

QuarticOn S.A.

# QUARTERLY REPORT

## IVth quarter of 2021

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# 1 Management Board's Commentary

## Ladies and Gentlemen,

A lot of exciting events happened in the fourth quarter of 2021. Our **sales recorded +10%<sup>1</sup> increase** relative to the previous quarter (+1% when compared to the previous year) and we also **improved EBITDA**, but most importantly, we developed a new comprehensive product offering for the market. We can confidently say that **our CDXP is one of the most versatile** toolsets on the market. As we have already informed you in previous reports, test sales for selected clients were met with very positive feedback. As early as in Q1 2022 we will be signing a number of other important contracts and you will be informed about them on an ongoing basis.

Why is our new CDXP so important to us? For two main reasons. Firstly, it is a **comprehensive offer**. The Company now provides a full range of services and tools to assist sales in e-commerce (and more than that). In our materials for clients we have put it as follows: "Combine, automate and personalize customer touch points throughout the customer life cycle." Our advanced tool facilitates boosting customer engagement in the shopping process, **performs very well in multichannel**, automates and streamlines the shopping process, and also improves the work effectiveness of sales teams. Everything is (relatively) easy, fast and simple. The second reason is the **scalability of this solution**, owing partly to a large number of integrations (platforms and CRM) and the deployment optimization project, which is currently being implemented. If we add our competition analysis and good results of tests with real clients, we get a great mix to take much greater advantage of the market potential than ever before.

CDXP's comprehensive offering makes up the first strategic pillar, while the second one is a completely new and innovative product currently known under its working name "**AI Fashion Stylist**". For this project we signed a financing agreement with the National Centre for Research and Development (NCBR) for EUR 1.02 million (PLN 4.7 million). It would not be

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<sup>1</sup> Based on amounts converted on EUR; for the Polish currency the increase was +9%

an exaggeration to say that it is a momentous time for our Company. Our “AI Fashion Stylist” involves innovative algorithms based on artificial intelligence “dressed” as a modern B2B and B2C product. We provide more details about this solution further in the report. The project started in early November 2021. It is expected to be completed in 23 months and its total value will be EUR 1.36 million (PLN 6.3 million).

The third piece of good news, this time in the financial area, is the completed **debt to equity swap** with VENTURE FIZ. The talks with our investor took some time, but we eventually finished the swap of nearly EUR 652.3k (PLN 3 million) of debt and interest to equity. This is not only good news in the context of the balance sheet and financial indicators, but also proof of our investor’s confidence in the development path chosen by our Company.

We entered 2022 in a fairly optimistic mood. Fairly, because the dynamic pandemic situation and macroeconomic uncertainties remain a challenge to businesses. Nevertheless, the first weeks of this year have proven that the new offering is enjoying a lot of interest among new clients, and the accelerating development of the “AI Fashion Stylist” project is sure to give us **a positive energy** for the coming months.

### Management Board of QuarticOn S.A.



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**Paweł Wyborski**

Founder  
President of the Management Board



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**Michał Giergielewicz**

Member of the Board

## 2 Corporate matters

On 13 December 2021 an Extraordinary General Meeting of the Company's Shareholders took place. The Meeting passed resolutions on increasing the Company's share capital with the issuance of three series of new shares: Series G for debt swap, series H to support the "AI Fashion Stylist" project and working capital, and Series I connected with potential acquisitions.

In December, the Company issued a small amount of shares (13,000 shares) within the authorised share capital limit (Series J shares).

On 27 January 2022 the National Court Register registered the issuance of series G and J shares. On registration, the Company's share capital was EUR 52.52k (PLN 241.56k).

The Company also started preparations to issue series H shares. As at the day of publication of this report, the Company has received confirmation from the German ACATIS fund of its intention to subscribe to 100,000 shares. As for the remaining shares, we are currently in talks with other investors.

### 3 Financial results

The sales achieved in the fourth quarter of 2021 were higher both in relation to the previous quarter (+ 10%) and to the previous year (+ 1%). On the cost side, the Company recorded slightly higher costs, but this is the result of the creation of a provision for unused vacation leaves (EUR 6.9 thousand per balance) and the costs of the "AI Fashion Stylist" project in the amount of EUR 10.4 thousand). Excluding these two items, current operating costs (excluding depreciation and amortization) were lower by EUR 11.5 thousand. This is the effect of savings in salaries and external services.

‘000 EUR

	IIIQ 2021	IVQ 2021	change
<b>Operating costs excluding depreciation &amp; amortization, unused vacation leaves provision and "AI Fashion Stylist" project</b>	<b>-282.7</b>	<b>-271.2</b>	<b>-11.5</b>
Unused vacation leave provision	0.0	-6.9	+6.9
AI Fashion Stylist project	0.0	-10.4	+10.4
<b>Operating costs excluding amortization &amp; depreciation</b>	<b>-282.7</b>	<b>-288.4</b>	<b>+5.8</b>

Higher sales and lower costs mean a significant improvement in the EBITDA result. And so, compared to the third quarter of 2021, EBITDA (excluding the "AI Fashion Stylist" project) is EUR 26.3 thousand higher. Comparing this result to the Q4 2020 is a decrease by EUR 22.2 thousand and is the effect of an increase in wages and salaries costs and higher rental costs (the Company received a rental discount in the fourth quarter of 2020).

Due to the qualification of the currently incurred expenses on the "AI Fashion Stylist" project as research work, these expenses are charged to current costs.

#### Selected data from Profit and loss statement

‘000 Euro

Profit and loss statement	IVQ 2020	IIIQ 2020	IVQ 2021	IVQ 2021 vs IVQ 2020	IVQ 2021 vs IIIQ 2021
Net revenue from sales	232.9	213.5	235.1	2.3	21.7
Operating expenses excl. depreciation & amortization And AI Fashion Stylist	-253.6	-282.7	-278.1	-24.5	4.6
<b>EBITDA (excluding AI Fashion Stylist)</b>	<b>-20.7</b>	<b>-69.2</b>	<b>-42.9</b>	<b>-22.2</b>	<b>26.3</b>
AI Fashion Stylist expenses	0.0	0.0	-10,4	-10.4	-10.4
<b>EBITDA (based on result on sales)*</b>	<b>-20.7</b>	<b>-69.2</b>	<b>-53.3</b>	<b>-32.6</b>	<b>-15.9</b>
EBIT (operating result)	-125.3	-196.8	-168.9	-43.6	27.9
<b>Net result</b>	<b>-140.2</b>	<b>-208.5</b>	<b>-195.9</b>	<b>-55.8</b>	<b>12.6</b>

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

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

'000 Euro

Balance sheet	As of 31.12.2021	As of 31.12.2020
Fixed assets	1 219.9	1 549.9
- including intangible and legal assets	1 217.6	1 546.3
Current assets	202.0	147.0
- including short-term investments (excl. overdraft)	15,9	12.8
<b>Total Assets</b>	<b>1 421.9</b>	<b>1 696.9</b>
Equity	640.0	672.1
Liabilities and provisions for liabilities	781.9	1 024.7
- including short term liabilities	654.9	596.7
<b>Total Liabilities</b>	<b>1 421.9</b>	<b>1 696.9</b>

'000 Euro

Cash Flow	Cum 2021	Cum 2020
Net profit (loss)	-772.8	-670.8
Net cash flow from operating activities	-31.0	171.4
Net cash flow from financial activities	201.7	50.0
Cash closing balance	15.9	12.8



## **4 Key events in 4th quarter of 2021**

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

On the side of sales, Q4 2021 was especially interesting and promising. Sales grew by 10% relative to Q3 2021 and by 1% relative to Q4 2020, which is obviously a good result, but still below the Company's expectations. On the one hand, the sales results were adversely affected by a slightly increased churn (termination of average-scale contracts) and very intensive work on implementing and testing our new offerings. On the other hand, market analysis and its constant growth show that there is a huge potential to increase sales (although in its previous reports the Company has already explained that market growth does not automatically translate into sales growth).

An important factor in increasing the scale of the signed contracts in Q4 2021 was the test introduction of a new product range based on the CDXP comprehensive platform. The Company had been working on this solution for several months and the market verified the new products by the end of the year. In Q4 alone, the Company signed 25 contracts for a total value of EUR 102.2k (PLN 470k) on the basis of its new offering. Such a warm reception of our new solution bodes well for future sales – early 2022 has been a time of continued interest in the Company's new products.

### **4.2 CDXP new offering (introduction)**

For some time, when negotiating its contracts, the Company has seen a growing need among its clients to integrate services into a single, coherent system. Despite good results and positive feedback on the Company's current products (mainly recommendations and SmartSearch), the lack of a consolidated tool has been a growing challenge. The development of a new tool The CDXP platform is a huge step up from the isolated Marketing Automation tool, as it makes use of the full potential of customer data due to being equipped with CRM, Account Management and sales automation functionalities. This tool perfectly follows the current market trends, allowing clients to build a 360-degree customer profile, personalize and automate tasks (including within the sales team) to discover and understand customer needs, build relationships with customers and ensure their positive experience.

From the customers' point of view, it is very important that all services should be provided by a single supplier. The tools are integrated and allow multifaceted support for sales.

**Combine, automate and personalize customer touch points throughout the customer life cycle**

- You will increase
  - **customer involvement** in the purchasing process
  - the number of **orders received**
  - your business **income**
- You will take care of website traffic and contact with customers in **multi-channel environment**
- You will **influence the purchasing decisions** of consumers and turn anonymous users into loyal, active customers
- You will **improve the purchasing process** for your clients as well as **you automate and personalize** marketing processes and communication with the client
- You will improve the **efficiency in the sales team**

Our range consists of top-quality tools which, when combined, give their users a full picture of and influence over the customer life cycle.

Use precise targeting of your activities to find the right customers and increase your audience. Attract their attention with a communication tailored to them

Develop your relationships with customers by providing tailored guidance at every stage of their purchasing journey

Delight customers with knowledge of their needs and make them recommend you to others, coming back for more. Your satisfied customers are the loyal spokesmen of your company

As trust in your brand grows, provide your audience with appropriate incentives to act so that they can take the next step with you

## 4.3 Marketing and customer success

For the Marketing Team, CDXP was the main focus of the last quarter of 2021. The Company's highly intensified efforts on building the Customer Data & Experience Platform (CDXP), which is a comprehensive platform for e-commerce combining such field as CRM, Smart Search, Recommendations, Account Management and Marketing Automation, translated into such high marketing involvement in the process. The quarter began with planning and designing the marketing communication for the new offering. The end of the quarter was marked by implementation and the creation of specific product materials connected with CDXP's comprehensive offering, including first product presentations. This work will be continued in Q1 2022.

In the last months of the previous year, the team intensified its work on the distribution and promotion of the case study "**QuarticOn x Wittchen**" both in our own social media channel and in dedicated industry groups. Link to the case study (in Polish): <https://hubs.ly/H0-C83g0>.

The previous quarter also saw the completion of work on the new content layout on the subpage "For investors" with the most significant changes including updated information on the e-commerce market which are important for potential investors, assigning materials and content to specific categories accessible on separate subpages and adding a section featuring select news about the events and communications connected with the Company's presence on the stock exchange.

The whole website of the Company is due to undergo major changes. The concept and plan for these are currently being developed.

## 4.4 IT and products

In Q4 2021 the Company made several strategic decisions connected with the development of two QuarticOn products: Smart Search and Marketing Automation.

When it comes to Smart Search, a significant development project has been launched to allow maximum self-service functionality for this product and its development towards Smart Search Selfservice. The first feature developed was the option to add the entire product catalogue directly from the Client Panel. In addition, a concept for further deployment automation was prepared. SmartSearch was extended to include several additional functionalities demanded by clients. Now it is possible to add uninflected words as well as query words to be blocked in the search field. For a better understanding of customer behaviour, a feature was added that generates elaborate reports from statistical data, available directly from the client's panel.

As for Marketing Automation, the key decision was made to integrate it with an external tool and the operation to merge it with the QuarticOn infrastructure started in Q4 2021.

Q4 was also the time of optimising IT processes: deployment processes were enhanced and an optimisation model for the workload on onboarding new clients was implemented. Thanks to this, the average time needed for client onboarding is gradually being reduced. Importantly, this process was integrated with a client profitability analysis (both pre- and post), which will allow an even better assessment of profitability of new contracts.

In the fourth quarter of 2021, the Company's tools performed almost 800 million operations, and for individual product lines the sizes are as follows:

	<b>Q4 2021</b>	<b>%<sup>1</sup></b>
Smart Search searches:	47.1 million	+5.9 %
Frames view in Reko:	719.2 million	-14.2 %
Mailing - Marketing Automation:	34.0 million	+18.2 %

## 4.5 Subscriptions and churn<sup>2</sup>

In the fourth quarter of 2021, the Company generated sales thanks to 285 subscriptions (monthly average), with an average price of EUR 264,2 per subscription. The churn rate in the last quarter of 2021 was 2.6% and was slightly higher than in the previous periods. It is i.a. the effect of termination of periodic contracts with several clients.

## 4.6 EU projects

On 28 December 2021, the Company signed a financing agreement with the National Centre for Research and Development for the innovative project entitled: “Development of advanced algorithms and artificial intelligence methods in the field of analysis and modelling of fashion styles in the form of a self-learning system of recommendations and composition of fashion stylizations (outfits) from individual garments based on given style patterns.” The project is co-financed from the European Regional Development Fund under the Smart Growth Operational Programme 2014-2020, Sub-measure 1.1.1 Industrial research and development work implemented by enterprises (Fast Track). The agreement provides for a project implementation period of 23 months (starting on 1 November 2021). The total value of the project is EUR 1.36 million and the co-financing amount will be EUR 1.03 million.

### Project description:

The main objective of the Project is to develop a product innovation – an automated engine generating recommendations in the form of outfits tailored to the user on the basis of advanced

<sup>1</sup> In comparison to previous quarter

<sup>2</sup> Churn - indicator showing loss of revenues as a result of customers churn

artificial intelligence algorithms and machine learning, which analyse and model fashion styles and patterns using big data, implemented as:

- the mobile app Personal outfit and fashion stylist (individual customers, selection from own clothes and stores, i.e. institutional clients of the Applicant)
- advanced tools – a module for online clothes stores (selection on the basis of the store's range, but the model is trained on global data).

New artificial intelligence algorithms and methods for the analysis and modelling of fashion styles will be developed under the project. It will use computer vision and machine learning methods, and particularly methods based on deep neural networks, as well as methods of studying the relationships of complex objects using similarities, such as e.g. comparator networks. Instead of creating detailed style definitions and manually specifying the visual attributes to define outfit styles, the Company will make use of knowledge about fashion styles gathered from big data.

The project result will allow the e-commerce industry and individual customers to create Personalised recommendations of fashion outfits, sets of matching clothes and accessories from the available products, for example the store's warehouse or the customer's wardrobe.



## 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 fourth quarter of 2021 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 fourth quarter of 2021 amounted to GBP 0. The company's liabilities and assets are £ 1000.

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 14<sup>th</sup> February 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%
<b>Total</b>	<b>2 415 600</b>	<b>100.0%</b>

\* 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 20 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 2021.



## 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 <a href="http://www.test.pl">www.test.pl</a> ” . 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 October 1<sup>st</sup> to December 31, 2021 and comparative data for the same period of the previous year. The balance sheet data is presented as at December 31, 2021, and the comparative data as at December 31, 2020.

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

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

- 4th Quarter of 2021: 1 EUR = 4.5994 PLN (zł),
- 4th Quarter of 2020: 1 EUR = 4.6148 PLN (zł),
- 3rd Quarter of 2021: 1 EUR = 4.6329 PLN (zł),

## 10.2 Balance sheet

### Assets

'000 Euro

Items		As of 31.12.2021	As of 31.12.2020
<b>A.</b>	<b>Fixed assets</b>	<b>1 219.9</b>	<b>1 549.9</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>1 217.6</b>	<b>1 546.3</b>
1.	R&D expenses	1 217.6	1 545.0
2.	Goodwill	0,0	0,0
3.	Other intangible assets	0,0	1.3
4.	Advances for intangible assets	0,0	0,0
<b>II.</b>	<b>Tangible fixed assets</b>	<b>1.2</b>	<b>2.5</b>
1.	Tangible fixed assets in use	1.2	2.5
	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	1.2	2.5
	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
<b>III.</b>	<b>Long-term receivables</b>	<b>0.0</b>	<b>0.0</b>
1.	From related parties	0.0	0.0
2.	From other parties, in which the company holds capital commitment	0.0	0.0
3.	From other parties	0.0	0.0
<b>IV.</b>	<b>Long-term investments</b>	<b>1.1</b>	<b>1.1</b>
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 31.12.2021	As of 31.12.2020
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
<b>V.</b>	<b>Long-term prepayments</b>	<b>0.0</b>	<b>0.0</b>
1.	Deferred tax assets	0.0	0.0
2.	Other prepayments	0.0	0.0
<b>B.</b>	<b>Current assets</b>	<b>202.0</b>	<b>147.0</b>
<b>I.</b>	<b>Inventory</b>	<b>0.0</b>	<b>0.0</b>
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.0	0.0
<b>II.</b>	<b>Short-term receivables</b>	<b>147.5</b>	<b>119.9</b>
1.	Receivables from related parties	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
2.	Receivables from other entities in which the company holds capital commitment	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
3.	Receivables from other entities	147.5	119.9
	a) trade receivables, maturing:	74.5	75.4
	- up to 12 months	74.5	75.4
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	41.2	12.5
	c) other	31.8	32.0
	d) claimed at court	0.0	0.0
<b>III.</b>	<b>Short-term investments</b>	<b>15.9</b>	<b>12.8</b>
1.	Short-term financial assets	15.9	12.8
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	15.9	12.8
2.	Other short-term investments	0.0	0.0
<b>IV.</b>	<b>Short-term prepayments</b>	<b>38.6</b>	<b>14.2</b>
<b>C.</b>	<b>Called up share capital not paid</b>	<b>0.0</b>	<b>0.0</b>
<b>D.</b>	<b>Own shares (stocks)</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Assets</b>		<b>1 421.9</b>	<b>1 696.9</b>

## Equity and liabilities

‘000 Euro

Items		As of 31.12.2021	As of 31.12.2020
<b>A.</b>	<b>EQUITY</b>	<b>640.7</b>	<b>672.1</b>
<b>I.</b>	<b>Share capital</b>	<b>30.5</b>	<b>30.4</b>
<b>II.</b>	<b>Supplementary capital, including</b>	<b>4 071.6</b>	<b>4 058.1</b>
	- share (stock) premium	4 071.6	4 058.1
<b>III.</b>	<b>Revaluation reserve, including:</b>	<b>0.0</b>	<b>0.0</b>
<b>IV.</b>	<b>Other reserve capitals</b>	<b>738.4</b>	<b>0.0</b>
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-3 427.8</b>	<b>-2 745.6</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-772.8</b>	<b>-670.8</b>
<b>VII.</b>	<b>Write-off on net profit during the financial year (negative value)</b>	<b>0.0</b>	<b>0.0</b>
<b>B.</b>	<b>Liabilities and provisions for liabilities</b>	<b>781.9</b>	<b>1 024.7</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>89.7</b>	<b>44.5</b>
1.	Provision for deferred income tax	0.0	0.0
2.	Provision for retirement and similar benefits	76.9	5.8
	- long-term	0.0	0.0
	- short-term	76.9	5.8
3.	Other provisions	12.7	38.7
	- long-term	0.0	0.0
	- short-term	12.7	38.7
<b>II.</b>	<b>Long-term liabilities</b>	<b>0.0</b>	<b>364.0</b>
1.	To related parties	0.0	0.0
2.	To other parties, in which the company holds capital commitment	0.0	0.0
3.	To other parties	0.0	364.0
	a) credits and loans	0.0	364.0
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) liabilities on bills of exchange	0.0	0.0
<b>III.</b>	<b>Short-term liabilities</b>	<b>654.9</b>	<b>596.7</b>
1.	To related parties	57.8	57.6
	a) trade liabilities, maturing:	0.0	0.0
	b) other	57.8	57.6
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	597.0	539.1
	a) credits and loans	173.1	302.1
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	358.3	169.4
	- up to 12 months	358.3	169.4
	- 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	42.0	67.4
	h) payroll liabilities	8.1	0.2

Items		As of 31.12.2021	As of 31.12.2020
	i) other	15.6	0.0
4.	Special funds	0.0	0.0
<b>IV.</b>	<b>Accruals</b>	<b>37.4</b>	<b>19.4</b>
1.	Negative goodwill	0.0	0.0
2.	Other accruals	37.4	19.4
	- long-term	0.0	0.0
	- short-term	37.4	19.4
<b>Total Liabilities</b>		<b>1 421.9</b>	<b>1 696.9</b>

## 10.3 Profit and loss statement

'000 Euro

Items		YTD 2021	Only IVQ 2021	YTD 2020	Only IVQ 2020
<b>A.</b>	<b>Net revenue from sales</b>	<b>918.9</b>	<b>235.1</b>	<b>899.1</b>	<b>232.9</b>
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	918.9	235.1	899.1	232.9
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0.0	0.0	0.0	0.0
III.	Costs of manufacturing products for internal purposes	0.0	0.0	0.0	0.0
IV.	Net revenue from sales of goods and materials	0.0	0.0	0.0	0.0
<b>B.</b>	<b>Operating expenses</b>	<b>1 625.1</b>	<b>402.3</b>	<b>1 527.2</b>	<b>365.2</b>
I.	Amortisation and depreciation	499.7	113.9	532.5	111.6
II.	Consumption of materials and energy	4.4	1.0	6.1	1.0
III.	External services	668.4	166.3	620.6	147.3
IV.	Taxes and charges, including:	12.3	3.3	9.8	4.0
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	377.8	103.5	302.6	81.2
VI.	Social security and other benefits, including:	48.5	10.9	39.6	16.1
	- retirement benefits	26.2	4.9	23.3	5.5
VII.	Other prime costs	14.0	3.4	16.1	4.0
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
<b>C.</b>	<b>Profit (loss) on sales (A - B)</b>	<b>-706.2</b>	<b>-167.2</b>	<b>-628.0</b>	<b>-132.3</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>1.5</b>	<b>1.1</b>	<b>22.6</b>	<b>4.4</b>
I.	Gain on disposal of non-financial fixed assets	0.0	0.0	0.4	0.2
II.	Subsidies	0.0	0.0	0.0	0.0
III.	Revaluation of non-financial assets	0.0	0.0	3.1	-13.1
IV.	Other operating revenues	1.5	1.1	19.2	17.3
<b>E.</b>	<b>Other operating expenses</b>	<b>3.7</b>	<b>2.9</b>	<b>18.4</b>	<b>-2.6</b>
I.	Loss on disposal of non-financial fixed assets	0.0	0.0	0.0	0.0
II.	Revaluation of non-financial assets	0.4	0.4	10.2	10.2
III.	Other operating expenses	3.3	2.5	8.2	-12.8
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-708.4</b>	<b>-168.9</b>	<b>-623.8</b>	<b>-125.3</b>
<b>G.</b>	<b>Financial revenues</b>	<b>0.1</b>	<b>0.0</b>	<b>6.2</b>	<b>3.7</b>

Items		YTD 2021	Only IVQ 2021	YTD 2020	Only IVQ 2020
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	0.1	0.0	0.0	0.0
	- from related parties	0.0	0.0	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0	0.0	0.0
	- in related parties	0.0	0.0	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0	0.0	0.0
V.	Other	0.0	0.0	6.2	3.7
<b>H.</b>	<b>Financial expenses</b>	<b>64.5</b>	<b>27.0</b>	<b>53.2</b>	<b>18.5</b>
I.	Interest, including:	42.3	12.8	43.2	11.8
	- for related parties	0.0	0.0	0.0	0.0
II.	Loss on disposal of financial assets, including:	0.0	0.0	0.0	0.0
	- for related parties	0.0	0.0	0.0	0.0
III.	Revaluation of financial assets	0.0	0.0	0.0	0.0
IV.	Other	22.2	14.2	10.0	6.7
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-772.8</b>	<b>-195.9</b>	<b>-670.8</b>	<b>-140.2</b>
<b>J.</b>	<b>Income tax</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>K.</b>	<b>Other statutory reductions in profit (increases in loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>L.</b>	<b>Net profit (loss) (I-J-K)</b>	<b>-772.8</b>	<b>-195.9</b>	<b>-670.8</b>	<b>-140.2</b>

## 10.4 Cash flow statement

‘000 Euro

Items		YTD 2021	Only IVQ 2021	YTD 2020	Only IVQ 2020
<b>A.</b>	<b>A. Cash flow from operating activities - indirect method</b>				
<b>I.</b>	<b>I. Net profit (loss)</b>	<b>-772.8</b>	<b>-195.9</b>	<b>-670.8</b>	<b>-140.2</b>
<b>II.</b>	<b>II. Total adjustments</b>	<b>741.8</b>	<b>62.0</b>	<b>842.2</b>	<b>203.2</b>
	1. Amortisation and depreciation	499.7	113.9	532.5	111.6
	2. Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
	3. Interest and profit sharing (dividend)	44.6	11.9	51.6	16.5
	4. Profit (loss) on investment activities	0.0	0.0	-0.4	-0.2
	5. Change in provisions	45.0	22.5	6.6	12.4
	6. Changes in inventory	0.0	0.0	0.0	0.0
	7. Change in the balance of receivables	-27.2	5.2	97.0	32.7
	8. Change in short-term liabilities excluding credits and loans	182.9	-63.6	149.0	44.8
	9. Change in prepayments and accruals	-3.2	-27.8	6.0	-14.5
	10. Other adjustments	0.0	0.0	0.0	0.0
<b>III.</b>	<b>III. Net cash flow from operating activities (I+/-II)</b>	<b>-31.0</b>	<b>-133.9</b>	<b>171.4</b>	<b>63.1</b>
<b>B.</b>	<b>B. Cash flows from investment activities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>I. Inflows</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>0.2</b>
	1. Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0	0.5	0.2
	2. Disposal of investments in real property and in intangible and legal assets	0.0	0.0	0.0	0.0
	3. From financial assets, including:	0.0	0.0	0.0	0.0
	a) in related parties	0.0	0.0	0.0	0.0

Items		YTD 2021	Only IVQ 2021	YTD 2020	Only IVQ 2020
	b) in other parties	0.0	0.0	0.0	0.0
	- disposal of financial assets	0.0	0.0	0.0	0.0
	- dividends and profit sharing	0.0	0.0	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0	0.0	0.0
	- interest	0.0	0.0	0.0	0.0
4.	Other inflow from investment activities	0.0	0.0	0.0	0.0
<b>II.</b>	<b>II. Outflows</b>	<b>167.6</b>	<b>32.7</b>	<b>257.5</b>	<b>54.3</b>
1.	Purchase of intangible and legal assets, tangible fixed assets	167.6	32.7	257.5	54.3
2.	Investment in real property, intangible and legal assets	0.0	0.0	0.0	0.0
3.	For financial assets, including:	0.0	0.0	0.0	0.0
4.	Other outflows from investment activities	0.0	0.0	0.0	0.0
<b>III.</b>	<b>III. Net cash flows from investment activities (I-II)</b>	<b>-167.6</b>	<b>-32.7</b>	<b>-257.1</b>	<b>-54.0</b>
<b>C.</b>	<b>C. Cash flows from financial activities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>I. Inflows</b>	<b>241.6</b>	<b>175.9</b>	<b>68.5</b>	<b>0.1</b>
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	87.2	87.2	0.0	0.0
2.	Credits and loans	154.3	88.7	68.5	0.1
3.	Issuance of debt securities	0.0	0.0	0.0	0.0
4.	Other inflows from financial activities	0.0	0.0	0.0	0.0
<b>II.</b>	<b>II. Outflows</b>	<b>39.9</b>	<b>1.5</b>	<b>18.5</b>	<b>0.0</b>
1.	Purchase of own shares (stocks)	0.0	0.0	0.0	0.0
2.	Dividend and payments to stockholders	0.0	0.0	0.0	0.0
3.	Profit distribution liabilities other than profit distribution payments to stockholders	0.0	0.0	0.0	0.0
4.	Repayment of credits and loans	32.6	0.0	0.0	0.0
5.	Redemption of debt securities	0.0	0.0	0.0	0.0
6.	Payment of other financial liabilities	0.0	0.0	0.0	0.0
7.	Payment of liabilities arising from financial leases	0.0	0.0	0.0	0.0
8.	Interest	7.2	1.5	18.5	0.0
9.	Other outflows from financial activities	0.0	0.0	0.0	0.0
<b>III.</b>	<b>III. Net cash flow from financial activities (I-II)</b>	<b>201.7</b>	<b>174.4</b>	<b>50.0</b>	<b>0.1</b>
<b>D.</b>	<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>3.1</b>	<b>7.8</b>	<b>-35.7</b>	<b>9.1</b>
<b>E.</b>	<b>E. Balance sheet change in cash, including:</b>	<b>3.1</b>	<b>7.8</b>	<b>-35.7</b>	<b>9.1</b>
-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
<b>F.</b>	<b>F. Cash opening balance</b>	<b>12.8</b>	<b>8.1</b>	<b>48.5</b>	<b>3.6</b>
<b>G.</b>	<b>G. Cash closing balance (F+/- D), including: *</b>	<b>15.9</b>	<b>15.9</b>	<b>12.8</b>	<b>12.8</b>
-	of limited disposability	9.8	0.0	2.5	0.0

## 10.5 Statement of changes in equity

‘000 Euro

Items		As of 31.12.2021	As of 31.12.2020
<b>I.</b>	<b>Opening balance of equity (OB)</b>	<b>674.4</b>	<b>1 342.9</b>
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
<b>I.a.</b>	<b>Opening balance of equity (OB) after adjustments</b>	<b>674.4</b>	<b>1 342.9</b>
<b>1.</b>	<b>Opening balance of share capital</b>	<b>30.5</b>	<b>30.1</b>
	1.2. Closing balance of share capital	30.5	30.4
<b>2.</b>	<b>Opening balance of called up share capital</b>	<b>0.0</b>	<b>0.0</b>
	2.1. Changes in called up share capital	0.0	0.0
	2.2. Closing balance of called up share capital	0.0	0.0
<b>3.</b>	<b>Opening balance of own shares</b>	<b>0.0</b>	<b>0.0</b>
	3.1. Increase in own shares	0.0	0.0
	3.2. Closing balance of own shares	0.0	0.0
<b>4.</b>	<b>Opening balance of supplementary capital</b>	<b>4 071.6</b>	<b>4 058.1</b>
	4.1. Changes in supplementary capital	0.0	0.0
	4.2. Closing balance of supplementary capital	4 071.6	4 058.1
<b>5.</b>	<b>Opening balance of revaluation reserve</b>	<b>0.0</b>	<b>0.0</b>
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
<b>6.</b>	<b>Opening balance of other reserve capitals</b>	<b>0.0</b>	<b>0.3</b>
	6.1. Changes in other reserve capitals	0.0	0.0
	6.2. Closing balance of other reserve capitals	0.0	0.0
<b>7.</b>	<b>Opening balance of previous years' profit (loss)</b>	<b>-3 427.8</b>	<b>-2 745.6</b>
	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	-3 427.8	-2 745.6
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-3 427.8	-2 745.6
	7.6. Closing balance of previous years' loss	-3 427.8	-2 745.6
	7.7. Closing balance of previous years' profit (loss)	-3 427.8	-2 745.6
<b>8.</b>	<b>Net result</b>	<b>-772.8</b>	<b>-670.8</b>
	a) net profit	0.0	0.0
	b) net loss	-772.8	-670.8
	c) write-offs on profit	0.0	0.0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>640.0</b>	<b>672.1</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>640.0</b>	<b>672.1</b>

## 10.6 Additional information (4th quarter of 2021)

Sales structure:

'000 Euro

Items	01.10.2021 - 31.12.2021	01.10.2020 - 31.12.2020
Revenue from sales of products	235.1	232.9
- in Poland	158.4	154.7
- Other countries	76.7	78.2

Investments:

'000 Euro

Items	01.10.2021 - 31.12.2021	01.10.2020 - 31.12.2020
R&D Investment Offset	-32.7	-54.3



## 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 29<sup>th</sup> September 1994.

### **Tangible and intangible assets**

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

Price of acquiring fixed assets includes also servicing costs of liabilities incurred for funding them for the period of assembly and adaptation, as well as exchange rate differences lowered by revenue from that asset. The price of a fixed asset is increased by its improvements consisting in rebuilding, 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.

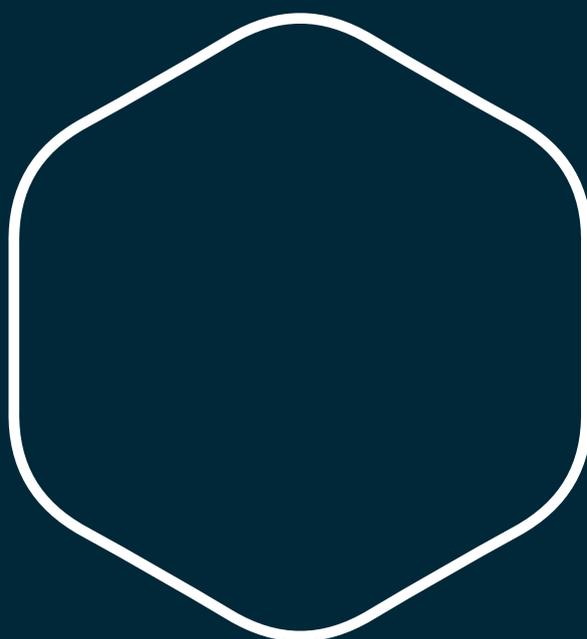
**Paweł Wyborski**

President of the Board

**Michał Giergielewicz**

Member of the Board





**QuarticOn S.A.**



- 📍 Al. Jerozolimskie 123A, 02-017 Warszawa
- ☎ +48 22 844 02 51
- ✉ [contact@quarticon.com](mailto:contact@quarticon.com)
- 🌐 [www.quarticon.com](http://www.quarticon.com)

