



QuarticOn S.A.

QUARTERLY REPORT

1st quarter of 2021

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1 Management Board's Commentary

Ladies and Gentlemen,

The first quarter of 2021 was another successful one for us in terms of sales. A **1-percent growth** (in relation to increase based on PLN currency; due to different exchange rates used for the analysing periods, the change for EUR is different) might seem insignificant at first glance. However, the Company has always seen its sales drop in the first quarter of the year relative to the fourth quarter (e.g. 2020/2019 -9.67% vs. 2019/2018 – 5.54%). So, the fact that it has managed to keep up the strong performance from the previous quarter **is very good news**.

What is even better news is that we are negotiating or preparing to implement a considerable number of new contracts. The volume of “prospective sales” has been growing so fast that we had to make minor additions to our deployment & development teams. By slightly increasing costs today, we will achieve **higher sales tomorrow**.

We were able to produce these trends by effectively leveraging the ever-growing market. It is important, however, to stress one important thing here – the strong growth trend in online-channel sales (this is clear just from the announcements by stock-market retail companies) does not affect directly into a proportional increase in our revenues. Nevertheless, we are excited to see our solution perform well – in Q1 2021 alone our recommendations engine generated **more than 71% greater sales** for our customers compared to last year. What does influence our sales growth, however, is the volume of new subscriptions and their value, as well as the churn rate. This report also includes an additional comment by the Company's CEO to the current market situation and its impact on our business.

Our EBITDA for Q1 2021 was **EUR 24.2k better than last year**, but lower than last quarter. The latter change is attributable to the increased payroll costs (i.a. new hirings) and slightly higher costs of current operations. We provide more details on this further in the report. From our current perspective, the increase in costs could be seen as an investment, driving revenues in the months to come.

While it is difficult to predict how the pandemic will develop in the coming months, we may safely assume that the majority of newcomer buyers in the online channel will stay there. And this will drive e-commerce. The first weeks of Q2 saw the rate and volume of orders stay strong (at the end of April the amount of subscriptions under implementation was over 54 k PLN i.e. EUR 11,7k), allowing us to be moderately optimistic about the coming weeks.

Management Board of QuarticOn S.A.



Paweł Wyborski

Founder
President of the Management Board



Michał Giergielewicz

Member of the Board

2 Covid-19 impact on QuarticOn's business

Another phase of the Covid-19 pandemic in Q1 2021 saw further business restrictions, bringing some branches of the services industry to a halt and forcing some retail stores to close their doors. And while we have somewhat learned to live with the pandemic, the problems are still there, and QuarticOn is facing two new challenges: handling the growing volume of orders and optimising the costs which have become redundant amidst the pandemic and will become unnecessary after the pandemic.

The latter case, for instance, relates to the office space rented by the Company. We have learned from our employees that there is a fairly big group (especially the IT team) that would prefer to work in a hybrid model. This would mean that the space we currently have at our disposal will not be used efficiently. The Company is currently looking for an optimum solution to this problem.

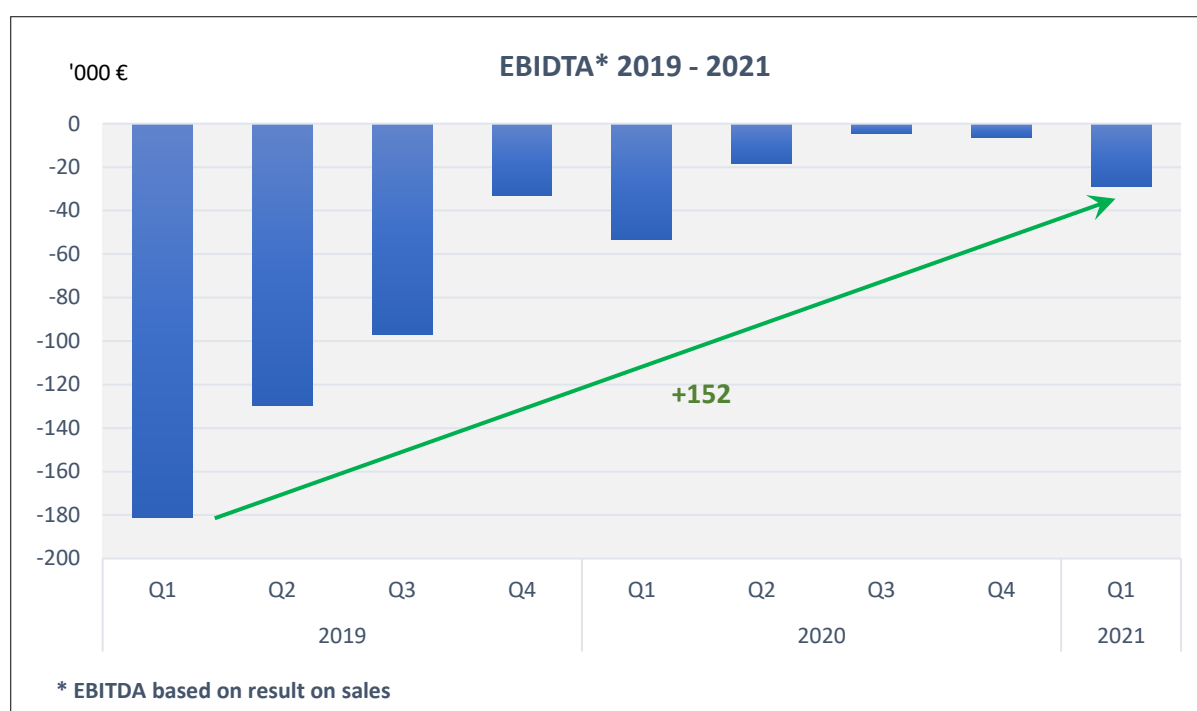
3 Corporate matters

On 4 May 2021 QuarticOn S.A. held the Extraordinary General Meeting, which unanimously resolved to increase the share capital within the authorised share capital by a maximum of 250,000 stocks, depriving the existing shareholders of their subscription rights. The Management Board believes this is very good news for the Company, allowing it to accelerate efforts to secure funds to speed up the Company's development in the coming year.

Changes in the Supervisory Board: on April 19, 2021, the Company received a resignation letter from Michał Markowski, who resigned as a Member of the Supervisory Board as of 30 April 2021.

4 Financial results

Compared to last year, the Company improved its performance: with sales at the approximately same level, its operating costs were lower by 11 percent, allowing the **Company to improve its EBITDA by EUR 24.2k**. Cost reductions could be achieved mainly through decreased costs of payroll (EUR 11.9k) and marketing costs (EUR 9.9k). **Our net result improved as well, by EUR 54.5k**.



Compared to Q4 2020, the performance figures are slightly lower. As mentioned in the introduction, the Company has always seen its revenues decrease from Q1 to Q4, but this year the figure increased. To achieve this result (and the expected further improvement in sales), we had to incur additional costs, mainly payroll-related (due to the strong pressure to increase pay for IT staff). Another issue relates to the costs of office space, which is currently underutilised by the Company (due to some of the employees working from home). The Company is looking for an optimum solution to this situation. And the good partnership we have with the owner of the office space gives us reason to believe that we will work out such a solution.

Nevertheless, after subtracting the mentioned costs associated with development and underutilised office space (a total of EUR 17.3k) from the quarterly results, the corrected EBITDA for Q1 2021 was approx. EUR -11.7k.

Selected data from Profit and loss statement

'000 Euro

Profit and loss statement	IQ 2020	IVQ 2020	IQ 2021	IQ 2021 vs IQ 2020	IQ 2021 vs IVQ 2020
Net revenue from sales	242.3	234.3	234.2	-8.1	-0.1
Operating expenses excl. depreciation & amort.	-295.5	-240.6	-263.2	32.3	-22.6
EBITDA (based on result on sales)*	-53.2	-6.3	-29.0	24.2	-22.8
EBIT (operating result)	-216.2	-124.3	-156.8	59.5	-32.5
Net result	-224.7	-142.5	-170.2	54.5	-27.7

* 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 31.03.2021	As of 31.03.2020
Fixed assets	1 407,0	1 610,1
- including intangible and legal assets	1 403,7	1 604,5
Current assets	205,4	445,8
- including short-term investments (excl. overdraft)	27,6	19,3
Total Assets	1 612,4	2 055,9
Equity	493,1	1 136,7
Liabilities and provisions for liabilities	1 119,3	919,2
- including short term liabilities	615,5	451,1
Total Liabilities	1 612,4	2 055,9

'000 Euro

Cash Flow	Cum 2021	Cum 2020
Net profit (loss)	-170.2	-224.7
Net cash flow from operating activities	64.0	43.7
Net cash flow from financial activities	-11.7	15.7
Cash closing balance	27.6	19.3



5 Key events in 1st quarter of 2021

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

The first quarter of 2021 saw the e-commerce market grow further at a rapid rate, and this was reflected in the substantial volume of queries from new customers. This was a good time for online sales, as the Sales Team can confirm. January can serve as a good example. Historically, it has always been an “idle” month for the Company (after the very busy previous quarter), but this year it proved a period of very hard work for Sales Team. It was similar in the following months. In the period in question the Company signed or was ready to sign 18 subscriptions for a total of EUR 6.9 k of monthly revenue (EUR 61.5 k of total value of the contracts). With the extensive sales negotiations and demands for high quality from existing customers, it was necessary to add a new member to the Sales Team.

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

Similarly to the Polish market, the Company was also quite busy internationally. The last quarter was marked by contract extensions with our key customers, along with the expansion of our scope of services (e.g. the contract with urbanstore.cz, one of the largest Czech fashion stores – to support four additional foreign markets). The company signed or was in the process of signing new contracts with large clients for the implementation of a whole range of products - a total of 11 subscriptions for a value of EUR 5.3k of monthly income (EUR 33.8 k of total value of the contracts). The higher market recognisability of our products, especially Smart Search, is a good sign for the future.

SaaS channel

Our e-commerce platform sales remained stable. As already mentioned in our previous reports, due to the very high market demand, the core resources of the Company were allocated to the direct sales channel, resulting in limited development and marketing support for e-commerce platforms. However, we could launch the Marketing Automation for our first customers at Redcart and

Shoptet platforms. The Company has devised a plan to drive the development of this sales channel further, but the scale of its implementation will depend on the availability of resources.

5.3 CEO's market comment

According to IBM's estimations, the pandemic has accelerated the pace at which customers will transition from physical shopping (e.g. in retail chains) to online shopping by five years. And the e-commerce market will change as well. As noted by the Electronic Commerce Chamber's report (<https://eizba.pl/e-commerce-co-nas-czeka-w-2021/>), the use of artificial intelligence and personalization will be the two most important trends in the future. Hence the future of e-commerce will be based on the use of customer data, the history of the customer's behavior on the website, previous transactions and payment methods, and other online data, including from social media. Many experts in the industry have emphasized that the combination of personalization and artificial intelligence will drive transaction values and customer retention rates.

QuarticOn delivers such tools for online stores. Using artificial intelligence, these tools automate the sales and customer-engagement processes, replacing human employees at stores. In Q1 2021 alone QuarticOn's technology generated more than PLN 308 million in revenues for our customers. Our artificial intelligence completed more than 1 billion real-time personalized transactions with real store customers. This would have been impossible if an online store were to perform all this work manually.

We are seeing that companies which have so far shunned online sales are trying to catch up with the competition. A large portion of projects which would take 3 years under normal market conditions is now scheduled to be completed within a maximum of 6 months. Companies deploy their solutions by adopting the strategy of utilizing proven solutions, including in sales automation and customer experience. As noted in expert studies provided by PwC, one of the core aspects of business for companies which already engage, or are planning to engage, in online sales is the omnichannel, i.e. ensuring consistency between different sales channels, and customer experience.

These are delivered through the Company's cloud-based technology.

The existing market demand has been reflected in the growing number of subscriptions for QuarticOn's services and their deployments during new online-store launches. Hence we are expecting a considerable increase in the Company's sales and revenues in the subsequent quarters of this year.

Paweł Wyborski, CEO / Founder

5.4 Marketing and customer success

One of the tasks of the Marketing Team for Q1 2021 was to increase the Company's recognisability in the virtual space, and this was pursued by:

- developing a communication system on the **Capterra** customer feedback platform (<https://www.capterra.com/p/165095/QuarticON/>); there are currently 4 reviews (2 under verification), with a total rating of 4.8/5,
- developing and promoting a case study for the DUKA customer on industry forums in social media,
- starting cooperation with renown industry portals, agencies and other e-commerce organisations to provide them with expert articles (see below), and promoting them on industry forums in social media,
- diversifying content published on social media platforms (short tutorial videos, industry fun facts, ideas for applying individual features),
- QuarticOn's participation in an online conference organised by the Estonian E-Commerce Association, with a speech entitled "**Marketing automation life after 3rd party cookie apocalypse**".

List of QuarticOn's publications :

- [Jak sprostać wyzwaniom współczesnego e-commerce, czyli stów kilka o nowoczesnej technologii. Case study](#) (E-Commerce Chamber, January 2021)
- [Wirtualny e-commerce manager – w czym pomoże w e-sklepie i dlaczego warto mu zaufać. Case study](#) (Marketing przy Kawie, February 2021)
- [Dobra wyszukiwarka w sklepie internetowym to klucz do sukcesu. 7 rad, jak poprawić jej skuteczność](#) (AdsTalk, March 2021)
- [Skuteczny sklep internetowy w 4 krokach. Case studies z technologią w roli głównej](#) (Widocznj, March 2021)

During the period in question we had also carried out a promotional campaign for our new product – the drag & drop creator for Marketing Automation. This involved a series of posts on social media and newsletters about the available features, their practical use and benefits it offers, and the expansion of the Knowledge Centre in the Help Centre to include a section with manuals, including short tutorial videos.

The Company is committed to expanding the resource of materials about the available products and opportunities they provide. During this quarter we published a presentation comparing AI Smart Search packages, and we added new instructions for FAQ, MA and AI Smart Search sections.

5.5 IT and products

In the first quarter of 2021 (compared to Q4 2020) we saw a substantial increase in searches (+75%) using the Smart Search product. For other products the changes were less considerable: a +2 percent increase in the number of recommendation frames viewed and a slight decrease in the number of emails sent (-6%) for the Marketing Automation product. Given how good the last quarter was, the continuously high use of our tools also in this quarter proves that the online channel has a growing potential.

- Smart Search searches: 61 million (+75%)
- Frames view in Reko: 1 billion (+2%)
- Mailing - Marketing Automation: 19 million (-6%)

Although the use of the Company's products remained high, through optimisations we were able to reduce server infrastructure costs in that period by about 6 percent relative to previous quarter.

The Product Development Team has prepared a range of new solutions, including most notably a PoC for a new mail creator in Marketing Automation (makes work much faster and easier), the option to manage the most searched phrases and the optimisation of the resources used while searching)

The scale of deployments for new customers (the existing and continuously growing value of the sales funnel) prompted the Company to increase employment at the Deployment & Development Team by a total of 3 employees.



5.6 Subscriptions and churn¹

From this report on, the Company will use a new approach to reporting sales: due to the misunderstandings caused by the “SaaS channel sales” report (the frequently made mistake of equating only this part of our business with our entire business), we will no longer publish this information, and instead start providing new data in the quarterly report.

- Subscription – contract for a single service on a single domain (monthly)
- Number of subscribers – the total number of active subscribers
- Average value of a single subscription – average monthly revenue per 1 subscription

In the first quarter of 2021, the Company generated sales based on 301 subscriptions (average monthly) with an average value of EUR 0,25k (average subscription revenue).

The Q1 2021 churn rate was 1.7 percent, one of the lowest in the last 24 months. In addition, we are continuously increasing the volume of definite-period customer contracts, which should help us maintain a low churn rate in the next months



¹ Churn - indicator showing loss of revenues as a result of customers churn

6 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 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 first 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.



7 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 17th May 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	181 141	12.9%
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 **	363 985	25,9%
Total	1 404 300	100.0%

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

** including key employees (ESOP)

8 Information on the number of persons employed

At the end of March 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.

9 Forecasts of financial results

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



10 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
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Seat:	Warsaw, Poland
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Address:	02-017 Warsaw, Al. Jerozolimskie 123A
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Incorporation date	Notarial deed 13.05.2011
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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
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Polish Business Registry Number:	REGON: 142977414
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On behalf of the Issuer, the following persons operate:	Wyborski Paweł – President of the Board Giergielewicz Michał – Member of the Board
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Company's manner of representation:	Each member of the Board independently
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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, 2021 and comparative data for the same period of the previous year. The balance sheet data is presented as at March 31, 2021, and the comparative data as at March 31, 2020.

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

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

- 1st Quarter of 2021: 1 EUR = 4.6603 PLN (zł),
- 1st Quarter of 2020: 1 EUR = 4.5523 PLN (zł),
- 4th Quarter of 2020: 1 EUR = 4.6148 PLN (zł),

10.2 Balance sheet

Assets

'000 Euro

Items		As of 31.03.2021	As of 31.03.2020
A.	Fixed assets	1 407,0	1 610,1
I.	Intangible and legal assets	1 403,7	1 604,5
1.	R&D expenses	1 403,7	1 599,2
2.	Goodwill	0,0	0,0
3.	Other intangible assets	0,0	5,3
4.	Advances for intangible assets	0,0	0,0
II.	Tangible fixed assets	2,2	4,4
1.	Tangible fixed assets in use	2,2	4,4
	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	2.2	4.3
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	0.0	0.2
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 31.03.2021	As of 31.03.2020
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
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	205.4	445.8
I.	Inventory	0.0	0.0
II.	Short-term receivables	126.5	223.6
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	126.5	223.6
	a) trade receivables, maturing:	86.0	184.8
	- up to 12 months	86.0	184.8
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	8.5	6.6
	c) other	32.0	32.2
	d) claimed at court	0.0	0.0
III.	Short-term investments	27.6	19.3
1.	Short-term financial assets	27.6	19.3
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	27.6	19.3
2.	Other short-term investments	0.0	0.0
IV.	Short-term prepayments	51.3	202.9
C.	Called up share capital not paid	0.0	0.0
D.	Own shares (stocks)	0.0	0.0
Total Assets		1 612.4	2 055.9

Equity and liabilities

‘000 Euro

Items		As of 31.03.2021	As of 31.03.2020
A.	EQUITY	493.1	1 136.7
I.	Share capital	30.1	30.8
II.	Supplementary capital, including	4 018.4	4 113.8
	- share (stock) premium	4 018.4	4 113.8
III.	Revaluation reserve, including:	0.0	0.0
IV.	Other reserve capitals	0.0	0.0
V.	Profit (loss) from previous years	-3 385.3	-2 783.2
VI.	Nett profit (loss)	-170.2	-224.7
VII.	Write-off on net profit during the financial year (negative value)	0.0	0.0
B.	Liabilities and provisions for liabilities	1 119.3	919.2
I.	Provisions for liabilities	48.6	37.4
1.	Provision for deferred income tax	0.0	0.0
2.	Provision for retirement and similar benefits	5.7	6.1
	- long-term	0.0	0.0
	- short-term	5.7	6.1
3.	Other provisions	42.8	31.2
	- long-term	0.0	0.0
	- short-term	42.8	31.2
II.	Long-term liabilities	366.9	394.3
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	366.9	394.3
	a) credits and loans	366.9	394.3
	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	615.5	451.1
1.	To related parties	57.1	58.4
	a) trade liabilities, maturing:	0.0	0.0
	b) other	57.1	58.4
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	558.4	392.7
	a) credits and loans	291.5	249.0
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	182.4	131.4
	- up to 12 months	182.4	131.4
	- 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	73.1	12.2
	h) payroll liabilities	11.3	0.0

Items		As of 31.03.2021	As of 31.03.2020
	i) other	0.0	0.1
4.	Special funds	0.0	0.0
IV.	Accruals	88.4	81.4
1.	Negative goodwill	0.0	0.0
2.	Other accruals	88.8	81.4
	- long-term	0.0	0.0
	- short-term	88.4	81.4
Total Liabilities		1 612.4	2 055.9

10.3 Profit and loss statement

‘000 Euro

Items		YTD 2021	Only IQ 2021	YTD 2020	Only IQ 2020
A.	Net revenue from sales	234,2	234,2	242,3	242,3
	from related parties	0,0	0,0	0,0	0,0
I.	Net revenue from sales of products	234,2	234,2	242,3	242,3
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0,0	0,0	0,0	0,0
III.	Costs of manufacturing products for internal purposes	0,0	0,0	0,0	0,0
IV.	Net revenue from sales of goods and materials	0,0	0,0	0,0	0,0
B.	Operating expenses	391,0	391,0	441,7	441,7
I.	Amortisation and depreciation	127,8	127,8	146,2	146,2
II.	Consumption of materials and energy	1,2	1,2	2,9	2,9
III.	External services	159,5	159,5	186,5	186,5
IV.	Taxes and charges, including:	3,2	3,2	2,6	2,6
	- excise duty	0,0	0,0	0,0	0,0
V.	Payroll	86,5	86,5	87,3	87,3
VI.	Social security and other benefits, including:	11,4	11,4	10,2	10,2
	- retirement benefits	6,5	6,5	6,9	6,9
VII.	Other prime costs	1,4	1,4	6,0	6,0
VIII.	Value of goods and materials sold	0,0	0,0	0,0	0,0
C.	Profit (loss) on sales (A - B)	-156,8	-156,8	-199,3	-199,3
D.	Other operating revenues	0,2	0,2	0,9	0,9
I.	Gain on disposal of non-financial fixed assets	0.0	0.0	0.1	0.1
II.	Subsidies	0.0	0.0	0.0	0.0
III.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
IV.	Other operating revenues	0.2	0.2	0.8	0.8
E.	Other operating expenses	0.1	0.1	17.8	17.8
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	0.1	0.1	17.8	17.8
F.	Profit (loss) on operating activities (C+D-E)	-156.8	-156.8	-216.2	-216.2
G.	Financial revenues	0.0	0.0	2.1	2.1

Items		YTD 2021	Only IQ 2021	YTD 2020	Only IQ 2020
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	0.0	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	2.1	2.1
H.	Financial expenses	13.4	13.4	10.5	10.5
I.	Interest, including:	11.3	11.3	10.5	10.5
	- 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	2.1	2.1	0.0	0.0
I.	Gross profit (loss) (F+G-H)	-170.2	-170.2	-224.7	-224.7
J.	Income tax	0.0	0.0	0.0	0.0
K.	Other statutory reductions in profit (increases in loss)	0.0	0.0	0.0	0.0
L.	Net profit (loss) (I-J-K)	-170.2	-170.2	-224.7	-224.7

10.4 Cash flow statement

‘000 Euro

Items		YTD 2021	Only IQ 2021	YTD 2020	Only IQ 2020
A.	A. Cash flow from operating activities - indirect method				
I.	I. Net profit (loss)	-170.2	-170.2	-224.7	-224.7
II.	II. Total adjustments	234.2	234.2	268.4	268.4
	1. Amortisation and depreciation	127.8	127.8	146.2	146.2
	2. Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
	3. Interest and profit sharing (dividend)	10.5	10.5	10.2	10.2
	4. Profit (loss) on investment activities	0.0	0.0	-0.1	-0.1
	5. Change in provisions	4.5	4.5	-1.1	-1.1
	6. Changes in inventory	0.0	0.0	0.0	0.0
	7. Change in the balance of receivables	-6.7	-6.7	-3.7	-3.7
	8. Change in short-term liabilities excluding credits and loans	27.9	27.9	54.5	54.5
	9. Change in prepayments and accruals	70.2	70.2	62.4	62.4
	10. Other adjustments	0.0	0.0	0.0	0.0
III.	III. Net cash flow from operating activities (I+/-II)	64.0	64.0	43.7	43.7
B.	B. Cash flows from investment activities	0.0	0.0	0.0	0.0
I.	I. Inflows	0.0	0.0	0.1	0.1
	1. Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0	0.1	0.1
	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 IQ 2021	YTD 2020	Only IQ 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
II.	II. Outflows	38.3	38.3	89.4	89.4
1.	257.3	38.3	38.3	89.4	89.4
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
III.	III. Net cash flows from investment activities (I-II)	-38.3	-38.3	-89.3	-89.3
C.	C. Cash flows from financial activities	0.0	0.0	0.0	0.0
I.	I. Inflows	21.9	21.9	15.7	15.7
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	21.9	21.9	15.7	15.7
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
II.	II. Outflows	33.6	33.6	0.0	0.0
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	32.2	32.2	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	1.4	0.0	0.0
9.	Other outflows from financial activities	0.0	0.0	0.0	0.0
III.	III. Net cash flow from financial activities (I-II)	-11.7	-11.7	15.7	15.7
D.	D. Total net cash flows (A.III+/-B.III+/-C.III)	14.0	14.0	-29.9	-29.9
E.	E. Balance sheet change in cash, including:	14.0	14.0	-29.9	-29.9
-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
F.	F. Cash opening balance	13.6	13.6	49.1	49.1
G.	G. Cash closing balance (F+/- D), including: *	27.6	27.6	19.3	19.3
-	of limited disposability	0.0	0.0	0.0	0.0

10.5 Statement of changes in equity

‘000 Euro

Items		As of 31.03.2021	As of 31.03.2020
I.	Opening balance of equity (OB)	663.3	1 361.4
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
I.a.	Opening balance of equity (OB) after adjustments	663.3	1 361.4
1.	Opening balance of share capital	30.1	30.5
	1.2. Closing balance of share capital	30.1	30.8
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	4 018.4	4 113.8
	4.1. Changes in supplementary capital	0.0	0.0
	4.2. Closing balance of supplementary capital	4 018.4	4 113.8
5.	Opening balance of revaluation reserve	0.0	0.0
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
6.	Opening balance of other reserve capitals	0.0	0.0
	6.1. Changes in other reserve capitals	0.0	0.0
	6.2. Closing balance of other reserve capitals	0.0	0.0
7.	Opening balance of previous years' profit (loss)	-3 385.3	-2 783.2
	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	-3 385.3	-2 783.2
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-3 385.3	-2 783.2
	7.6. Closing balance of previous years' loss	-3 385.3	-2 783.2
	7.7. Closing balance of previous years' profit (loss)	-3 385.3	-2 783.2
8.	Net result	-170.2	-224.7
	a) net profit	0.0	0.0
	b) net loss	-170.2	-224.7
	c) write-offs on profit	0.0	0.0
II.	Closing balance of equity (CB)	493.1	1 136.7
III.	Equity including proposed profit distribution (loss coverage)	493.1	1 136.7

10.6 Additional information (1st quarter of 2021)

Sales structure:

'000 Euro

Items	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Revenue from sales of products	234.2	242.3
- in Poland	155.3	155.5
- Other countries	78.9	86.8

Investments:

'000 Euro

Items	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
R&D Investment Offset	-38.4	-89.4



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.

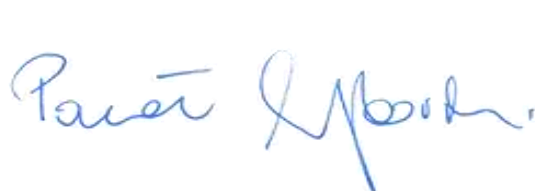
Revenue recognition

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.



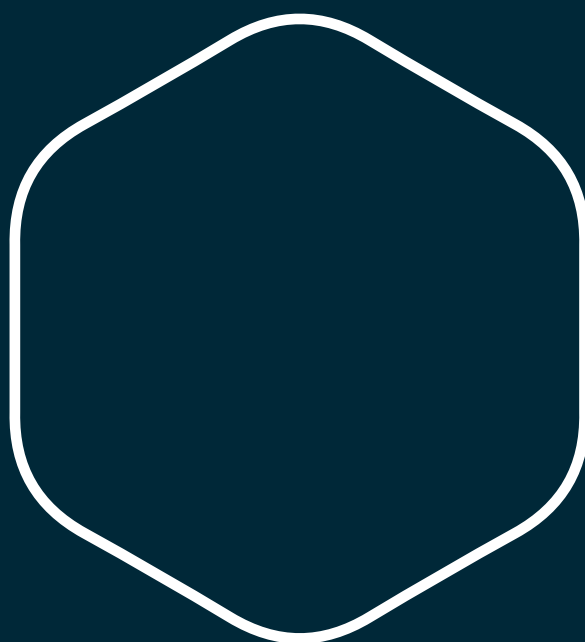
Paweł Wyborski

President of the Board



Michał Giergielewicz

Member of the Board



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