



QuarticOn S.A.

# **QUARTERLY REPORT**

## **3rd quarter of 2021**

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# 1 Management Board's Commentary

## Ladies and Gentlemen,

QuarticOn's (further The Company, Issuer, QuarticOn) third quarter of 2021 was above all marked by two strategically important events – qualifying an innovative development project for co-financing from EU funds and the start of a strategic options review.

**In preparation for the strategic options review**, we have conducted market change and market competition analysis, as well as examined our service portfolio and our development plans resulting from the insights gained in this way. Following the changes made in previous periods, such as, in particular, the cost optimization carried out or the continuous improvement of our products, we believe that QuarticOn is well-positioned to undertake efforts to accelerate its growth. We are considering various options, from pulling in a strategic investor, to a merger or acquisition, to finding a strategic partner that would provide a valuable addition to QuarticOn's offering. As of the day of this Report, the most likely scenario involves an acquisition, for which a Letter of Intent (see: ESPI Current Report No 17/2021) has already been signed. The company we're negotiating with provides best-in-class marketing automation solutions and a customer data platform, representing an excellent functional addition to our existing range. Based on feedback from selected customers to whom we presented our consolidated offering, we know this is a good idea. Talks with the shareholders of the acquired company are still in progress, we consider to convene an Extraordinary General Meeting in mid-December, which should adopt an issue of shares for the purposes of a possible takeover (the intention of the Company is to issue new shares to the current shareholders of the acquired Company in exchange for its shares).

**An alternative solution**, which is we are considering in our review of strategic options, involves the possibility of signing a strategic partnership agreement with a selected foreign marketing automation and customer data platform provider, under which we would deliver that provider's services on a white-label basis as part of our product package.

“**Personal Fashion Stylist**” is another of our projects that got a major push forward in the third quarter. It is a fashion marketplace technology based entirely on **AI algorithms** designed to replace the “conventional” fashion stylist. Since QuarticOn is now processing the product ranges of several dozen fashion stores, we will also be able to provide the solution to the B2C market. We had started conceptual work on this project earlier, but a major breakthrough came with the decision to grant QuarticOn EU funding for designing AI-based Fashion Stylist algorithms. The whole project is estimated to cost over EUR 1.36 million (PLN 6.3 million), including EUR 1.04 million (PLN 4.7 million) of recommended EU funding. We believe that by implementing this project, we will create a second business pillar for the Company. This is because the new solution will be universal for the sales market, while also being intended for the fashion industry, the biggest segment of e-commerce, and sold in both the B2B and B2C channels (through a mobile app). We will give you more details about the project once we have signed an agreement with the National Centre for Research and Development (NCBR).

In terms of sales, over 4% increase in relation to the previous year is not fully satisfactory for us. This was mainly due to the exceptionally quiet summer period. September proved to be a much more intensive month in terms of commercial talks and preparations for signing contracts.

As the Management Board we will use our best efforts to have the Company complete the strategic options review by Q4 2021, choosing the single most preferential scenario that will become a strong driver for QuarticOn's growth in the years to come. We also hope to sign an agreement with NCBR in Q4 2021 to launch a project we believe holds the largest development potential in QuarticOn's history.

### 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 Financial results

As already mentioned in the preceding part of this Report, the summer period in Q3 is for the Company usually the weakest in terms of sales. This year was no exception, with sales dropping by -9% in 3<sup>rd</sup> quarter relative to the previous quarter. And this was the main reason behind the poorer EBITDA performance quarter-on-quarter, with operating costs remaining essentially at the same level (a decrease of EUR 7.9k). It is important to note here that we are in the last phase of our cost optimisation project (launched last year), and we should see its effects in Q4 2021.

### Selected data from Profit and loss statement

‘000 Euro

Profit and loss statement	IIIQ 2020	IIQ 2020	IIIQ 2021	IIIQ 2021 vs IIIQ 2020	IIIQ 2021 vs IIQ 2021
Net revenue from sales	209.0	235.5	213.5	4.5	-22.0
Operating expenses excl. depreciation & amort.	-213.7	-290.6	-282.7	-69.0	7.9
<b>EBITDA (based on result on sales)*</b>	<b>-4.7</b>	<b>-55.1</b>	<b>-69.2</b>	<b>-64.5</b>	<b>-14.1</b>
EBIT (operating result)	-146.3	-185.6	-196.8	-50.5	-11.2
<b>Net result</b>	<b>-157.6</b>	<b>-197.8</b>	<b>-208.5</b>	<b>-50.9</b>	<b>-10.7</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 30.09.2021	As of 30.09.2020
Fixed assets	1 160.8	1 337.1
- including intangible and legal assets	1 158.1	1 333.0
Current assets	312.6	473.7
- including short-term investments (excl. overdraft)	8,0	3.7
<b>Total Assets</b>	<b>1 473.4</b>	<b>1 810.8</b>

<b>Balance sheet</b>	<b>As of 30.09.2021</b>	<b>As of 30.09.2020</b>
Equity	96.7	828.1
Liabilities and provisions for liabilities	1 376.7	982.7
- including short term liabilities	882.6	565.5
<b>Total Liabilities</b>	<b>1 473.4</b>	<b>1 810.8</b>

'000 Euro

<b>Cash Flow</b>	<b>Cum 2021</b>	<b>Cum 2020</b>
Net profit (loss)	-572.8	-541.0
Net cash flow from operating activities	97.9	105.6
Net cash flow from financial activities	31.4	55.7
Cash closing balance	8.0	3.7



## 3 Key events in 3rd quarter of 2021

### 3.1 Polish market (66%) and foreign markets (34%)

The summer months are a usually slower period for the e-commerce business. QuarticOn's Q3 2021 performance was not surprising, then, since traditionally it has always been the weakest period of the year, with poorer financial performance than in all the other quarters. Most online stores and their personnel go down a gear in these months. After the 2020 pandemic we could clearly feel that our customers needed to make up for the lost time. With managers and decision-makers being widely unavailable, it was much more difficult to arrange meetings and hold negotiations. In September, however, as in the previous years, the situation began to go back to normal and our negotiation processes were back in high gear. Nevertheless, the finalization of new contracts is already ahead of the next quarter and we expect that then we will be able to inform about positive changes in sales.

In Q3 2021 QuarticOn's recommendations system represented more than 60% of our new sales, the remaining portion being mainly attributable to SmartSearch. What our customers expect the most, however, is a Customer Data Platform – an integrated system offering three critical categories of services. QuarticOn's prospective acquisition (as noted, a Letter of Intent has been signed) will add to QuarticOn's offering, and following consolidation we will deliver just that solution. It is highly anticipated in Poland and beyond, with especially strong interest being expressed by Czech and Slovak customers. It is also worth highlighting that a large majority of our competitors are unable to offer such a rich system all in a single product package. The potential acquisition-related integration will certainly help to boost QuarticOn's sales, offering a unique, attractive value for e-commerce service providers.

### 3.2 Marketing and customer success

For the Marketing Department the third quarter of 2021 was marked mainly by continued efforts to build QuarticOn's brand awareness in the e-commerce community. One of them involved a webinar entitled **“How to meet the expectations of e-commerce managers? An inside look at modern technology.”** It was addressed to those whose everyday responsibilities at work involved

contact with e-commerce customers and who wanted to meet their expectations. The webinar aimed to help them to go in the right direction and effectively embrace technology to grow their online business. The event was widely promoted on social media and through QuarticOn's corporate newsletter. A recording of the webinar can be watched here: <https://www.youtube.com/watch?v=u-jdZG-C4Gc>.

In addition, the Company prepared an expert article on Ideo Force's (a marketing agency) website dealing with the features that can effectively shorten the distance between the customer and the product (link: <https://www.ideoforce.pl/akademia/funkcjonalnosci-ktore-skracaja-odleglosc-klient-produkt-w-sklepie-online,598.html>), and also participated in the "Lunch with e-commerce" industry conference (link: <https://www.ideoforce.pl/lunch-z-e-commerce/>).

These marketing efforts in the virtual space helped to put QuarticOn on numerous lists mentioning it as an expert company – these included lists by: Puls Biznesu, Futurology and AdMonkey.

We have also started working on restructuring the contents of our website to facilitate clear communication with customers, expedite updates and support SEO. We expect this project to be completed by the end of this year.

QuarticOn has also finished working on a case study based on its services for Wittchen S.A. This material will be published in Q4 2021.

The third quarter saw the addition of the Czech language to the Help Center platform (the Czech market is the second biggest sales market for QuarticOn). We have had a range of teaching and technical materials translated, as well as materials that help to get the most of our products.

As in the previous periods, in addition to its dedicated quarterly tasks, the Marketing Department maintained ongoing communication with QuarticOn's customers both on social media and through the newsletter, and also added new articles and manuals to HelpCenter's resources.

### **3.3 IT and products**

In the previous quarter of 2021 we recorded an 11% decrease (relative to the previous quarter) in the number of our Customers' operations. The decrease was for SmartSearch searches and frame views in Recommendations. Conversely, we saw an increase in the volume of mails sent through the Marketing Automation service.



Smart Search searches:	44.5 million	-22 <sup>1</sup> %
Frames view in Reko:	838.2 million	-11%
Mailing - Marketing Automation:	28.8 million	+25%

As well as deploying our solutions for new Customers and improving existing tools, the IT team developed and deployed new product features, including primarily:

- Marketing automation: the newsletter sending process has been optimised to allow customers to opt for or against an MA campaign, a module has been prepared for integration with IAI and MailChimp systems, and our module designed for managing multiple marketing consents has been optimised.
- SmartSearch – our module designed to monitor SmartSearch feed data has been expanded, and the autocomplete feature has been optimised.

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

In Q3 QuarticOn achieved sales from **317 subscriptions average monthly**, with an average amount of EUR 220.7 each.

The churn rate in Q3 2021 was 2.3% and was higher than in previous periods (an effect of termination of periodic contracts with several clients).




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

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

## 4 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 third 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 third 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.



## 5 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 15'th November 2021, it is as follows:

Shareholder	Number of stocks*	Share
Venture FIZ	251 000	17.9%
CBNC Capital Solutions Ltd.	180 000	12.8%
Paweł Wyborski	185 261	13.2%
Q Free Trading Limited	123 500	8.8%
ACATIS Investment KVG mbH	134 100	9.5%
Kamil Cisko	100 000	7.1%
Paulina Zamojska	70 574	5.0%
Others **	359 865	25.6%
<b>Total</b>	<b>1 404 300</b>	<b>100.0%</b>

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

\*\* including key employees (ESOP)

## 6 Information on the number of persons employed

At the end of September 2021, the Company employed or cooperated with 25 persons (counted on a full-time basis) including those having a contract of employment, contract of mandate or those with B2B contracts.

## 7 Forecasts of financial results

The company did not published forecasts of financial results for year 2021.



## 8 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



# 9 Shortened financial statement

## 9.1 Introduction

### Basic information for the company

<b>Name of the company:</b>	<b>QuarticOn Spółka Akcyjna</b>
<b>Seat:</b>	Warsaw, Poland
<b>Address:</b>	02-017 Warsaw, Al. Jerozolimskie 123A
<b>Incorporation date</b>	Notarial deed 13.05.2011
<p>Entry to the Register of Entrepreneurs under National Court Register Number KRS 0000389015. The entry has been made by the District Court in Warsaw, 12th Commercial Division of the National Court Register on 11.06.2011. In result of a transformation into Spółka Akcyjna (Joint Stock Company), new number has been granted: KRS 0000715276.</p>	
<b>Polish Taxpayer Identification Number:</b>	NIP: 5213608082
<b>Polish Business Registry Number:</b>	REGON: 142977414
<b>On behalf of the Issuer, the following persons operate:</b>	Wyborski Paweł – President of the Board Giergielewicz Michał – Member of the Board
<b>Company's manner of representation:</b>	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 July 1<sup>st</sup> to September 30, 2021 and comparative data for the same period of the previous year. The balance sheet data is presented as at September 30, 2021, and the comparative data as at September 30, 2020.

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

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

- 3rd Quarter of 2021: 1 EUR = 4.6329 PLN (zł),
- 3rd Quarter of 2020: 1 EUR = 4.5268 PLN (zł),
- 2nd Quarter of 2021: 1 EUR = 4.5208 PLN (zł),

## 9.2 Balance sheet

### Assets

'000 Euro

Items		As of 30.09.2021	As of 30.09.2020
<b>A.</b>	<b>Fixed assets</b>	<b>1 160.8</b>	<b>1 337.1</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>1 158.1</b>	<b>1 333.0</b>
1.	R&D expenses	1 158.1	1 330.3
2.	Goodwill	0,0	0,0
3.	Other intangible assets	0,0	2.7
4.	Advances for intangible assets	0,0	0,0
<b>II.</b>	<b>Tangible fixed assets</b>	<b>1.7</b>	<b>2.9</b>
1.	Tangible fixed assets in use	1.7	2.9
	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	1.7	2.9
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	0.0	0.1
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 30.09.2021	As of 30.09.2020
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>312.6</b>	<b>473.7</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>151.6</b>	<b>155.4</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	151.6	155.4
	a) trade receivables, maturing:	80.3	102.1
	- up to 12 months	80.3	102.1
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	34.9	21.1
	c) other	36.4	32.3
	d) claimed at court	0.0	0.0
<b>III.</b>	<b>Short-term investments</b>	<b>8.0</b>	<b>3.7</b>
1.	Short-term financial assets	8.0	3.7
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	8.0	3.7
2.	Other short-term investments	0.0	0.0
<b>IV.</b>	<b>Short-term prepayments</b>	<b>152.9</b>	<b>314.6</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>1 473.4</b>	<b>1 810.8</b>

## Equity and liabilities

‘000 Euro

Items		As of 30.09.2021	As of 30.09.2020
<b>A.</b>	<b>EQUITY</b>	<b>96.7</b>	<b>828.1</b>
<b>I.</b>	<b>Share capital</b>	<b>30.3</b>	<b>31.0</b>
<b>II.</b>	<b>Supplementary capital, including</b>	<b>4 042.2</b>	<b>4 136.9</b>
	- share (stock) premium	4 042.2	4 136.9
<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>0.0</b>	<b>0.0</b>
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-3 403.0</b>	<b>-2 798.9</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-572.8</b>	<b>-541.0</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>1 376.7</b>	<b>982.7</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>66.7</b>	<b>32.7</b>
1.	Provision for deferred income tax	0.0	0.0
2.	Provision for retirement and similar benefits	5.8	6.2
	- long-term	0.0	0.0
	- short-term	5.8	6.2
3.	Other provisions	60.9	26.6
	- long-term	0.0	0.0
	- short-term	60.9	26.6
<b>II.</b>	<b>Long-term liabilities</b>	<b>378.8</b>	<b>351.2</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	378.8	351.2
	a) credits and loans	378.8	351.2
	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>882.6</b>	<b>565.5</b>
1.	To related parties	57.4	58.8
	a) trade liabilities, maturing:	0.0	0.0
	b) other	57.4	58.8
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	825.2	506.8
	a) credits and loans	344.3	310.9
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	332.5	129.3
	- up to 12 months	332.5	129.3
	- over 12 months	0.0	0.0
	e) received advances for deliveries	0.0	0.0
	f) liabilities on bills of exchange	0.0	0.0
	g) tax, customs, insurance and other liabilities	135.6	60.4
	h) payroll liabilities	12.8	1.4



Items		As of 30.09.2021	As of 30.09.2020
	i) other	0.0	4.8
4.	Special funds	0.0	0.0
<b>IV.</b>	<b>Accruals</b>	<b>48.6</b>	<b>33.2</b>
1.	Negative goodwill	0.0	0.0
2.	Other accruals	48.6	33.2
	- long-term	0.0	0.0
	- short-term	48.6	33.2
<b>Total Liabilities</b>		<b>1 473.4</b>	<b>1 810.8</b>

## 9.3 Profit and loss statement

'000 Euro

Items		YTD 2021	Only IIIQ 2021	YTD 2020	Only IIIQ 2020
<b>A.</b>	<b>Net revenue from sales</b>	<b>678.8</b>	<b>213.5</b>	<b>679.2</b>	<b>209.0</b>
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	678.8	213.5	679.2	209.0
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>1 214.0</b>	<b>409.9</b>	<b>1 184.6</b>	<b>354.6</b>
I.	Amortisation and depreciation	383.0	127.2	429.1	140.9
II.	Consumption of materials and energy	3.3	1.0	5.2	1.0
III.	External services	498.5	169.8	482.5	132.5
IV.	Taxes and charges, including:	8.9	2.4	5.8	2.1
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	272.4	92.5	225.7	66.7
VI.	Social security and other benefits, including:	37.3	13.1	23.9	8.4
	- retirement benefits	21.2	7.4	18.1	5.4
VII.	Other prime costs	10.5	3.9	12.3	3.0
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>-535.2</b>	<b>-196.4</b>	<b>-505.4</b>	<b>-145.6</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>0.4</b>	<b>0.1</b>	<b>18.6</b>	<b>0.7</b>
I.	Gain on disposal of non-financial fixed assets	0.0	0.0	0.2	0.0
II.	Subsidies	0.0	0.0	0.0	0.0
III.	Revaluation of non-financial assets	0.0	0.0	16.4	0.0
IV.	Other operating revenues	0.4	0.1	1.9	0.7
<b>E.</b>	<b>Other operating expenses</b>	<b>0.9</b>	<b>0.5</b>	<b>21.4</b>	<b>1.4</b>
I.	Loss on disposal of non-financial fixed assets	0.0	0.0	0.0	0.0
II.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
III.	Other operating expenses	0.9	0.5	21.4	1.4
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-535.6</b>	<b>-196.8</b>	<b>-508.2</b>	<b>-146.3</b>
<b>G.</b>	<b>Financial revenues</b>	<b>0.1</b>	<b>0.1</b>	<b>2.5</b>	<b>2.6</b>

Items		YTD 2021	Only IIIQ 2021	YTD 2020	Only IIIQ 2020
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	0.1	0.1	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	2.5	2.6
<b>H.</b>	<b>Financial expenses</b>	<b>37.2</b>	<b>11.8</b>	<b>35.3</b>	<b>13.9</b>
I.	Interest, including:	29.3	7.4	32.0	10.8
	- 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	7.9	4.4	3.3	3.0
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-572.8</b>	<b>-208.5</b>	<b>-541.0</b>	<b>-157.6</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>-572.8</b>	<b>-208.5</b>	<b>-541.0</b>	<b>-157.6</b>

## 9.4 Cash flow statement

‘000 Euro

Items		YTD 2021	Only IIIQ 2021	YTD 2020	Only IIIQ 2020
<b>A.</b>	<b>A. Cash flow from operating activities - indirect method</b>				
<b>I.</b>	<b>I. Net profit (loss)</b>	<b>-572.8</b>	<b>-208.5</b>	<b>-541.0</b>	<b>-157.6</b>
<b>II.</b>	<b>II. Total adjustments</b>	<b>670.6</b>	<b>216.9</b>	<b>646.6</b>	<b>172.2</b>
	1. Amortisation and depreciation	383.0	127.2	429.1	140.9
	2. Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
	3. Interest and profit sharing (dividend)	28.2	7.2	30.9	10.3
	4. Profit (loss) on investment activities	0.0	0.0	-0.2	0.0
	5. Change in provisions	22.4	16.8	-5.9	0.3
	6. Changes in inventory	0.0	0.0	0.0	0.0
	7. Change in the balance of receivables	-32.1	-20.5	65.7	15.0
	8. Change in short-term liabilities excluding credits and loans	244.8	106.6	106.2	26.3
	9. Change in prepayments and accruals	24.4	-20.4	20.9	-20.5
	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>97.9</b>	<b>8.4</b>	<b>105.6</b>	<b>14.6</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>0.2</b>	<b>0.0</b>
	1. Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0	0.2	0.0
	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 IIIQ 2021	YTD 2020	Only IIIQ 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>133.9</b>	<b>48.7</b>	<b>207.2</b>	<b>58.9</b>
1.	257.3	133.9	48.7	207.2	58.9
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>-133.9</b>	<b>-48.7</b>	<b>-207.0</b>	<b>-58.9</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>65.1</b>	<b>41.6</b>	<b>69.7</b>	<b>37.3</b>
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0.0	0.0	0.0	0.0
2.	Credits and loans	65.1	41.6	69.7	37.3
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>33.7</b>	<b>0.0</b>	<b>14.0</b>	<b>3.7</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	32.4	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	1.4	0.0	14.0	3.7
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>31.4</b>	<b>41.6</b>	<b>55.7</b>	<b>33.6</b>
<b>D.</b>	<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>-4.7</b>	<b>1.3</b>	<b>-45.7</b>	<b>-10.7</b>
<b>E.</b>	<b>E. Balance sheet change in cash, including:</b>	<b>-4.7</b>	<b>1.3</b>	<b>-45.7</b>	<b>-10.7</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>12.7</b>	<b>6.7</b>	<b>49.4</b>	<b>14.4</b>
<b>G.</b>	<b>G. Cash closing balance (F+/- D), including: *</b>	<b>8.0</b>	<b>8.0</b>	<b>3.7</b>	<b>3.7</b>
-	of limited disposability	0.0	0.0	0.0	0.0

## 9.5 Statement of changes in equity

‘000 Euro

Items		As of 30.09.2021	As of 30.09.2020
<b>I.</b>	<b>Opening balance of equity (OB)</b>	<b>669.5</b>	<b>1 369.0</b>
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
<b>I.a.</b>	<b>Opening balance of equity (OB) after adjustments</b>	<b>669.5</b>	<b>1 369.0</b>
<b>1.</b>	<b>Opening balance of share capital</b>	<b>30.3</b>	<b>30.7</b>
	1.2. Closing balance of share capital	30.3	31.0
<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>4 042.2</b>	<b>4 136.9</b>
	4.1. Changes in supplementary capital	0.0	0.0
	4.2. Closing balance of supplementary capital	4 042.2	4 136.9
<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>0.0</b>
	6.1. Changes in other reserve capitals	0.0	0.0
	6.2. Closing balance of other reserve capitals	0.0	0.0
<b>7.</b>	<b>Opening balance of previous years' profit (loss)</b>	<b>-3 403.0</b>	<b>-2 798.9</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	-3 403.0	-2 798.9
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-3 403.0	-2 798.9
	7.6. Closing balance of previous years' loss	-3 403.0	-2 798.9
	7.7. Closing balance of previous years' profit (loss)	-3 403.0	-2 798.9
<b>8.</b>	<b>Net result</b>	<b>-572.8</b>	<b>-541.0</b>
	a) net profit	0.0	0.0
	b) net loss	-572.8	-541.0
	c) write-offs on profit	0.0	0.0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>96.7</b>	<b>828.1</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>96.7</b>	<b>828.1</b>

## 9.6 Additional information (3rd quarter of 2021)

Sales structure:

'000 Euro

Items	01.07.2021 - 30.09.2021	01.07.2020 - 30.09.2020
Revenue from sales of products	213.5	209.0
- in Poland	140.3	143.0
- Other countries	73.1	66.0

Investments:

'000 Euro

Items	01.07.2021 - 30.09.2021	01.07.2020 - 30.09.2020
R&D Investment Offset	-48.7	-58.9



## 9.7 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.**



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