



QuarticOn S.A.

QUARTERLY REPORT

1st quarter of 2022

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1 Management Board's Commentary

Ladies and Gentlemen,

The first quarter of 2022 was a very “uneven” period for us – on the one hand, it brought a very positive customer response to our new offerings and very intensive work on the “AI Fashion Stylist” project; on the other, it saw the beginning of war in Ukraine, a great tragedy for millions of people that has also had some significant business implications. The final result for Q1 2022 was similar to that of Q4 2021 (EBITDA, excluding the “AI Fashion Stylist” project), despite slightly lower sales. Admittedly, it was below our expectations, given our sales appetites sharpened by **the very warm reception of our new comprehensive offering**. The reasons for this underperformance are briefly explained in the Sales part of this report. At this point, however, all evidence seems to suggest that the rescheduling of already signed contracts was the main culprit. As far as the current status of the signed contracts is concerned (as of the day of this report), during six weeks of current quarter, we have already concluded contracts worth EUR 21,5k on annual basis and further EUR 42.7k are currently being signed.

The interest in our offer allows us to say, that our newly deployed CDXP platform is increasingly popular among our clients. Indeed, the first two months of this year were marked by dedicated efforts by our Sales and Marketing Department to promote and offer our new solution. What was particularly important, however, was to listen to what potential clients had to say to make sure our offerings are better in tune with the market. We hope that this “fine-tuning” will provide an even better alignment of our product with client needs.

As mentioned above, **the “AI Fashion Stylist” project went into full gear in Q1 2022**. We have put together a strong team of AI experts and IT specialists, built a major part of the research environment, and started working on algorithms. It is amazing how fascinating and captivating a task this is, and how “consuming” it has been for our team. In addition to research, we are conducting conceptual work on a mobile app that will serve as a B2C sales channel. We also have several promotional articles in the works that will give our clients an overview of the “AI Fashion Stylist” project and concept.

On significant corporate matters: in January 2022 we registered the increase in share capital following the issues of G- and J-class shares, and soon thereafter, in February, we were able to successfully close the issue of H-class shares for the **ACATIS fund** (more than 100,000 shares were issued). The acquired capital was allocated to the working capital and to the “AI Fashion Stylist” project.

Now, halfway into the second quarter 2022, we can see that the new CDXP solutions sit well with the market, and the passion with which we are developing “AI Fashion Stylist” allows us to assume that it will be an extremely innovative and technologically unique solution with a very large market potential.

Management Board of QuarticOn S.A.



Paweł Wyborski

Founder
President of the Management Board



Michał Giergielewicz

Member of the Board

2 Corporate matters

On 27 January 2022 the National Court Register registered the issue of G- and J-class shares. As of the date of registration, the Company's share capital was EUR 51.920k (PLN 241.56k).

In February we completed the issue of H-class shares. All the shares from this issue (106,700 shares) were subscribed for by one of our existing investors, the German fund ACATIS.

ACATIS Investment Kapitalverwaltungsgesellschaft mbH is one of the most awarded German investment funds investing in companies with growth potential. In our case, the fund is a long-term investor, ensuring the financial stability of the Company.

3 Financial results

Current activities (excluding AI Fashion Stylist project)

Our Q1 2022 sales were 8 percent lower than those achieved in the last quarter. This was caused by the prolonged negotiations with our clients (the war in Ukraine being one of the reasons). In terms of costs, we could see a slight drop in payroll costs (relative to previous quarter), achieved through minor personnel adjustments. The Company's EBITDA (based on the operating profit and excluding the "AI Fashion Stylist" project) is slightly lower to that recorded in the previous quarter, at EUR – 48k (PLN – 223k). Due to the debt conversion, the financial costs of interest on loans decreased significantly - from EUR 11k (PLN 52.7k) to EUR 1k (PLN 6.1k).

AI Fashion Stylist project

The costs of the "AI Fashion Stylist" project in Q1 2022 amounted to EUR 64k (PLN 298k). Since the project is recognised as research work, the related expenses are charged as overheads, having a direct impact on the Company's financial result. The increase in costs relative to previous quarter is clearly attributable to the significant acceleration of project works: the putting together of the research team (experts and software developers) and leasing equipment for project works. The Company financed this costs on its own and first advance payment from NCBiR (National Centre for Research and Development) received in February this year, will be settled in the second quarter of 2022. The value of funds incurred for the project to be settled as part of the advance payment will be approx. EUR 37,6k (PLN 175k), and this amount will be included in the "subsidies" item in other operating income in the profit and loss account.

Selected data from Profit and loss statement

'000 Euro

Profit and loss statement	IQ 2021	IVQ 2021	IQ 2022	IQ 2022 vs IQ 2021	IQ 2022 vs IVQ 2021
Net revenue from sales	234.2	235.1	215.1	-19.1	-20.1
Operating expenses excl. depreciation & amortization And AI Fashion Stylist	-263.2	-278.1	-263.0	0.2	15.0
EBITDA (excluding AI Fashion Stylist)	-29.0	-42.9	-48.0	-19.0	-5.0
AI Fashion Stylist expenses	0.0	-10.4	-64.1	-64.1	-53.7
EBITDA (based on result on sales)*	-29.0	-53.3	-112.1	-83.0	-58.8
EBIT (operating result)	-156.8	-168.9	-227.0	-70.2	-58.1
Net result	-170.2	-195.9	-229.9	-59.7	-34.0

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

Operating expenses

'000 Euro

	IVQ 2021	IQ 2022	IQ 2022 vs IVQ 2021
Operating expenses excl. depreciation & amort. and "AI Fashion Stylist" project	-278.1	-263.0	-15.0
Payroll, Social security and other benefit	-106.8	-89.0	-17.8
External services	-163.6	-166.9	3.3
Others	-7.7	-7.1	-0.6
Operating expenses of "AI Fashion Stylist" project	-10.4	-64.1	53.7
Payroll, Social security and other benefit	-7.6	-52.3	44.7
External services	-2.7	-11.8	9.1
Others	0.0	0.0	-0.0
Amortisation and depreciation	-113.9	-114.2	0.3
Operating expenses (Item B in profit and loss account)	-402.3	-441.3	39.0

Selected data from the balance sheet and cash flow statement

'000 Euro

Balance sheet	As of 31.03.2022	As of 31.03.2021
Fixed assets	1 091.8	1 407.0
- including intangible and legal assets	1 089.7	1 403.7
Current assets	286.2	205.4
- including short-term investments (excl. overdraft)	40.6	26.7
Total Assets	1 378.0	1 612.4
Equity	622.9	495.3
Liabilities and provisions for liabilities	755.0	1 117.1
- including short term liabilities	521.5	613.2
Total Liabilities	1 378.0	1 612.4

'000 Euro

Cash Flow	Cum 2022	Cum 2021
Net profit (loss)	-229.9	-170.2
Net cash flow from operating activities	-135.4	64.0
Net cash flow from financial activities	189.0	-11.7
Cash closing balance	40.6	26.7

4 Key events in 1st quarter of 2022

4.1 Polish market (67%) and foreign markets (33%)

Following some major changes in our service portfolio in 2021, the first quarter of 2022 was particularly important for the Company. As described in the previous report, in late 2021 our service portfolio was revamped into one of the most comprehensive CDXP systems on the market, designed to substantially boost sales performance in e-commerce. This new offering was put to its first test in Q4 2021, garnering very positive feedback from our clients. With such a good reception of our new proposals, we were impatiently waiting for the results from the first months of 2022. And our hopes were rewarded – after a traditionally unremarkable January, in February we entered into intensive talks and negotiations with new clients who took interest in our comprehensive offering. In a very short time, we were able to open more than 40 new sales projects, and the talks proceeded at a good pace.

Unfortunately, the outbreak of war in Ukraine in late February thwarted our plans to close the negotiations fast – the talks were suspended overnight, and the clients began to pull the brakes on their decision-making processes. It is worth stressing here that for many companies we are cooperating with, the Ukrainian and Russian markets were major sources of revenue, and the war prompted them to launch emergency plans and to seek savings. First-quarter underperformance was not only our issue, and this was evident from the industry press (e.g. <https://www.dlahandlu.pl/e-commerce/wiadomosci/pierwszy-kwartal-w-e-commerce-byl-slaby-w-tym-roku-rynek-bedzie-hamowal,107770.html>).

Nevertheless, as at the date of this report, the situation appears to be stabilising. After the initial shock caused by the war, e-commerce is beginning to adapt to the new situation. By mid-April we were already able to sign several contracts originally planned for closure in Q1 2022, and further contracts have entered the final signing phase. The Company assumes that the prolonging of the decision-making process was only temporary, which means that a portion of the deals originally planned for Q1 should be closed in the coming months.

Although in such a very unstable geopolitical situation it is difficult to predict the near future, the Company assumes that the complementary and comprehensive nature of our existing offering will help us attract new clients.

4.2 Marketing and customer success

In the first quarter of 2022, the Marketing Department was involved in administrative and promotional work related to the “AI Fashion Stylist” project, which has been co-financed by the EU. This included appropriate additions to the website and the preparation of necessary informational materials on the project.

Our marketing efforts were also focused on campaigns to build awareness about the Company's latest product – the advanced CDXP platform – among clients and in the online community. The first and necessary step in this direction was a thorough revision of the product price list. And another step involved **drafting 35 themes** for blog entries about the new tool for individual stages of the marketing funnel and planning their publication. The first article was released already in March. It was promoted through social media, as well as through our newsletter sent to existing clients. The material is available in all language versions in the blog section “E-Commerce University” at: <https://quarticon.com/en/ecommerce-university/5-reasons-why-your-marketing-automation-isnt-working-and-how-to-change-it/> . To reach wider audiences with our materials describing latest products, the Company also participated in Convertis’s ranking of marketing automation tools available on the Polish market, and in two podcasts from the “**Rozmowy na Zapleczu**” (“Backroom talks”) series (available in Polish only).

We also commenced work on revamping our website (starting with conceptual and design works, e.g. related to planning the product mockup and the top menu). These works will continue in the months to come, which will also see the implementation of the whole project.

4.3 IT and products

In Q1 2022 the Company largely focused on developing its SmartSearch product and integrating it with new Marketing Automation tools.

As regards SmartSearch, we worked on the process of deployment self-service to increase the scalability of product sales. We also came up with a new option for platform integration by developing API for the increasingly popular e-store design environment – progressive web application.

As regards the integration of new tools, we concluded the first stage of work, thanks to which we are now able to run even more advanced Marketing Automation campaigns based on data describing the purchasing paths of store users – e.g. automated mails with abandoned sessions, automated campaigns to recover abandoned carts.

In the first quarter of 2022, the Company's tools performed almost 700 million operations. This value is 100 million operations lower than in the fourth quarter of 2021, but on the one hand it is the effect of seasonality (the fourth quarter of each year is generally the best for trade) and the aforementioned difficult geopolitical situation.

For individual product lines the sizes are as follows:

	Q1 2022	% ¹
Smart Search searches:	39.4 million	-10.6 %
Frames view in Reko:	642.6 million	-16.5 %
Mailing - Marketing Automation:	29.4 million	-13.6 %

4.4 Subscriptions and churn²

In the first quarter of 2022, the Company generated sales thanks to 269 subscriptions (monthly average), with an average price of EUR 250 (PLN 1,16k) per subscription. The churn rate in the first quarter of 2022 was 1.3% and was lower than in the previous periods.

4.5 EU financing projects

The work on the “AI Fashion Stylist” project , started in November 2021, picked up much pace in Q1 2022. We carried out recruitment for the project team as well as first bidding procedures. In particular, however, this period was marked by intensive work on preparing the research environment and on the first algorithms.

As part of building the research environment, the Company worked on compiling data sets for research. The database was 80% complete, and contained:

- images of complete outfits,
- sets of individual pieces of clothing,
- styling suggestions from fashion experts,
- offer of online stores,
- data on the actual user interactions in online stores.

Moreover, we developed a tool for fashion experts to evaluate outfits. We carried out a bidding procedure to select the provider of cloud computing power. We conducted and concluded a bidding procedure for the lease of computers for the research team.

Furthermore, we carried out research to develop measures for the exact rendering of outfit styles by the model. We devised the concept and assumptions for the outfit style model based on attributes obtained through visual and non-visual data. We developed new AI methods, definitions and descriptions of input data, and devised the theoretical design for the model's prototype. Furthermore, we investigated the possible applications of natural-language modelling methods for use in outfit modelling.

¹ In comparison to previous quarter

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

5 Information on the Company's subsidiaries

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

The remaining 50% of the capital share in the above-mentioned the company is vested in Wan Sheng Asia Ltd based in Road Town in the British Virgin Islands. The company's initial capital was set at 118 thousand Euro. The value of liabilities and assets is also EUR 118k. Neither party paid the relevant shares and the Company did not start its activities. Therefore, the revenues and costs of the above-mentioned the companies at the end of the first quarter of 2022 amounted to EUR 0.

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

As at the date of the report, QuarticOn Ltd. did not increase its operating activities. The revenues and costs of which at the end of the first quarter of 2022 amounted to GBP 0. The company's liabilities and assets are £ 520.

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



6 Information on the Company's shareholder structure

Based on the best knowledge of the Company, the share the shareholding structure of QuarticOn S.A. as of the date of publication of this report, on 16'th May 2022, it is as follows:

Shareholder	Number of stocks*	Share
Venture FIZ	1 249 300	51.7%
CBNC Capital Solutions Ltd.	180 530	7.5%
Paweł Wyborski	185 261	7.7%
Q Free Trading Limited	123 500	5.1%
ACATIS Investment KVG mbH	134 100	5.6%
Others **	542 909	22.5%
Total	2 415 600	100.0%

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

** including key employees (ESOP)

7 Information on the number of persons employed

At the end of December 2021, the Company employed or cooperated with 24.4 persons (counted on a full-time basis) including those having a contract of employment, contract of mandate or those with B2B contracts.

8 Forecasts of financial results

The company did not published forecasts of financial results for year 2022.



9 Definition and indicators explanation

Indicator*	Source	Method of calculation	Usefulness
EBITDA (as profit on sales)	Accounting system	Profit on sales plus depreciation	This indicator is used by QuarticOn for quarterly reporting – it is an approximate figure for profit from the Company’s direct current business, which excludes any one-off accounting events (e.g. write-offs, revaluations of some reserves, typically made once a year at the end of December and covering an entire year, or past periods). Consequently, monthly or quarterly results are more comparable in the short term
EBITDA (as operating profit)	Accounting system	Operating profit plus depreciation (reduced by interest charges and taxes)	QuarticOn uses this indicator for annual reporting. It reflects the Company’s profit from its direct business, including any write-offs and revaluations of reserves for other operating revenues and costs over a given year
Churn rate	Accounting and invoicing system	Total latest-month revenue from customers who stopped using the Company's services in the previous month relative to the previous month's total sales	This indicator provides an approximate figure for sales lost due to customers’ leaving the Company. While there is no single benchmark, the lower the rate, the better
Result on operating activities	Accounting system	Result on sales plus other operating revenues less other operating costs	The company unifies the terms used: result on operating activities (in short: operating result or EBIT)
Subscription	CRM and invoicing system	-	Contract for a single service on a single domain for example “recommendation engine for www.test.pl ” . In reporting the total number of subscriptions is used.
Average Revenue Per Subscription (ARPS)	CRM and invoicing system	Total revenue (for the relevant period) from subscriptions / the number of subscriptions (in the relevant period)	This indicator shows the average value of one subscriptions (monthly) in the relevant period (“price for the product”) while the number of subscriptions shows the “quantity of products sold”.

* Note: none of the above indicators should be considered in isolation from other results of the Company



10 Shortened financial statement

10.1 Introduction

Basic information for the company

Name of the company: QuarticOn Spółka Akcyjna

Seat: Warsaw, Poland

Address: 02-017 Warsaw, Al. Jerozolimskie 123A

Incorporation date Notarial deed 13.05.2011

Entry to the Register of Entrepreneurs under National Court Register Number KRS 0000389015. The entry has been made by the District Court in Warsaw, 12th Commercial Division of the National Court Register on 11.06.2011. In result of a transformation into Spółka Akcyjna (Joint Stock Company), new number has been granted: KRS 0000715276.

Polish Taxpayer Identification Number: NIP: 5213608082

Polish Business Registry Number: REGON: 142977414

On behalf of the Issuer, the following persons operate: Wyborski Paweł – President of the Board
Giergielewicz Michał – Member of the Board

Company's manner of representation: Each member of the Board independently

This quarterly report of QuarticOn S.A. was drawn up in accordance with the requirements of § 5 sec. 1 point 1 of Annex 3 to the Alternative Trading System Regulations - "Current and periodic information provided in the alternative trading system on the NewConnect market" in connection with the provisions of § 5 subparagraph 3 and sec. 4.1 and 4.2. The financial data presented in this quarterly report of the Company includes data for the period from January 1st to March 31, 2022 and comparative data for the same period of the previous year. The balance sheet data is presented as at March 31, 2022, and the comparative data as at March 31, 2021.

All financial information has been presented in thousands of Euro (€).

Used exchange rates (based on National Bank of Poland rates):

- 1st Quarter of 2022: 1 EUR = 4.6525 PLN (zł),
- 1st Quarter of 2021: 1 EUR = 4.6603 PLN (zł),
- 4th Quarter of 2021: 1 EUR = 4.5994 PLN (zł),

10.2 Balance sheet

Assets

'000 Euro

Items		As of 31.03.2022	As of 31.03.2021
A.	Fixed assets	1 091.8	1 407.0
I.	Intangible and legal assets	1 089.7	1 403.7
1.	R&D expenses	1 089.7	1 403.7
2.	Goodwill	0,0	0,0
3.	Other intangible assets	0,0	0,0
4.	Advances for intangible assets	0,0	0,0
II.	Tangible fixed assets	1.0	2.2
1.	Tangible fixed assets in use	1.0	2.2
	a) land (including right to perpetual usufruct)	0.0	0.0
	b) buildings, premises, civil and water engineering structures	0.0	0.0
	c) technical equipment and machines	1.0	2.2
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	0.0	0.0
2.	Tangible fixed assets under construction	0.0	0.0
3.	Advances for tangible fixed assets under construction	0.0	0.0
III.	Long-term receivables	0.0	0.0
1.	From related parties	0.0	0.0
2.	From other parties, in which the company holds capital commitment	0.0	0.0
3.	From other parties	0.0	0.0
IV.	Long-term investments	1.1	1.1
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 31.03.2022	As of 31.03.2021
3.	Long-term financial assets	1.1	1.1
	a) in related parties	1.1	1.1
	b) in other parties, in which the company holds capital commitment	0.0	0.0
	c) in other parties	0.0	0.0
4.	Other long-term investments	0.0	0.0
V.	Long-term prepayments	0.0	0.0
1.	Deferred tax assets	0.0	0.0
2.	Other prepayments	0.0	0.0
B.	Current assets	286.2	205.4
I.	Inventory	0.0	0.0
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.0	0.0
II.	Short-term receivables	161.6	127.4
1.	Receivables from related parties	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
2.	Receivables from other entities in which the company holds capital commitment	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
3.	Receivables from other entities	161.6	127.4
	a) trade receivables, maturing:	88.3	87.0
	- up to 12 months	88.3	87.0
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	34.0	8.5
	c) other	39.2	32.0
	d) claimed at court	0.0	0.0
III.	Short-term investments	40.6	26.7
1.	Short-term financial assets	40.6	26.7
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	40.6	26.7
2.	Other short-term investments	0.0	0.0
IV.	Short-term prepayments	84.1	51.3
C.	Called up share capital not paid	0.0	0.0
D.	Own shares (stocks)	0.0	0.0
Total Assets		1 378.0	1 612.4

Equity and liabilities

‘000 Euro

Items		As of 31.03.2022	As of 31.03.2021
A.	EQUITY	622.9	495.3
I.	Share capital	51.9	30.1
II.	Supplementary capital, including	4 668.7	4 018.4
	- share (stock) premium	4 668.7	4 018.4
III.	Revaluation reserve, including:	0.0	0.0
IV.	Other reserve capitals	284.9	0.0
V.	Profit (loss) from previous years	-4 152.6	-3 383.0
VI.	Nett profit (loss)	-229.9	-170.2
VII.	Write-off on net profit during the financial year (negative value)	0.0	0.0
B.	Liabilities and provisions for liabilities	755.0	1 117.1
I.	Provisions for liabilities	111.2	48.6
1.	Provision for deferred income tax	0.0	0.0
2.	Provision for retirement and similar benefits	12.6	5.7
	- long-term	0.0	0.0
	- short-term	12.6	5.7
3.	Other provisions	98.6	42.8
	- long-term	0.0	0.0
	- short-term	98.6	42.8
II.	Long-term liabilities	0.0	366.9
1.	To related parties	0.0	0.0
2.	To other parties, in which the company holds capital commitment	0.0	0.0
3.	To other parties	0.0	366.9
	a) credits and loans	0.0	366.9
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) liabilities on bills of exchange	0.0	0.0
III.	Short-term liabilities	521.5	613.2
1.	To related parties	57.2	57.1
	a) trade liabilities, maturing:	0.0	0.0
	b) other	57.2	57.1
2.	To other parties in which the company holds capital commitment	0.0	0.0
	a) trade liabilities, maturing:	0.0	0.0
	b) other	0.0	0.0
3.	To other parties	464.4	556.1
	a) credits and loans	142.1	291.5
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	233.4	180.1
	- up to 12 months	233.4	180.1
	- over 12 months	0.0	0.0
	e) received advances for deliveries	0.0	0.0
	f) liabilities on bills of exchange	0.0	0.0
	g) tax, customs, insurance and other liabilities	34.0	73.1
	h) payroll liabilities	20.4	11.3

Items		As of 31.03.2022	As of 31.03.2021
	i) other	34.4	0.0
4.	Special funds	0.0	0.0
IV.	Accruals	122.3	88.4
1.	Negative goodwill	0.0	0.0
2.	Other accruals	122.3	88.4
	- long-term	0.0	0.0
	- short-term	122.3	88.4
Total Liabilities		1 378.0	1 612.4

10.3 Profit and loss statement

'000 Euro

Items		IQ 2022	IQ 2021
A.	Net revenue from sales	215.1	234.2
	from related parties	0.0	0.0
I.	Net revenue from sales of products	215.1	234.2
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0.0	0.0
III.	Costs of manufacturing products for internal purposes	0.0	0.0
IV.	Net revenue from sales of goods and materials	0.0	0.0
B.	Operating expenses	441.3	391.0
I.	Amortisation and depreciation	114.2	127.8
II.	Consumption of materials and energy	1.7	1.2
III.	External services	178.7	159.5
IV.	Taxes and charges, including:	2.2	3.2
	- excise duty	0.0	0.0
V.	Payroll	123.7	86.5
VI.	Social security and other benefits, including:	17.6	11.4
	- retirement benefits	7.6	6.5
VII.	Other prime costs	3.2	1.4
VIII.	Value of goods and materials sold	0.0	0.0
C.	Profit (loss) on sales (A - B)	-226.3	-156.8
D.	Other operating revenues	0.1	0.2
I.	Gain on disposal of non-financial fixed assets	0.1	0.0
II.	Subsidies	0.0	0.0
III.	Revaluation of non-financial assets	0.0	0.0
IV.	Other operating revenues	0.0	0.2
E.	Other operating expenses	0.8	0.1
I.	Loss on disposal of non-financial fixed assets	0.0	0.0
II.	Revaluation of non-financial assets	0.0	0.0
III.	Other operating expenses	0.8	0.1
F.	Profit (loss) on operating activities (C+D-E)	-227.0	-156.8
G.	Financial revenues	0.0	0.0

Items		IQ 2022	IQ 2021
I.	Dividend and profit sharing, including:	0.0	0.0
II.	Interest, including:	0.0	0.0
	- from related parties	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0
	- in related parties	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0
V.	Other	0.0	0.0
H.	Financial expenses	3.0	13.4
I.	Interest, including:	1.3	11.3
	- for related parties	0.0	0.0
II.	Loss on disposal of financial assets, including:	0.0	0.0
	- for related parties	0.0	0.0
III.	Revaluation of financial assets	0.0	0.0
IV.	Other	1.6	2.1
I.	Gross profit (loss) (F+G-H)	-229.9	-170.2
J.	Income tax	0.0	0.0
K.	Other statutory reductions in profit (increases in loss)	0.0	0.0
L.	Net profit (loss) (I-J-K)	-229.9	-170.2

10.4 Cash flow statement

'000 Euro

Items		IQ 2022	IQ 2021
A.	A. Cash flow from operating activities - indirect method		
I.	I. Net profit (loss)	-229.9	-170.2
II.	II. Total adjustments	94.5	234.2
1.	Amortisation and depreciation	114.2	127.8
2.	Profit (loss) from differences of exchange rates	0.0	0.0
3.	Interest and profit sharing (dividend)	2.1	10.5
4.	Profit (loss) on investment activities	-0.1	0.0
5.	Change in provisions	22.6	4.5
6.	Changes in inventory	0.0	0.0
7.	Change in the balance of receivables	-15.7	-8.7
8.	Change in short-term liabilities excluding credits and loans	-96.8	29.9
9.	Change in prepayments and accruals	68.2	70.2
10.	Other adjustments	0.0	0.0
III.	III. Net cash flow from operating activities (I+/-II)	-135.4	64.0
B.	B. Cash flows from investment activities	0.0	0.0
I.	I. Inflows	0.1	0.0
1.	Disposal of intangible and legal assets, tangible fixed assets	0.1	0.0
2.	Disposal of investments in real property and in intangible and legal assets	0.0	0.0
3.	From financial assets, including:	0.0	0.0
	a) in related parties	0.0	0.0

Items		IQ 2022	IQ 2021
	b) in other parties	0.0	0.0
	- disposal of financial assets	0.0	0.0
	- dividends and profit sharing	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0
	- interest	0.0	0.0
4.	Other inflow from investment activities	0.0	0.0
II.	II. Outflows	28.8	38.3
1.	Purchase of intangible and legal assets, tangible fixed assets	28.8	38.3
2.	Investment in real property, intangible and legal assets	0.0	0.0
3.	For financial assets, including:	0.0	0.0
4.	Other outflows from investment activities	0.0	0.0
III.	III. Net cash flows from investment activities (I-II)	-28.7	-38.3
C.	C. Cash flows from financial activities	0.0	0.0
I.	I. Inflows	227.9	21.9
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	220.2	0.0
2.	Credits and loans	7.7	21.9
3.	Issuance of debt securities	0.0	0.0
4.	Other inflows from financial activities	0.0	0.0
II.	II. Outflows	38.9	33.6
1.	Purchase of own shares (stocks)	0.0	0.0
2.	Dividend and payments to stockholders	0.0	0.0
3.	Profit distribution liabilities other than profit distribution payments to stockholders	0.0	0.0
4.	Repayment of credits and loans	37.6	32.2
5.	Redemption of debt securities	0.0	0.0
6.	Payment of other financial liabilities	0.0	0.0
7.	Payment of liabilities arising from financial leases	0.0	0.0
8.	Interest	1.3	1.4
9.	Other outflows from financial activities	0.0	0.0
III.	III. Net cash flow from financial activities (I-II)	189.0	-11.7
D.	D. Total net cash flows (A.III+/-B.III+/-C.III)	24.8	14.0
E.	E. Balance sheet change in cash, including:	24.8	14.0
-	change in cash due to exchange differences	0.0	0.0
F.	F. Cash opening balance	15.7	12.7
G.	G. Cash closing balance (F+/- D), including: *	40.6	26.7
-	of limited disposability	0.6	0.0

10.5 Statement of changes in equity

‘000 Euro

Items		As of 31.03.2022	As of 31.03.2021
I.	Opening balance of equity (OB)	496.2	663.3
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
I.a.	Opening balance of equity (OB) after adjustments	496.2	663.3
1.	Opening balance of share capital	30.2	30.1
	1.2. Closing balance of share capital	51.9	30.1
2.	Opening balance of called up share capital	0.0	0.0
	2.1. Changes in called up share capital	0.0	0.0
	2.2. Closing balance of called up share capital	0.0	0.0
3.	Opening balance of own shares	0.0	0.0
	3.1. Increase in own shares	0.0	0.0
	3.2. Closing balance of own shares	0.0	0.0
4.	Opening balance of supplementary capital	4 025.2	4 018.4
	4.1. Changes in supplementary capital	643.5	0.0
	4.2. Closing balance of supplementary capital	4 668.7	4 018.4
5.	Opening balance of revaluation reserve	0.0	0.0
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
6.	Opening balance of other reserve capitals	730.0	0.0
	6.1. Changes in other reserve capitals	-445.1	0.0
	6.2. Closing balance of other reserve capitals	284.9	0.0
7.	Opening balance of previous years' profit (loss)	-4 152.6	-3 383.0
	7.1. Opening balance of previous years' profit	0.0	0.0
	7.2. Opening balance of previous years' profit after reconciliation to comparable data	0.0	0.0
	7.3. Closing balance of previous years' profit	0.0	0.0
	7.4. Opening balance of previous years' loss	-4 152.6	-3 383.0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-4 152.6	-3 383.0
	7.6. Closing balance of previous years' loss	-4 152.6	-3 383.0
	7.7. Closing balance of previous years' profit (loss)	-4 152.6	-3 383.0
8.	Net result	-229.9	-170.2
	a) net profit	0.0	0.0
	b) net loss	-229.9	-170.2
	c) write-offs on profit	0.0	0.0
II.	Closing balance of equity (CB)	622.9	495.3
III.	Equity including proposed profit distribution (loss coverage)	622.9	495.3

10.6 Additional information (1st quarter of 2022)

Sales structure:

'000 Euro

Items	01.01.2022 - 31.03.2022	01.01.2021 - 31.03.2021
Revenue from sales of products	215.1	234.2
- in Poland	143.8	155.3
- Other countries	71.3	78.9

Investments:

'000 Euro

Items	01.01.2022 - 31.03.2022	01.01.2021 - 31.03.2021
R&D Investment Offset	-28.8	-38.3



10.7 Principles adopted for drawing up of the financial statement

Accounting books of the Company are being kept in accordance to the provision of the Accounting Act of 29th September 1994.

Tangible and intangible assets

Tangible and intangible assets are being valued at purchase costs lowered by depreciation and impairment write-offs.

Price of acquiring fixed assets includes also servicing costs of liabilities incurred for funding them for the period of assembly and adaptation, as well as exchange rate differences lowered by revenue from that asset. The price of a fixed asset is increased by its improvements consisting in rebuilding, modernization and extension that make its use value higher than it was at the moment of putting into use.

Leased fixed assets put into use on a basis of leasing agreement are included into fixed assets, if the agreement complies with conditions stipulated in Art. 3 section 4 of the Accounting Act.

In case of liquidation, withdraw from service or other events causing loss of value of a fixed asset or an item of intangible and legal assets, a write-off is being carried out revaluating its value into other operating expenses. If the reason for the asset impairment write-off ceases, value equal to the entire asset or its constituent part previously wrote-off increases the value of an asset and is included respectively into other operating revenue.

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

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

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

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

Investments

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

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

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

Receivables

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

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

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

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

Inventory

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

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

Cash and cash equivalents

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

Prepayments and accruals

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

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

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

Equity

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

Provisions for liabilities

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

These provisions are being made for:

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

Liabilities

Liabilities are being presented in the amount due.

Unearned revenue

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

Deferred income tax

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

Revenue recognition

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

Costs

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

Management Board of QuarticOn S.A.




Paweł Wyborski

President of the Board

Michał Giergielewicz

Member of the Board



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