12 par.. 3a)	12,67	21,2
<b>J.</b>	<b>Income tax base</b>	<b>-1 069,24</b>	<b>-388,99</b>
<b>K.</b>	<b>Income tax</b>	<b>0,0</b>	<b>0,0</b>

## Additional information

Data in EUR and in PLN

Notes and explanations

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### SIGNATURES ON THE FINANCIAL STATEMENTS

Monika Śpiewła, 2 July 2020

## NOTES AND EXPLANATIONS

### Explanations to the Balance Sheet

#### 1.1. Intangible assets

##### 1.1.1. Change in intangible assets

(in 000 Euro)	Costs of implemented development work	Goodwill	Other intangible assets	Advances on intangible assets	Total
<b>Gross value</b>					
Balance at the beginning of the period	3 105,3	0,0	2,4	0,0	3 107,7
<b>Increase</b>	<b>351,7</b>	<b>0,0</b>	<b>11,3</b>	<b>0,0</b>	<b>363,1</b>
- purchases	0,0	0,0	0,0	0,0	0,0
- other	351,7	0,0	11,3	0,0	363,1
<b>Decrease</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
- Liquidation	0,0	0,0	0,0	0,0	0,0
- other	0,0	0,0	0,0	0,0	0,0
<b>Balance at the end of the period</b>	<b>3 457,0</b>	<b>0,0</b>	<b>13,8</b>	<b>0,0</b>	<b>3 470,8</b>
<b>Redemption</b>					
Balance at the beginning of the period	996,7	0,0	2,4	0,0	999,1
<b>Increase</b>	<b>597,4</b>	<b>0,0</b>	<b>4,3</b>	<b>0,0</b>	<b>601,6</b>
- depreciation	597,4	0,0	4,3	0,0	601,6
- other	0,0	0,0	0,0	0,0	0,0
<b>Decrease</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
- liquidation	0,0	0,0	0,0	0,0	0,0
- other	0,0	0,0	0,0	0,0	0,0
<b>Balance at the end of the period</b>	<b>1 594,1</b>	<b>0,0</b>	<b>6,6</b>	<b>0,0</b>	<b>1 600,8</b>
<b>Write-downs</b>					
Balance at the beginning of the period	33,3	0,0	0,0	0,0	33,3
<b>Increase</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
- other	0,0	0,0	0,0	0,0	0,0
<b>Decrease</b>	<b>33,3</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>33,3</b>
- other	33,3	0,0	0,0	0,0	33,3
<b>Balance at the end of the period</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Net value</b>					
As at 01/01/2019	2 075,3	0,0	0,0	0,0	2 075,4
As at 31/12/2019	1 862,9	0,0	7,1	0,0	1 870,0

In 2019 QuarticOn completed development work as part of three projects totalling EUR 351,73k (PLN 1 497 860,95):

- I.A. SHOPPING Project – original cost EUR 166,70k (PLN 709 880,92); date commissioned 31/10/2019
- SUPLEMENTY Project – original cost EUR 64,50k (PLN 274 707,10); date commissioned 31/12/2019
- SELFSERVICE Project – original cost EUR 120,53k (PLN 513 272,93); date commissioned 31/10/2019

Completed development work will be amortised over a 5-year period, starting from the month following the commissioning date.

The Company values its development works while they continue, on the basis of the amount of work time put in by each individual involved in the projects. Work time and pay are used to calculate expenditures.



### 1.2.1. Changes in tangible fixed assets

(in 000 Euro)	Buildings, premises, rights to premises and civil engineering facilities	Technical devices and machines	Means of transport	Other Fixed assets	Fixed assets under construction	Advances on fixed assets under construction	Total
<b>Gross value</b>							
<b>Balance at the beginning of the period</b>	0,0	38,9	0,0	4,5	0,0	0,0	43,3
<b>Increase:</b>	0,0	0,9	0,0	0,0	0,0	0,0	0,9
- purchase	0,0	0,9	0,0	0,0	0,0	0,0	0,9
- other	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Decrease:</b>	0,0	6,6	0,0	0,3	0,0	0,0	6,9
- sale	0,0	6,6	0,0	0,3	0,0	0,0	6,9
- liquidation	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Balance at the end of the period</b>	0,0	33,3	0,0	4,1	0,0	0,0	37,4
<b>Redemption</b>							
<b>Balance at the beginning of the period</b>	0,0	25,0	0,0	3,7	0,0	0,0	28,7
<b>Increase:</b>	0,0	8,4	0,0	0,3	0,0	0,0	8,8
- depreciation	0,0	8,4	0,0	0,3	0,0	0,0	8,8
- other	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Decrease:</b>	0,0	6,1	0,0	0,2	0,0	0,0	6,3
- sale	0,0	6,1	0,0	0,2	0,0	0,0	6,3
- liquidation	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Balance at the end of the period</b>	0,0	27,3	0,0	3,9	0,0	0,0	31,2
<b>Write-downs</b>							
<b>Balance at the beginning of the period</b>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Increase</b>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- other	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Decrease</b>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- other	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Balance at the end of the period</b>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Net value</b>							
<b>As at 01.01.2019</b>	0,0	13,9	0,0	0,8	0,0	0,0	14,7
<b>As at 31.12.2019</b>	0,0	6,0	0,0	0,2	0,0	0,0	6,2

### 1.2.2. Value of land in perpetual usufruct

The Company does not hold any land in perpetual usufruct.

## 1.3. Long-term receivables

### 1.3.1. Receivables breakdown

The Company does not have any long-term receivables.

### 1.3.2. Write-downs of receivables

None.



## 1.4. Long-term investments

### 1.4.1. Changes in long-term investments.

(in 000 Euro)	Real estate	Intangible assets	Long term financial assets	Other long-term investments	Total
<b>Gross value</b>					
<b>Balance at the beginning of the period</b>	<b>0,0</b>	<b>0,0</b>	<b>61,3</b>	<b>0,0</b>	<b>61,3</b>
<b>Increase:</b>	<b>0,0</b>	<b>0,0</b>	<b>1,2</b>	<b>0,0</b>	<b>1,2</b>
- purchase	0,0	0,0	1,2	0,0	1,2
- other	0,0	0,0	0,0	0,0	0,0
<b>Decrease:</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
- sale	0,0	0,0	0,0	0,0	0,0
- liquidation	0,0	0,0	0,0	0,0	0,0
<b>Balance at the end of the period</b>	<b>0,0</b>	<b>0,0</b>	<b>62,5</b>	<b>0,0</b>	<b>62,5</b>
<b>Redemption</b>					
<b>Balance at the beginning of the period</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Increase:</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
- other	0,0	0,0	0,0	0,0	0,0
<b>Decrease:</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
- sale	0,0	0,0	0,0	0,0	0,0
- liquidation	0,0	0,0	0,0	0,0	0,0
<b>Balance at the end of the period</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Write-downs</b>					
<b>Balance at the beginning of the period</b>	<b>0,0</b>	<b>0,0</b>	<b>61,3</b>	<b>0,0</b>	<b>61,3</b>
<b>Increase</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
- other	0,0	0,0	0,0	0,0	0,0
<b>Decrease</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
- other	0,0	0,0	0,0	0,0	0,0
<b>Balance at the end of the period</b>	<b>0,0</b>	<b>0,0</b>	<b>61,3</b>	<b>0,0</b>	<b>61,3</b>
<b>Net value</b>					
<b>As at 01.01.2019</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>As at 31.12.2019</b>	<b>0,0</b>	<b>0,0</b>	<b>1,2</b>	<b>0,0</b>	<b>1,2</b>

1.4.2. Changes in long-term financial assets in related parties

(in 000 Euro)	Shares or stocks	Other securities	Granted loans	Other long-term financial assets	Total
<b>Gross value</b>					
Balance at the beginning of the period	61,29	0,00	0,00	0,00	61,29
Increase:	1,18	0	0	0	1,18
- purchase	1,18	0	0	0	1,18
- other	0	0	0	0	0
Decrease:	0	0	0	0	0
- sale	0	0	0	0	0
- liquidation	0	0	0	0	0
Balance at the end of the period	62,47	0	0	0	62,47
<b>Redemption</b>					
Balance at the beginning of the period	0	0	0	0	0
Increase:	0	0	0	0	0
Decrease:	0	0	0	0	0
Balance at the end of the period	0	0	0	0	0
<b>Write-downs</b>					
Balance at the beginning of the period	61,29	0	0	0	61,29
Increase	0	0	0	0	0
- other	0	0	0	0	0
Decrease	0	0	0	0	0
- other	0	0	0	0	0
Balance at the end of the period	61,29	0	0	0	61,29
<b>Net value</b>					
As at 01.01.2019	0	0	0	0	0
As at 31.12.2019	1,18	0	0	0	1,18

1.4.3. Changes in long-term financial assets in other entities in which Company has a shareholding

None.

1.4.4. Changes in long-term financial assets in other entities

None.

**1.5. Other long-term prepayments**

1.5.1. Deferred tax assets

None.

1.5.2. Other long-term prepayments

None.

## 1.6. Inventory

(in 000 Euro)	31.12.2019	31.12.2018
Materials	0,0	0,0
Semi-finished products and work in process	0,0	0,0
Finished products	0,0	0,0
Goods	0,0	0,0
Advances on deliveries and services	0,0	4,6
<b>Net value of inventories</b>	<b>0,0</b>	<b>4,6</b>
Write-offs on inventories	0,0	0,0
<b>Gross value of inventories</b>	<b>0,0</b>	<b>4,6</b>

## 1.7. Short-term receivables

### 1.7.1. Receivables from related parties

The Company has no receivables from related parties.

### 1.7.2. Receivables from other parties in which the Company has a shareholding

The Company has no receivables from other parties in which the Company has a shareholding.

### 1.7.3. Receivables from other entities

(in 000 Euro)	31.12.2019	31.12.2018
- up to 12 months	208,4	240,5
- over 12 months	0,0	0
<b>Trade receivables</b>	<b>208,4</b>	<b>240,46</b>
- VAT receivables	18,2	60,31
<b>Receivables from taxes, subsidies, customs</b>	<b>18,2</b>	<b>60,31</b>
- deposits	34,1	32,95
- other	0,3	0,50
<b>Other receivables</b>	<b>34,4</b>	<b>33,45</b>
<b>Receivables under court proceedings</b>	<b>0,0</b>	<b>0</b>
<b>Net receivables</b>	<b>261,0</b>	<b>334,22</b>
Write-downs on receivables	-25,9	-29,91
<b>Gross receivables</b>	<b>235,1</b>	<b>304,31</b>

### 1.7.4. Write-downs of short-term receivables

(in 000 Euro)	Write-downs receivables from related entities	Write-down receivables from other entities in which the entity has equity commitment	Write-down receivables from other entities
<b>Balance at the beginning of the period</b>	<b>0</b>	<b>0</b>	<b>30,21</b>
Increase	0	0	25,90
Utilization	0	0	0
Termination of a previously made write-down	0	0	30,21
<b>Balance at the end of the period</b>	<b>0</b>	<b>0</b>	<b>25,90</b>

## 1.8. Short-term financial assets

### 1.8.1. Short-term financial assets in related parties

None.



#### 1.8.2. Short-term financial assets in other entities

None.

#### 1.8.3. Cash and other pecuniary assets

(in 000 Euro)	31.12.2019	31.12.2018
- cash on bank accounts	51,6	901,5
- cash on the VAT account	0,8	0,5
- cash on hand	0,1	0,1
<b>Total cash on hand and on bank accounts</b>	<b>52,5</b>	<b>902,1</b>
<b>Other cash</b>	<b>0,0</b>	<b>0,0</b>
<b>Other cash assets</b>	<b>0,0</b>	<b>0,0</b>
	<b>52,5</b>	<b>902,1</b>

#### 1.9. Prepayments

(in 000 Euro)	31.12.2019	31.12.2018
- Expenses between accounting periods	10,64	13,24
- Advertising Services	2,95	0
- Own investments	100,47	0
	<b>114,05</b>	<b>13,24</b>

The own investment expenditures of EUR 100,46k (PLN 427 833,98) in the Cash Flow Statement are shown under cash flows from investment activities, purchase of intangible assets and tangible fixed assets.

#### 1.10. Share capital

Shareholder	Number of shares	Nominal value of shares (in 000 Euro)	%
CNBC Capital Solutions Limited	187 031,00	4,39	13,50%
Q-Free Trading Limited	123 500,00	2,90	8,90%
Venture Fundusz Inwestycyjny Zamknięty	251 000,00	5,89	18,10%
Kamil Cisło	118 500,00	2,78	8,50%
ACATIS Investments GmbH	118 000,00	2,77	8,50%
Paweł Wyborski	171 761,00	4,03	12,40%
Paulina Maria Zamojska	72 574,00	1,70	5,20%
Others	345 834,00	8,12	24,90%
<b>Total</b>	<b>1 388 200,00</b>	<b>32,60</b>	<b>100%</b>

### 1.11. Changes in supplementary and reserve capital

(in 000 Euro)	Supplementary capital	Reserve capital
Balance at the beginning of the period	4 247,8	0,0
Increase	149,8	0,4
- share premium	149,8	0,0
- for shares	0,0	0,4
- other	0,0	0,0
Decrease	0,0	0,0
Balance at the end of the period	4 397,6	0,4

### 1.12. Suggested profit distribution/loss coverage

The Company's Management Board suggests that deferred profits be used to cover the loss.

### 1.13. Provisions for liabilities

#### 1.13.1. Provision for deferred income tax

None.

#### 1.13.2. Provision for retirement and similar benefits

(in 000 Euro)	Retirement severance pay	Reserve for unused holiday entitlement	Other provisions	Total
Balance at the beginning of the period	0,0	11,0	0,0	11,0
Increase	0,0	6,6	0,0	6,6
Utilization	0,0	0,0	0,0	0,0
Reversal	0,0	11,0	0,0	11,0
Balance at the end of the period	0,0	6,6	0,0	6,6
including:				
- long term	0,0	0,0	0,0	0,0
- short terms	0,0	6,6	0,0	6,6

#### 1.13.3. Other provisions for long-term liabilities

None.

#### 1.13.4. Other provisions for short-term liabilities

(in 000 Euro)	Other Provisions	Total
Balance at the beginning of the period	21,40	21,40
Increase	14,58	14,58
Use	0	0
Reversal	1,44	1,44
Balance at the end of the period	34,54	34,54

Other provisions show the amount of paid but not collected documents.

#### **1.14. Long-term liabilities**

##### 1.14.1. Ageing of long-term liabilities towards related parties

The Company has no long-term liabilities towards related parties.

##### 1.14.2. Ageing of long-term liabilities towards other entities in which the Company has a shareholding

##### 1.14.3. Ageing of long-term liabilities towards other entities

(in 000 Euro)	Credits and loans	Arising from issuance of debt securities	Other financial liabilities	Bills of exchange	Others	Total
<b>Ageing (years)</b>						
From 1 to 3 years	499,00	0,00	0,00	0,00	0,00	499,00
From 3 to 5 years	0,00	0,00	0,00	0,00	0,00	0,00
Over 5 years	0,00	0,00	0,00	0,00	0,00	0,00
	<b>499,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>499,00</b>

##### 1.14.4. Liabilities towards the state budget or local/regional government units arising from the acquisition of ownership titles to buildings or constructions.

As at the balance sheet date, the Company has no liabilities towards the state budget or local/regional government units arising from the acquisition of ownership titles to buildings or constructions.

#### **1.15. Short-term liabilities**

##### 1.15.1. Breakdown of short-term liabilities to related parties

(in 000 Euro)	31.12.2019	31.12.2018
- up to 12 months	0	0
- over 12 months	0	0
<b>Trade liabilities</b>	<b>0</b>	<b>0</b>
- loans	0	0
- purchase of QuarticOn (Shanghai) Company Ltd. shares	61,29	60,70
<b>Other liabilities</b>	<b>61,29</b>	<b>60,70</b>
	<b>61,29</b>	<b>60,70</b>

##### 1.15.2. Breakdown of short-term liabilities towards other entities in which the Company has a shareholding

The Company has no short-term liabilities towards other entities in which the Company has a shareholding.



1.15.3. Ageing of short-term liabilities towards other entities

(in 000 Euro)	31.12.2019	31.12.2018
<b>Credits and loans</b>	<b>112,8</b>	<b>635,8</b>
from the issue of the debt securities	0,0	0,0
<b>Other financial liabilities</b>	<b>0,0</b>	<b>0,0</b>
- up to 12 months	84,5	144,7
- over 12 months	0,0	0,0
<b>Trade liabilities</b>	<b>84,5</b>	<b>144,7</b>
Received advances for deliveries	0,0	0,0
<b>Bill of exchange liabilities</b>	<b>0,0</b>	<b>0,0</b>
- VAT liabilities	0,0	0,0
- Corporate income tax liabilities	0,0	0,0
- Personal income tax liabilities	3,7	9,5
- social and health insurance liabilities	7,0	16,9
- PFRON liabilities	0,0	0,0
- other benefit liabilities	0,0	0,0
<b>Liabilities from taxes, customs, social and health insurance and benefits and other public and legal liabilities</b>	<b>10,7</b>	<b>26,4</b>
<b>Salary liabilities</b>	<b>0,0</b>	<b>2,0</b>
- deposits	0,0	0,0
- other settlements with employees	0,1	0,2
- other settlements with partners	0,0	0,0
<b>Other liabilities</b>	<b>0,1</b>	<b>0,2</b>
<b>State of liabilities</b>	<b>208,1</b>	<b>809,1</b>

**1.16. Other accruals**

1.16.1. Other long-term accruals

None.

1.16.2. Other short-term accruals

(in 000 Euro)	31.12.2019	31.12.2018	Comp. data as of 31.12.2018
- provisions for unused annual leaves	0,0	10,9	0,0
- deferred income	13,0	25,5	25,5
	<b>13,0</b>	<b>36,4</b>	<b>25,5</b>

**1.17. Liabilities secured against Company assets**

On 07/08/2020, annexes to the loans received were signed. The collateral is blank promissory notes and from the date of signing the annex, also agreements for the transfer of receivables due to the Company for payment of services to the Company from an entity indicated by the Company. The list of entities indicated by the Company will be established by August 31, 2020.

**1.18. Contingent liabilities, including guarantees and pledges granted by the Company, including bill-of-exchange guarantees**

As at 31 December 2019 and 31 December 2018, the Company had no substantial contingent liabilities, including substantial guarantees and pledges, excluding blank bills of exchange for loan agreements with Venture Fundusz Inwestycyjny Zamknięty.

## **Explanations to the Profit and Loss Statement**

### **1.19. Net revenue from sales of products, goods and materials**

#### 1.19.1. Revenues from sales of products and services by territory

(in 000 Euro)	2019	2018
<b>Revenues from the sale of services</b>	<b>1 083,81</b>	<b>1 070,90</b>
- in Poland	733,80	810,99
- export	350,01	259,91
<b>Revenues from the sale of goods and materials</b>	<b>0</b>	<b>0</b>
<b>Total revenue from the sale of products, goods and materials</b>	<b>1 083,81</b>	<b>1 070,90</b>

#### 1.19.2. Revenue from sales of products, goods and materials by type

(in 000 Euro)	2019	2018
<b>Revenues from the sale of services</b>	<b>1 083,8</b>	<b>1 070,9</b>
Quartic Reco	1 049,4	1 069,8
Auto Marketing	3,8	0,0
Packages	21,3	0,0
Implementations	7,6	0,0
Other	1,6	1,1
<b>Revenues from the sale of goods and materials</b>	<b>0,0</b>	<b>0,0</b>
<b>Total revenue from the sale of products, goods and materials</b>	<b>1 083,8</b>	<b>1 070,9</b>

### **1.20. Other operating revenue**

(in 000 Euro)	2019	2018
- profit from the sale of fixed assets	0,6	0,0
<b>Profit from the outflow of non-financial fixed assets</b>	<b>0,6</b>	<b>0,0</b>
- received subsidies	0,0	0,0
<b>Subsidies</b>	<b>0,0</b>	<b>0,0</b>
<b>Revaluation of non-financial assets</b>	<b>63,5</b>	<b>57,8</b>
- write-down of the balance of accruals	1,7	0,0
- VAT rounding	0,0	0,0
- reversal of provision	1,4	33,0
- reinvoices	8,8	6,3
- write-down of outdated settlements	2,3	4,5
- currency exchange revenue	0,8	0,0
- Other (less than 10% of the total value)	1,0	0,1
<b>Other operating income</b>	<b>16,0</b>	<b>44,0</b>
	<b>80,0</b>	<b>101,8</b>



### 1.21. Other operating costs

(in 000 Euro)	2019	2018
- loss on the sale of fixed assets	0	0
<b>Loss on the outflow of non-financial fixed assets</b>	<b>0</b>	<b>0</b>
Revaluation of non-financial assets	25,90	0
<b>- Write- down of the investment costs</b>	<b>25,90</b>	<b>0</b>
- provisions for costs	1,02	0
- write-down of outdated settlements	40,71	32,40
- Other	3,52	1,41
<b>Other operating costs</b>	<b>45,25</b>	<b>33,81</b>
	<b>71,15</b>	<b>33,81</b>

### 1.22. Financial revenues

(in 000 Euro)	2019	2018
<b>Dividends and shares in profits</b>	<b>0,0</b>	<b>0,0</b>
<b>Interest, including:</b>	<b>4,2</b>	<b>3,8</b>
- interest on loans granted	0,0	0,0
- on assets on bank accounts	4,2	3,8
-other interest	0,0	0,0
<b>Profit from the outflow of financial assets</b>	<b>0,0</b>	<b>0,0</b>
<b>Revaluation of financial assets</b>	<b>0,0</b>	<b>0,0</b>
<b>Other, including:</b>	<b>0,0</b>	<b>0,0</b>
- remaining	0,0	0,0
	<b>4,2</b>	<b>3,8</b>

### 1.23. Financial costs

(in 000 Euro)	2019	2018
<b>Interest, including:</b>	<b>44,0</b>	<b>45,6</b>
- on received loans and credits	43,8	45,5
- budget interest	0,0	0,0
- other interests	0,1	0,1
<b>Loss on the outflow of financial assets</b>	<b>0,0</b>	<b>0,0</b>
<b>evaluation of financial assets</b>	<b>0,0</b>	<b>0,0</b>
<b>Other, including:</b>	<b>1,9</b>	<b>15,9</b>
- realised negative differences on exchange	8,5	27,9
- not realised negative differences on exchange	0,5	6,1
- realised positive differences on exchange	-5,7	-15,2
- not realised positive differences on exchange	-1,3	-2,9
- other (less than 10% of the total value)	0,0	0,0
	<b>45,9</b>	<b>61,5</b>

**1.24. Settlement of the main items affecting the difference between the corporate income tax base and the gross financial result**

(in '000 Euro)	2019	2018
<b>Gross profit (loss)</b>	<b>-1 088,2</b>	<b>-416,3</b>
<b>Non-tax revenue (-)</b>	<b>66,2</b>	<b>93,7</b>
- positive exchange rate differences in balance sheet valuation	1,3	2,7
- revaluation of non-financial assets	63,5	57,8
- reversal of write-downs	0,0	0,0
- reversal of provisions	1,4	33,0
- balance-sheet revenue, tax revenue 2016 (fundamental error correction)	0,0	0,0
- other	0,0	0,2
<b>Tax revenue not entered in the books of accounts (+)</b>	<b>-12,7</b>	<b>-21,2</b>
- interest on savings accounts accrued in 2017, paid in 2018	0,0	0,0
deferred and accrued revenues	-12,7	-21,2
<b>Revenue carried forward as tax revenue in the current year (+)</b>	<b>0,0</b>	<b>0,0</b>
<b>Tax costs not entered in the books of accounts (-)</b>	<b>603,2</b>	<b>308,2</b>
- tax depreciation	603,2	308,2
<b>Costs carried forward as deductible costs in the current year (-)</b>	<b>28,7</b>	<b>8,8</b>
- payroll, social insurance	7,1	2,2
- paid interest on loans and bonds	21,6	6,7
<b>Non-deductible costs</b>	<b>729,8</b>	<b>416,9</b>
Re-presentation	0,0	0,0
- charge-off of time-barred amounts	43,1	32,4
- interest on loans and bonds	26,7	30,3
- revaluation of non-financial assets	25,9	0,0
- provisions for paid costs	8,7	18,3
- write-downs of receivables and intangible assets	0,0	0,0
- unrealised foreign exchange losses	0,5	6,1
- accounting depreciation	610,4	313,6
- budget interest	0,0	0,0
- payroll, social insurance	0,7	7,0
- VAT (non-deductible costs)	1,0	0,0
- reversal of provisions	0,0	0,0
- other non-deductible costs	12,9	9,1
<b>Income/Loss</b>	<b>-1 069,2</b>	<b>-389,0</b>
<b>Income deduction</b>	<b>0</b>	<b>0</b>
- loss carried forward	0	0
- investment allowance	0	0
- tax-deductible donations	0	0
<b>Tax basis</b>	<b>-1 069,24</b>	<b>-388,99</b>
Income tax rate	19%	19%
<b>Financial year income tax</b>	<b>0</b>	<b>0</b>

**1.25. Discontinued operations**

The Company did not discontinue its operations in the financial year, and it is not planning to discontinue any type of its activities in the next year.



**1.26. Non-financial expenditures on fixed assets (including on environmental protection)**

Expenditures on non-financial fixed assets amounted to EUR 452,96k (PLN 1 928 914,31) in the reported financial year and EUR 783,81k (PLN 3 370 405,40) in the previous financial year. In the next year the Company is planning to spend about EUR 281,79k – EUR 305,27k (PLN 1,2 – PLN 1,3 million) in capital expenditures.

The Company has not, does not and will not incur any expenditures on environmental protection.

**Explanations on contracts and significant transactions entered into by the Company, and on HR matters**

**1.27. Information on the nature and economic purpose of contracts entered into by the Company and not included in the balance sheet to the extent necessary for assessing their impact on the Company's financial situation and assets**

None.

**1.28. Significant non-arm's length transactions entered into by the Company with related parties**

None.

**1.29. Average employment by occupational group**

Average employment in individual occupational groups:

Headcount	Financial year	Previous year
Management Board	2,00	2,00
Employees	15,42	9,76
<b>Total</b>	<b>17,42</b>	<b>11,76</b>

**1.30. Payroll, including profit-sharing compensation, paid or payable to members of governing, supervisory or administrative bodies**

In the reported financial year Members of the Management Board received a total pay of EUR 127,00k (PLN 540 848,80), previous year: EUR 95,45k (PLN 410 441,58).

In the reported financial year Members of the Supervisory Board received a total pay of EUR 0 (previous year: EUR 0).

### **1.31. Loans and other debt extended to members of governing, supervisory or administrative bodies**

As at the balance-sheet date members of governing and supervisory bodies had no loan-related liabilities towards the Company.

### **1.32. Chartered accountant or audit firm fees**

The chartered accountant's fee was EUR 3,50k (PLN 14 900,00).

## **Other information**

### **1.33. Significant past events included in the financial statements**

As at the date of the financial statements no significant past events had taken place which would need to be included therein.

### **1.34. Information on significant events that took place after the balance sheet date but were not included in the financial statements**

First reports on coronavirus came from China in late 2019. In the first months of 2020 the virus spread throughout the world, gaining momentum in its adverse impact. The Company's management considers this to be a non-adjusting event which occurred in 2019 after the balance-sheet date, thus requiring additional explanations. Although the situation continues to evolve at the time these financial statements are published, thus far the pandemic has had a fairly minor impact on the Company's situation, and this impact has been attributable to the volatility experienced by some of the Company's customers. However, we are unable to predict the future impact of the pandemic – on the one hand, certain risks may occur in the short term; on the other, a growing number of expert reports are indicating that the e-commerce market will grow faster than before, a potential opportunity for the Company. The management will continue to monitor the situation, taking all reasonable steps to mitigate any possible adverse impacts of the pandemic, while also striving to make the most of the potential opportunities which might emerge from the evolving market situation.

### **1.35. Changes in accounting rules in the financial year**

The Company's Management Board made no changes in the Company's Accounting Policies in the reported year.

### **1.36. Comparability of previous year's financial data with the reported year's financial statements**

The financial statements for the reported and previous periods are based on the same accounting rules, the only difference being in the presentation of provisions for holidays and expenditures on intangible assets produced in the Company. Hence 2018 data is shown as well, adjusted in line with the 2019 presentation.



### **1.37. Differences between movements in some balance-sheet items and movements in the same items shown in the cash flow statement**

The Company has been engaged in a number of development projects. The costs incurred during their implementation are shown in the balance sheet under Deferred and Accrued Expenses. The Company expects that once completed; the value of the relevant projects will be recognised under intangible assets. In 2019 the Company spent a total of EUR 100,46k (PLN 427 833,98) in development expenditures.

### **1.38. Transactions with related parties**

The Company did not enter in any transactions with related parties in the financial year in question.

### **1.39. Information on subsidiaries and reasons for the lack of consolidated financial statements**

The Company has a 50% shareholding in QuarticOn (Shanghai) Company Ltd., which, however, is not operational yet, and as such does not have any significant impact on the Company's business. QuarticOn is considering to use the said entity in the future to sell its services on Asian markets.

On 19 March 2019 QuarticOn Ltd., a London-based company, was registered. It is wholly owned by QuarticOn S.A. As at the date of these financial statements, the Company had not become operational, so it had no revenue and no costs as at the end of 2019.

Due to its considerable involvement in major SaaS projects and the ongoing COVID-19 pandemic, the Company decided that QuarticOn Ltd. would start its operations later in 2020.

Consequently, QuarticOn is exempt from the obligation to issue a consolidated report incorporating the above-mentioned related parties under Article 58 (1) of the Accounting Act.

### **1.40. Consolidated financial statements**

The Company is not required to produce consolidated financial statements, since it has no related parties.

### **1.41. Going concern uncertainty**

The Company is planning to continue carrying on its business, and it is not expecting any risks which could result in the winding up of its operations.

### **1.42. Other information relevant to the Company's assessment**

All the information relevant to the assessment of the Company's financial situation, its assets and financial result are provided in the financial statements.

### **1.43. Information regarding financial instruments**

I. The entity holds the following financial instruments:

#### 1) Loans and receivables category

Under this category, the entity recognises trade and other receivables with the value of EUR 208,36k (PLN 887 308,82). The entity believes that the credit risk associated with this item is not significant. Its amount results from, i.a., the sales invoices issued in the last weeks of 2019, while the large diversification of recipients reduces the risk. However, the Company has identified some significant risks related to the payment of trade and other receivables from defined clients, which resulted in creating impairment write-offs of EUR 25,90k (PLN 110 285,77). According to the Company's Management Board, the receivables not covered by the allowances shall be realistically collected in the future periods. The Company recognises the above items according to their nominal values, taking into account impairment write-offs.

#### 2) Available for trading (a) and available for sales (b) category

Under this category, the entity recognises:

a) Cash at bank and in hand of EUR 52,51k (PLN 223 603,18). (including the Company Social Benefit Fund, PLN 0,00). The entity recognises the said items according to their nominal values increased by potential interest.

Shares in the entity QuarticOn (Shanghai) Company Ltd., which is a related party. QuarticOn holds 100% of the shares in the Company. It is not the Company's intention to sell these shares in the short term. As the Company has not started its activities, the value of shares of EUR 61,29k (PLN 261 016,00) has been covered by a 100% write-off of EUR 61,29k (PLN 261 016,00).

Shares in the entity QuarticOn Ltd (United Kingdom), which is a related party. QuarticOn holds 100% of the shares in the Company. It is not the Company's intention to sell these shares in the short term. The Company recognises the said items according to their nominal values, taking into account impairment write-offs.

#### 3) Financial liabilities category

As at balance sheet date, the Company has four loans taken out from the main investor, the Venture FIZ fund, for the total amount of EUR 575,32k (PLN 2,45 million). The loans are secured with a blank promissory note. The maturity of loans determined by annexes signed after the balance sheet date (8 July 2020) are as follows: EUR 105,67k (PLN 450 thousand) until the end of 2020, EUR 117,41k (PLN 500 thousand) until the end of 2021 and EUR 352,24k (PLN 1.5 million) until the end of 2022. Due to the identity of the lender (who is the Company's shareholder) there is no financial risk recognised.

The entity recognises the above items according to their nominal values increased by potential interest.

II. Due to the nature of the financial instruments held, the Company indicates that their carrying amount does not differ from their fair value.

III. The Company does not hold derivative financial instruments.

IV. No other issues which are required to be disclosed in accordance with the Regulation of the Ministry of Finance of 12 December 2001 on specific rules concerning the recognition, valuation, disclosure and presentation of financial instruments are present in the Company.





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