



QuarticOn Spółka Akcyjna

2020

Annual Report

Warsaw, May 31, 2021

Table of Contents:

1.1 Letter to the Shareholders	6
1.2 Company background	8
1.3 Corporate matters	9
1.3.1 Management Board composition in 2020.....	9
1.3.2 Supervisory Board composition in 2020	9
1.3.3 Corporate governance	9
1.4 Subsidiaries and affiliates (no obligation to issue consolidated financial statements).....	10
1.5 The Company's business	11
1.5.1 Core business	11
1.5.2 Products	12
1.5.3 Market and Development strategy.....	13
1.5.3.1 Market environment	13
1.5.2.2 Development strategy.....	13
1.6 Summary of 2020 highlights	15
1.6.1 Sales models.....	15
1.6.2 Key sales events.....	16
1.6.3 Polish market (66% of sales)	17
1.6.4 Foreign markets (34% of sales).....	18
1.6.5 Czech and Slovak markets	18
1.6.6 Self-service channel	19
1.6.7 Marketing and promotional activities	20
1.7 IT infrastructure & product development	22
1.8 Selected financial data.....	24
1.8.1 Introduction to financial results.....	24
1.9 Financial standing.....	27
1.9.1 Predicted financial situation (combined with development goals for the coming months)	27

1.9.2 Financial forecasts.....	27
1.10 Operating risks.....	28
1.10.1 Risks and opportunities related to Covid19 pandemic.....	28
1.10.2 Risks associated with personal data processing.....	29
1.10.3 Macroeconomic risk.....	30
1.10.4 Risks of diminishing market attractiveness of our products and growing competition	31
1.10.5 Risks associated with the development of new products and unsuccessful strategy	31
1.10.6 Technological and market-change-related risks.....	32
1.10.7 Risks related to a lower profitability of projects developed by the company as part of its R&D.....	32
1.10.8 Risks of serious cash-flow interruptions and loss of financial liquidity.....	33
1.11 Shareholders at the end of 2020.....	33
1.12 Other information.....	34
1.12.1 Employment.....	34
1.12.2 Salaries for the Management Board and Supervisory Board.....	35
1.12.3 Financial auditor fee.....	35
1.12.4 Authorized advisor fee.....	35
1.12.5 Basis for the financial statement.....	35
1.13 Management Board' declarations.....	36
1.13.1 Declaration by the management board about the integrity and compliance of the financial statement and reference data.....	36
1.13.2 Declaration by the management board about the audit company being legally selected to audit its annual financial statement.....	36
2.1 Introduction to the financial statement.....	38
1. Entity data.....	38
2. Duration of the entity, if not perpetual.....	38
3. Period covered by the financial statements.....	38
4. Indication whether the financial statements contain combined data.....	38
5. Assumption of going concern.....	38

6. Information on mergers	39
7. Accounting policy	39
8. Additional information.....	43
2.2 Balance sheet	44
1. Assets.....	44
2. Liabilities	45
3. Profit and loss account	47
4. Statement of changes in equity.....	48
5. Cash flow statement	49
6. Income tax calculation	51
2.3 NOTES AND EXPLANATIONS	53

Important FX rates notice:

All currency values were converted to EUR using National Bank of Poland exchange rates for the last working day of each year:

Year 2019: 1 EUR = 4,2585 PLN

Year 2020: 1 EUR = 4,6148 PLN

As a result, some figures regarding the dynamics or periodic changes are different than those presented in PLN in the Polish edition of the Report. Below is an example of the impact of the exchange rate on key indicators of changes in financial positions:

Item	reporting periods	Used currency:	
		PLN	EUR
Net revenue from sales	FY20 / FV19	-10%	-17%
Net revenue from sales	2020 Q4 / Q3	+14%	+11%
Operating costs (excl.D&A)	FY20 / FV19	-29%	-35%



1

**Annual Report of the
Management Board of
QuarticOn S.A. for the year 2020**

1.1 Letter to the Shareholders

Ladies and Gentlemen,

*In 2020 QuarticOn **increased** (versus previous year) **EBITDA and net profit by EUR 345k and EUR 417k** respectively, despite the fact, that the year 2020 was an extremely volatile and unstable year for our Company. While in Q1 2020 ("pre-pandemic") we had negotiated extensively with investors and planned our market expansion, in the two quarters that followed (Q2 and Q3), the COVID-19 pandemic turned our plans upside down completely. Seeing how the initial restrictions adversely affected its Clients, the Company implemented some major organisational changes and reduced its costs significantly. That period was also difficult in terms of sales, although we all believed that e-commerce would not only make it, but would become stronger through the pandemic. And this is exactly what happened – the last quarter of the previous year was **a major rebound in sales** (+14% quarter-over-quarter based on PLN amounts and very good results in November), a large stream of new orders, and a significant intensification and resuming of negotiations with clients. You might be interested in reading on for our managers' comments to what happened last year to gain some interesting insights.*

*As we said above, despite some unfavourable perturbations, 2020 year continued improvement in our financial performance. This is mainly due to **cost optimisations** that allowed our Company to "adjusted to" the decreases in revenues caused by the pandemic during the middle quarters of the year. It is important to note here that during our negotiations with investors we were sometimes told that "the pandemic was driving the (development of) the Internet." This is undoubtedly true, but some of our clients, who relied mainly on traditional commerce (e.g. for 80% of their sales), were seriously affected and hampered by the lockdown and the closing of stores. In such moments, you focus on those 80% of sales via traditional channels, costs of rent and salaries, etc., and you look for immediate savings. Therefore, the smaller year-over-year sales is exactly the result of that period (a high churn rate in those quarters) and those "pandemic-related events". However, even in such situations, sooner or later, the online channel was becoming more and more important, contributing to the increase in development budgets. For our Company, this is always good news. At the end of Q3, we saw a "revival" of online stores in the area of investments in new technologies that automate their marketing and sales.*

What was crucial for us was the last quarter of the previous year, and this is not only because of the above-mentioned rebound in sales. Those were the months when we started to record

significant increases in the sales funnel and the scale of trade negotiations. This trend continues to this day. As reported in our Q1 2021 Report, for the first time the Company did not record a drop in the relationship between Q1 and Q4, and our organisation that was "tailor-made" in 2020 eventually had to be expanded to include new talents.

*The important events of the previous year, which are described below, include the Partnership Agreement signed with Orange Polska (telecommunications provider), the implementation of services in the international group SportVision (9 markets), and a successful launch of **AI SmartSearch**, our new product.*

*Finally, let us share two interesting figures that show the scale – in 2020 clients of the e-stores that use our tools displayed **4.7 billion (!)** personalised purchase recommendations generated by our AI engine and input 63 million searches in AI SmartSearch tool (data for 7 months as the product was more widely available at the end of Q2).*

Given the developments at the end of the last year and the beginning of this year, and the positive market trends, we can look forward with little optimism, despite the still uncertain pandemic situation (fourth wave?). This year should be much better than the previous.

Best regards,



Paweł Wyborski
Founder & CEO QuaricOn SA



Michał Giergielewicz
CFO QuarticOn SA

1.2 Company background

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

The Company’s authorised representatives are:



Paweł Wyborski

Founder and President of the Board QuarticOn SA



Michał Giergielewicz

Member of the Board QuarticOn SA



1.3 Corporate matters

1.3.1 Management Board composition in 2020

In 2020, the Company's Management Board was composed of:

- Paweł Wyborski – President of the Board (CEO)
- Michał Giergielewicz – Member of the Board (CFO)

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

1.3.2 Supervisory Board composition in 2020

At the end of 2020, Supervisory Board was composed of:

- Oktawian Jaworek – Chairman of Supervisory Board
- Paweł Chojecki – Member of Supervisory Board
- Paweł Lebieźniński – Member of Supervisory Board
- Bartłomiej Łagowski – Member of Supervisory Board
- Michał Markowski – Member of Supervisory Board

On April 19, 2021, the Company received from Michał Markowski a letter of resignation from the Supervisory Board as of 30 April 2021.

1.3.3 Corporate governance

In its EBI Report No 4/2019 of 30 January 2019 the Company outlined its policies to follow the “Code of Best Practice of NewConnect Listed Companies”. Last year the Company followed the large majority of these practices, although the one described below was used to a limited extent:

- Section 11 (An issuer, in co-operation with the Authorized Adviser, should organize meetings with investors, analysts and the media open to the public at least two times per year) – in 2020 the Company did not hold any public meetings with investors or the media.

But the Company is keeping the market updated about any key events in the Company via current reports.

1.4 **Subsidiaries and affiliates (no obligation to issue consolidated financial statements)**

The Company holds 50% of shares in the company 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 2020 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. At the end of 2020, the revenues amounted 0 GBP and operating costs amounted 480 GBP (obligatory statutory reporting). The fiscal year for the Company end on March 31. The company's liabilities and assets are GBP 520.

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

1.5 The Company's business

1.5.1 Core business

Our mission is to deliver smart technology to engage clients in convenient purchases in the omnichannel world.

QuarticOn S.A. is a technology company developing cloud-based SaaS applications. Under the SaaS model the application is stored and executed on the service provider's computers, and made available to users online. Consequently, the program does not have to be installed and started on customer computers. In other words, installation, administration, updates and technical support responsibilities shift from the customer to the service provider, with the former agreeing for the latter

to take control of the software and ensure its continued functionality. Due to the fact that the QuarticOn technology is a cloud solution offered in the SaaS model, it is possible to quickly implement it and use it anywhere in the world.

As at the date of this Report QuarticOn offers its services both in the traditional sales format (a network of distributors and partners) and under the new, modern model, as apps (plug-ins) for e-commerce platforms. This way our offering is available for the smallest e-stores operating on platforms, as well as for the largest business groups dealing with omnichannel commerce. Clients pay a monthly subscription fee for using the services, which depends on the functional scope and the degree of technology they use.

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



1.5.2 Products

In its portfolio, the Company has its original solutions developed over the last few years. Our three flagship products are:

- **AI-based personalized product recommendations engine**, an innovative online tool for online shops that uses advanced algorithms based on artificial intelligence. The system records data about the behavior of each user individually and then, based on these data, displays specifically selected products. This technology substitutes the shop assistant in an online shop and autonomously manages its virtual shelves and product display
- **Product smart search engine on webpage** (AI SmartSearch), a technology that uses Natural Language Processing (NLP) to accurately find products in your shop in several dozen languages. This technology automatically recognizes the intentions behind each product search in your online shop, thanks to advanced functions, e.g. synonym recognition;
- **Marketing Automation**, a system for external communication with shop customers via available communication channels, which is integrated with QuarticOn's recommendation engine. Collecting and processing information about potential customers staying on a given website, helps deliver personalized and tailor-made messages to them. Based on the available data, i.e. users' interests and activities undertaken on a given website, AI automatically prepares and selects products, advertising content and notifications, and sends them to specific and defined groups of recipients via the available communication channels, such as e-mail. This system can be fully autonomous, without the need to involve any member of your shop's team

In addition to the above, our Company also provides dedicated VOD solutions, banner and pop-up management and consulting services (e.g. website auditing).

1.5.3 Market and Development strategy

1.5.3.1 Market environment

The Company provides e-commerce services. In 2020, the value of the global e-commerce market was approx. USD 4.28 trillion, and is forecasted to grow to USD 5.4 trillion by 2022 (based on Statista.com, "E-commerce market size 2014-2023", March 2021). The value of the Polish e-commerce market in 2020 was PLN 83 billion (as per PwC report "2021-2026 Growth prospects for e-commerce in Poland").

According to a recent study by GEMIUS and the Chamber of Electronic Economy, as much as 73% of Internet users shop online. This is 11% higher than reported in the earlier edition of the study. This increase was brought about by such developments as the pandemic and economic and social restrictions which encouraged many new people to buy things online. COVID-19 has literally forced some sceptical users to overcome their reluctance and start shopping online. Those consumers who had not shopped online before, rapidly changed their minds and made their e-commerce debuts along with masses of others. Online shops need to take this into account, and make sure that their products are even better tailored, described, and user-friendly. At the same time, we can observe a significant increase in sales across global brands' own e-commerce channels. One of them, Unilever, only in the first six months of 2020 recorded a nearly 50% global leap in online sales. This mass migration towards online is the result of the earlier lockdown and the fact that some traditional outlets were closed again. This is why e-commerce sales continue to grow and will account for an increased percentage of the global retail market. It is expected that online sales will reach USD 4.5 trillion by 2021, and conservative estimates predict that e-commerce will reach approx. 20% of the global retail sales. E-commerce growth and dynamics show some exciting prospects for both buyers and sellers.

1.5.2.2 Development strategy

Our strategy involves dynamic growth based, on the one hand, on market potential, and on the other hand, on increased sales across all sales channels, modern and innovative products and services, and stronger positions on CEE (Central and Eastern Europe) markets. In addition to organic growth,

the Company does not say no to consolidation processes, which will certainly take place on the market in our region.

Key requirements for the above-mentioned components of building value are:



Sales scaling (organic):

- Growing all sales channels – in the short-term, the Company is strongly focusing on the development of its partnership programme in the CEE (based on current, very positive experiences) to quickly build the sales volume. An equally important element is to expand modern, self-service sales channels. Already in late 2019, the Company started to sell its services via e-commerce platforms by offering dedicated plug-ins with specific single functionalities. In mid-2020, the Company temporarily stopped its major development work on these platforms (in favor of traditional sales channels), but in the short term, modern sales channels also show considerable potential for the Company. One of our development goals will be to develop dedicated products to sell online directly through our website.
- Development on various market – Currently, the Company is a leader in personalized product recommendations in Central Europe. In the short-term (1-3 years), QuarticOn is planning to strengthen its position on this market (the Czech Republic, Slovakia, the Balkans), and to start its expansion into Western European markets (including the UK). In the longer term (4-6 years), the Company is planning to expand its operations into the USA.
- Product development – Continuous improvement of current products and their adjustment to various users (SOHO, major online businesses, omnichannel organizations). For the Company, over the coming months, it will be crucial for its products and services to rely on the development of AI-based tools to deliver a new quality in marketing automation and product recommendation. In the midterm (1-2 years), the Company is planning to launch a completely new product for the fashion industry.



Sales scaling through market consolidation

Sales scaling through market consolidation – good prospects for the online sales market, and growing competition and increasing customer expectations, are likely to contribute to market consolidation. QuarticOn is already analyzing the CEE market for possible acquisition targets.

Initial negotiations are already underway, mainly with companies that offer complementary products and/or services, or guarantee a significant increase in our market share.



Financing models

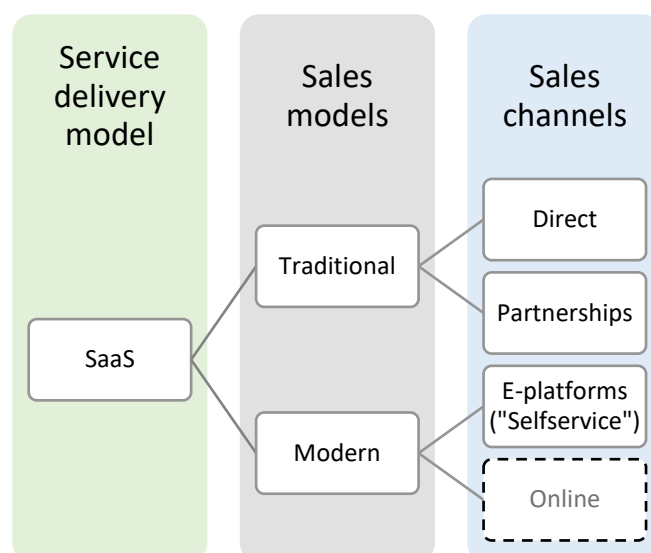
The Company is considering various models for financing its growth, whether through the issue of new shares or debt instruments. For this reason, one of our corporate goals for the next 1-2 years is to transition to the GPW's main trading floor.

By implementing its growth plan in these three areas, over the next 4-5 years QuarticOn will transform into a company that operates across four sales channels (B2B, partnerships, platforms, and online), and sales advanced services tailored to meet the needs of diverse customer groups (on the one hand small customers on platforms, and on the other hand large multi-channel organizations), offering innovative solutions based on real AI. Our products and services will be available across the EU and North America.

1.6 Summary of 2020 highlights

1.6.1 Sales models

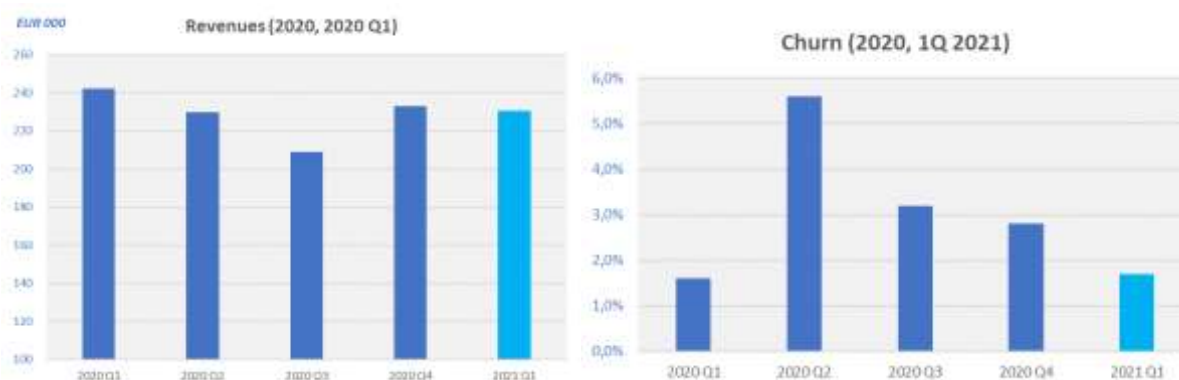
The Company provides all its services using the SaaS model (Software as a Service) where our software is delivered electronically based on cloud computing, and our customers can use these services without having to install the software on their machines. But our sales process takes place over two channels, traditional, through our own sales frameworks and partner networks, and modern, currently through e-commerce platforms, where services (apps) are sold as plug-ins to e-shops operating on the platform.



In the future, we will expand this to include selling directly from our website (the online channel).

1.6.2 Key sales events

The year 2020 saw both drops and increases in sales, as well as product and portfolio changes. From the point of view of our product portfolio, an extremely important event was the implementation, development, and promotion of new products in our portfolio – in addition to our flagship service, i.e. the Recommendation Engine, our AI Smart Search engine and Marketing Automation system, which is integrated with recommendations, started to gain in importance.



In 2020, we also changed the technology used for integration with online shops. Our unique, and probably the only such solution on the market, based on First Party Data, which is excellent for improving service conversion, received a very enthusiastic welcome from our customers. As a result, the Company gained a technological advantage and already at the early stage of development made the technology ready for the revolutionary changes that are gradually being introduced by web browsers, which involve blocking third-party cookies on websites. For instance, Duka, a company that decided to become our customer again and consequently improved its sales performance by more than a dozen percent, while also reducing service costs compared to solutions provided by our competitors.

Piotr Kaminski' comment (VP of Sales, QuarticOn S.A.)



The year 2020 was a real rollercoaster for almost any type of business, which, of course, also affected QuarticOn. After a relatively "normal" first quarter, there was the outbreak of COVID-19 pandemic, and quarter two was full of uncertainty. At midyear, almost everyone realized that the development of e-commerce was one of the main requirements for survival in the new reality, and commercial and negotiation operations

resumed. Quarter three saw some stabilization and return to relatively normal work, and quarter four was a rebound towards "the new normal."

During that difficult time we tried to support our customers, offering additional discounts, extended payment times, and special promotional campaigns, e.g. by offering our smart search engine to online shops at no charge for 3 months. We also focused much more on improved customer service, which helped significantly expand our customer base with fixed-term contracts. Nevertheless, we were not able to avoid an increased customer churn in quarters two and three – some of them simply became unable to grow or went bankrupt, while others drastically cut costs and opted for less efficient but cheaper solutions.

I am very happy about the fact that in the first six months of the last year we signed a Partnership Agreement with Orange Polska. Under the Agreement, Orange started providing QuarticOn's solutions to its selected clients. But the pandemic interrupted our plans because with decision-making being prolonged and operations in many sectors being frozen, we were only able to sign some first contracts of this type in late Q3. Nevertheless, our cooperation is exemplary and we are looking forward to 2021 with optimism.

In summary, you could say that while 2020 was an enormous challenge that elevated e-commerce to a superior position in the development of almost any type of business, it also forced significant optimizations of internal processes and much more agile operations. Looking at the current sales trends and optimum costs of our operations, we can say that QuarticOn rose to the challenge.

1.6.3 Polish market (66% of sales)

In Poland, the year 2020 was a time of, on the one hand, adapting to changes in customers at the peak of the pandemic, and on the other hand, using market potentials in the final months of the year. For this reason, the Company has also made some adjustments to its product range (simplified pricing, a more modular product range), giving customers a better understanding of our services and allowing products to be often sold as a complement to solutions previously considered competitive.

An event that was crucial for our Company was the signing of a partnership agreement with Orange S.A. at midyear. Under the agreement e-commerce products developed by QuarticOn S.A. will be part of the services provided by Orange Polska S.A. (our Company prepared a dedicated package for Orange Polska S.A.'s clients). Orange Polska S.A. is a leading telecommunications provider in Poland, with a large portfolio of business clients operating in online sales. For our Company, this can be a very interesting group of potential customers.

In 2020, we also extended our cooperation with Wittchen S.A. and Apart, and engaged with other major clients, such as DUKA and CCC (international shops).

1.6.4 Foreign markets (34% of sales)

In 2020, foreign markets accounted for 34% of our sales, compared to 32% in 2019. A major implementation completed in 2020 was the launch of services for Sport Vision, an international chain of sport shops operating in 9 South and East Europe, including in Serbia, Croatia, Bosnia, Albania, and Slovenia. Because of its scale, this was one of our larger projects last year.

1.6.5 Czech and Slovak markets

In the Czech Republic, QuarticOn is a market leader in its sector (according to Datanyze). The beginning of the last year was marked by the re-building of sales on e-commerce platforms and by commencing negotiations with new clients and partners. Q3 2020 was particularly intensive, as our Company signed a contract for the provision of services for the largest fashion company in the Czech Republic, which is responsible for selling products by such brands as GAP and Underamour on those markets. In addition, our Company started negotiations with new, medium-sized partners who will promote and support the sales of QuarticOn solutions among their clients on the Czech and Slovak markets.



Another positive event in 2020 was the signing of contracts with B2B clients (e.g. vybaveniprouklid.cz) for our full service package. It is important to note that with those clients we tested implementation via API (Application Programming Interface) and new AI SmartSearch design that was later implemented in our standard product offering. A major advantage of this solution is quick service implementation and deployment, and – most importantly – clients can practically do all this on their own. This is especially evident with the deployment of AI SmartSearch Premium, where using the 3 Steps method, each client can quickly deploy a fully functional service.

1.6.6 Self-service channel

In 2020, sales through the channel via e-commerce platforms (formerly called "SaaS Channel") generated EUR 49.2 k, which accounted for 5.5% of total revenues. Contrary to appearances, this sales segment also suffered during the initial stage of the pandemic – this especially affected clients whose product or service range was not that useful during lockdown, and clients selling to neighboring countries. As a result, Company lost two clients with the largest unit revenues. The measures described above allowed us to win new clients, but with lower than before pricing plans. This contributed to a lower revenue scale, despite the fact that in late 2020 we had 87 clients through this channel (on average, in Q4 the Company had 83 clients monthly).



Even though sales through this channel dropped and marketing support was limited, the Company took a number of growth-oriented measures. Two most important ones were the beginning of preparations to enter the Hungarian market (via Shoptet Hungary) with Reko and AI Smart Search systems (deployment is planned for Q2 2021), and work on AI Smart Search for Czech and Slovak clients. At the same time, the Company was working on a new version of its search engine, which will be sold in the SaaS model but outside e-commerce platforms (each client will configure all functions and deploy the program without any involvement of our IT team). This early solution, named AI Smart Search Easy, was tested at the end of the year by our selected clients. The new product is also fully managed by the client (in terms of configuration, automatic card payment, and upgrades).

An interesting piece of news is that we launched in our search engine a badge "powered by QuarticOn," which emphasizes even stronger the contribution made by our Company in delivering modern e-commerce solutions..

1.6.7 Marketing and promotional activities

2020 was rich in marketing and sales-supporting campaigns. Despite lower expenditures, we carried out a series of marketing campaigns related to sales on e-commerce platforms and designed to increase the visibility of our offering on third-party marketplaces. We also change our SaaS communication and developed specialist content for easier configuration of our tools.

Following many analyses, we created a revised price list on our website and started to implement active ways of presenting our new products. We also tested new lead-ads campaigns. And through negotiations with providers, we reduced the costs of marketing campaigns.

Our Marketing Team also worked on supporting sales processes and increasing customer service quality. What all these measures had in common was increasing the awareness of existing and prospective clients on the services provided by QuarticOn, building partner relations with clients, and building a favorable image of the Company as an international brand. The key measures we took to achieve this were:

- improved newsletter in response to a study of client needs and competition analysis (e.g. better communication about the implementation of individual functionalities to increase product capabilities for existing clients), and increased the frequency of mailing to 2-3 newsletters per month
- expanded our Knowledge Base by adding new content (including that about the new solution First Party Cookie, extended manuals and FAQ for AI Smart Search and Marketing Automation) and regular updates of presented articles
- prepared a new way to present our products – changed how products are presented and prepared new presentations (in three language versions – PL, EN, CZ) for each product in the form known as "product package" for prospective and existing clients
- the greatest novelty was the creation of animated product videos. This idea, known as explainer video, is a new way to reach existing (increasing functionality purchases among

the existing clients of the Company) and prospective clients by presenting technologically advanced solutions in an accessible, easy to understand way. In addition, these videos serve as continuous publicity and showcase a modern company whose actions are consistent with its business profile. The videos are in English with Polish subtitles, and were published on our corporate channel on YouTube (example video for AI Smart Search

<https://www.youtube.com/watch?v=G3mBLGBcRO0>).

- we also started preparing a series of new case studies to present the effectiveness of the technology used by QuarticOn and its place in modern e-commerce. First, we prepared a case study for DUKA International, describing the implementation and the results produced by our products for this client.

Comment by Martyna Woźniszczuk (Content Marketing Coordinator, QuarticOn S.A.):



For our Marketing Team, 2020 was a rather peculiar time, when chaos regularly mixed with order, ultimately giving way to the latter one.

On the one hand, work became re-organized towards 100% remote, which for creative individuals, who collaborate closely, was a significant change. Becoming comfortable with the online meant developing new methods for communicating and new ways of collaborating. The initial freezing of commercial operations and negotiations, and the subsequent shift in approach to existing and prospective clients, resulted in constant verification of goals and priorities, regular monitoring of their effects, and nearly instantaneous responses.

On the other hand, the above-mentioned challenges proved to be a way to systematize operations and streamline processes in our Team. We were able to, e.g., organize our operations related to social media (publication type and regularity), newsletters (also publication type and regularity), marketing processes in our CRM system (automation of key processes), SaaS processes (importance of our presence on websites that allow users to discover and share new products), and price list (index of new functionalities). In addition, we prepared new product presentations and animated videos (explainer videos) for our product range. Our Help Centre was given an additional language version, missing materials were uploaded, and new content is now added regularly.

So, as a result of the previous year, we have built a solid foundation to increase the awareness of our services among prospective clients. All these measures came together in a successful attempt to systematize knowledge and existing materials. They constitute the basis for the achievement of another goal, this time in the context of increasing our visibility in the virtual space, which is to be implemented in quarters one and two 2021

1.7 IT infrastructure & product development

During the first days of the epidemic, we launched a preventive initiative "IT cost optimization." In effect, starting from Q2 2020, the Company was able to reduce by about 10 to 30 percent the costs of selected IT services and licenses (this could be achieved through optimizing QuarticOn's resources on the one hand, and successfully negotiating temporary discounts on the other).



In the previous year, the Company made significant adjustments to its product roadmap to focus primarily on developing and supporting products with the greatest sales potential. In addition, product roadmap management has been streamlined, in terms of both resource planning and plan implementation assessment.

The key product that was developed in 2020 was AI SmartSearch, a new smart product search engine operating within a given shop. The highest number of improvements and new functions were added to Marketing Automation. AI SmartSearch was adapted to collect quantitative and qualitative data, and also sales data for searched products, and in the client panel it shows key statistics and diagrams for the AI SmartSearch searches. Over the year, AI SmartSearch was given new functions, such as a "suggester", which suggests phrases that can be entered by clients, grouping products, e.g. by colour, showing the most commonly searched phrases, and showing the products that are clicked most often when entering the search engine.

AI SmartSearch is one of the most exciting solutions delivered by our Company. In 2020, our tools processed over 63 million searches. The product itself is simple to deploy and offers many benefits to clients – increasing search engine revenue (for one of our clients it was +45%), and search results provide insight into the current needs of your clients.

Our AI SmartSearch can also be used to monitor performance in real time so that e-shops can quickly respond to changes in demand. This is why with its ability to accurately manage settings and offer extensive statistics Smart Search provides valuable insight into the needs of your clients, and its users appreciate this new solution.

Paweł Wyborski, CEO, QuarticOn S.A.

In our Marketing Automation module, there were new campaigns and some changes in its mailing creator, and e-mails can now be sent much faster. Furthermore, we optimized the creation process through the analysis of heatmap data, added the functionality of creating sender groups, product information, and dedicated birthday e-mails.

And an interesting innovation in recommendation frames was the implementation of a social proof widget, which shows in real time how many users are currently looking at the product.

Throughout 2020, our clients views 4.7 billion personalized purchase recommendations, sent 36 million e-mails and users visiting e-shops webpages input 63 million searches via AI Smart Search tool (product widely launched in 2nd quarter of 2020).

Comment by Błażej Stachowiak (CTO, QuarticOn S.A.):



The turbulent 2020, and especially its second half, was a time of an increased use of QuarticOn products. This is confirmed by the number of recommendation frame views, e-mails sent through our marketing automation tool, and uses of AI Smart Search. It was also a year when we had to face the pandemic, going remote overnight, and at the same time re-organize our work and re-define our goals (including the above-mentioned changes in our product development roadmap). It wasn't that simple.

In the previous year, our products changed – we added a number of new functionalities to meet the expectations of our clients. An important one was the possibility of analyzing behavioral data on the basis of First Party Cookies, so that any changes introduced by web browser producers (headed by Google) are transparent to our Clients. Seeing strong interest in this change, we are confident this was an excellent move that put us ahead of competitors. Now our system, and our Clients who use it, no longer depend on changes in Third/First Party Cookies, which are impacting e-commerce more and more.

1.8 Selected financial data

1.8.1 Introduction to financial results

The year 2020 was a time of a significant improvement in our financial performance. The COVID-19 pandemic, which severely affected many industries worldwide, also impacted our performance, but -depending on the time – there were two sides to this impact, a negative one in quarters first and second, and a positive one in fourth quarter.

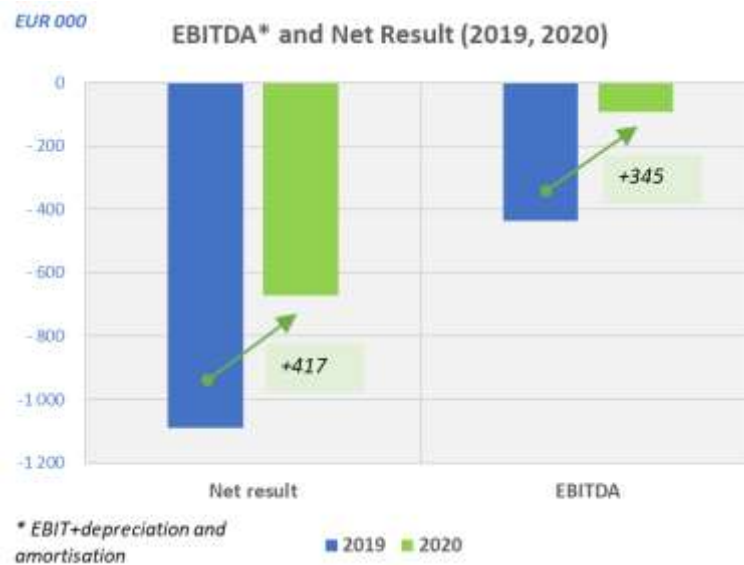
Already by the end of Q1 2020, our Company was working on its process optimization plan, and coronavirus escalation only accelerated this. By implementing changes in employment and working time organisation, management and optimisation, produced a significant reduction in operating costs excluding depreciation and amortization (EUR 534k per year, i.e. by 35%). This helped mitigate the effect of the sales drop that took place at midyear (compounding of the negative effects of the pandemic that were mentioned earlier in this report, and of the summer holiday season), and that also had the greatest impact on total sales during the year. In Q3 2020, our operating costs (excluding depreciation) amounted to EUR 214k, which is the lowest during that year, and this level reflects the scale of our operations at the time (EUR 82k lower than in 1st quarter 2020).



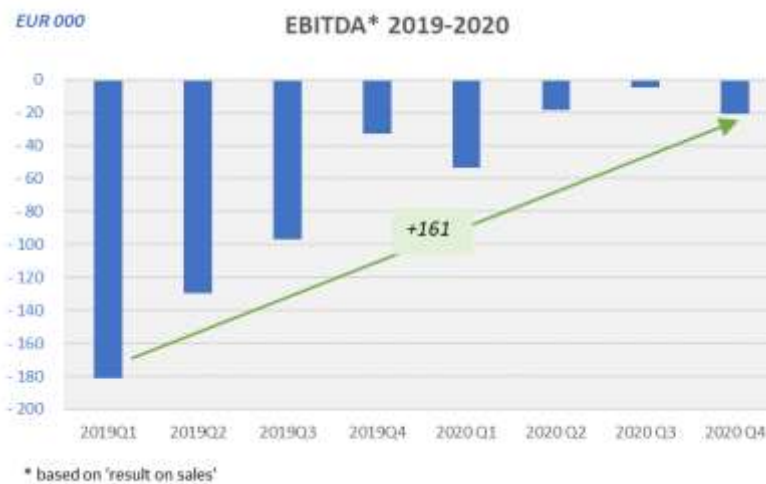
<i>Data in '000 EUR</i>	Year 2019	IQ 2020	IIQ 2020	IIIQ 2020	IVQ 2020	Year 2020
Net revenue from sales	1 083,8	242,3	229,7	209,0	232,9	899,1
Operating expenses excl. depreciation & amort.	-1 528,8	-295,5	-248,0	-213,7	-253,6	-994,7
EBITDA (based on result on sales)	-445,0	-53,2	-18,4	-4,7	-20,7	-95,6
Amortisation and depreciation	-610,4	-146,2	-143,1	-140,9	-111,6	-532,5
Result on other operating revenues and expenses	8,9	-16,9	15,1	-0,7	7,0	4,2
EBIT (operating result)	-1 046,5	-216,2	-146,4	-146,3	-125,3	-623,8
Net profit (loss)	-1 088,2	-224,7	-159,6	-157,6	-140,2	-670,8
EBITDA (based on operating result)	-436,1	-70,1	-3,2	-5,4	-13,7	-91,3

The positive effects of the dynamic growth of the online channel on the market was first experienced by the Company in September through a growing number of orders, which resulted in more

deployments with clients. The effect was visible in Q4 2020, with +14% increase in sales (based on PLN amounts, +11% for EUR amounts). Importantly, the scale of orders and commercial negotiations followed the growing trend not only in Q4 but also over the months that followed. During that time, there was also a slight increase in costs due to changes in HR costs (employment and small pay rises) and the establishment of annual (for 2020 as a whole) cost provisions.



The trend of improving financial results has been maintained since 2019 - over 24 months, the Company **improved its quarterly EBITDA** by EUR 161k (Q4 2020 to Q1 2019).



1.8.1 Selected financial statement data

Selected balance sheet data:

	<i>in '000 €</i>		<i>in '000 PLN</i>	
	As of 31.12.2020	As of 31.12.2019	As of 31.12.2020	As of 31.12.2019
Fixed assets	1 549,9	1 877,4	7 152,6	7 994,9
- including intangible and legal assets	1 546,3	1 870,0	7 135,9	7 963,5
Current assets	147,0	401,6	678,1	1 710,3
- including short-term investments	12,8	52,5	59,0	223,6
Total Assets	1 696,9	2 279,0	7 830,7	9 705,2
Equity	672,1	1 455,3	3 101,8	6 197,4
Liabilities and provisions for liabilities	1 024,7	823,7	4 729,0	3 507,9
- including short term liabilities	596,7	270,6	2 753,9	1 152,4
Total Liabilities	1 696,9	2 279,0	7 830,7	9 705,2

Selected profit and loss account data:

	<i>in '000 €</i>		<i>in '000 PLN</i>	
	2020	2019	2020	2019
Net revenue from sales	899,1	1 083,8	4 149,3	4 615,4
Operating expenses excl. depreciation & amort.	994,7	1 528,8	4 590,3	6 510,4
EBITDA (based on profit (loss) on operating result)	-91,3	-436,1	-421,4	-1 857,3
Amortisation and depreciation	532,5	610,4	2 457,4	2 599,4
Gross profit (loss)	-670,8	-1 088,2	-3 095,6	-4 634,2
Net profit (loss)	-670,8	-1 088,2	-3 095,6	-4 634,2

Selected cash flow statement data:

	<i>in '000 €</i>		<i>in '000 PLN</i>	
	Year 2020	Year 2019	Year 2020	Year 2019
Net profit (loss)	-670,8	-1 088,2	-3 095,6	-4 634,2
Net cash flow from operating activities	171,4	-474,9	791,2	-2 022,2
Net cash flows from investment activities	-257,1	-463,2	-1 186,4	-1 972,6
Net cash flow from financial activities	50,0	79,7	230,7	339,5
Cash closing balance	12,8	52,5	59,0	223,6

1.9 Financial standing

1.9.1 Predicted financial situation (combined with development goals for the coming months)

The Company is focusing on the implementation of its growth strategy, as described in this report, which is to increase its value for shareholders. Currently, QuarticOn is placing the greatest emphasis on actions that can positively contribute to the Company's financial results over the subsequent reporting periods and can help it achieve long-term break-even at EBITDA level:

- **Efficient sales** – re-organization of sales processes over the last year is already producing positive results. The Company expects that current actions to scale up sales will contribute to increased revenue.
- **Product management** – changes introduced to product roadmap and improved product management have significantly accelerated the alignment of products with clients' expectations, and reduced deployment times. These factors are having, and will continue to have, more and more impact on increasing sales scale.
- **Optimum expenditures level** – significant sales scaling and development require funding. In 2020, our Company did cost optimization to adapt its costs to its situation at this time. Now, due to a very large number of orders and implementations, in some areas, such as salaries, the Company expects its costs to rise, but the extent of this will be aligned with our current needs resulting from the growing sales funnel.
- **Shares issue** – the Company expects the issue of new shares for individual and institutional investors to be one of the main sources of financing for its growth.

The above-mentioned factors should contribute to continuous improvement in the Company's financial situation over the coming months.

1.9.2 Financial forecasts

The Company did not issue any financial projections for 2020.

1.10 Operating risks

1.10.1 Risks and opportunities related to Covid19 pandemic

The COVID-19 pandemic affected many of our clients, which translated into our financial results in the middle months of 2020 (increased churn, low sales). At the moment, it seems that the worst time of the pandemic is behind us, and businesses have adapted to the new situation. Given the forecasts for the development of online commerce (the above-mentioned PwC report), and sales results for major online retailers, it seems reasonable to argue that online sales is one of the few fields of economy that benefited from the pandemic.



From our point of view, the current situation differs considerably from that a year ago. Last year, our main challenge was to rebuild our sales funnel, which shrunk significantly for a short time because of the pandemic (reasons for this are described earlier in this report). But today, due to the significant scale of the growth in online sales, our Company has a full portfolio of orders and a continuously growing number of deployments. So, our challenge is now to plan and manage our resources to ensure that these processes are as efficient as possible. This is also associated with an increase in costs (salaries, marketing) that need to be incurred first to generate growing sales increases. This creates the risk of short-term increased demand for working capital if deployment processes are prolonged with clients.

The growing interest in online sales, on both the supply and demand sides, is a major opportunity for our Company to grow. The studies referred to earlier in this report show that the demand for online sales support tools will continue to increase. And we can expect growing expectations towards these tools from clients. On the one hand, this is an opportunity to sell dedicated solutions, whose prices are always higher than those of standard solutions, but on the other hand, this requires the Company to continuously enhance its products, which, in turn, creates the risk of increased demand for financial resources.

A separate issue is anticipating customer behavior as the pandemic slows down and we return to a life without sanitary restrictions. Based on the publicly available reports and analyses, the Company expects the majority of customers to continue to show preference for online shopping

because of their positive experiences with this sales model. Since there has been no historical precedent for this, there is a risk that these expectations will turn out to be partially wrong. If this is the case, our sales increases could slow down and our financial performance could be affected

1.10.2 Risks associated with personal data processing

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

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

As a company, we need to fulfil the requirements provided for, e.g. in Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), and the Personal Data Protection Act, which impose a number of requirements on personal data controllers and specify conditions for personal data processing. Our customers are subject to the requirements defined in the GDPR, which is directly applicable across the EU and in relation to data processing within the EU. The GDPR defines such rules for personal data processing as legitimacy, fairness, transparency, limitation of data processing, data minimization, correctness, limited time of data processing, integrity, confidentiality, and accountability. Moreover, the GDPR introduces a number of rights for persons whose data is being processed. The GDPR places more responsibility on personal data controllers and entities processing data on behalf of such controllers, as well as laying out how data can be

transferred to third countries, such as the USA, and imposing fines on controllers and data processing entities for violations of GDPR provisions. Furthermore, under the GDPR, supervisory authorities in EU Member States are authorized to introduce temporary or permanent limitations on such processing, or even forbidding such processing. Data controllers are also required to report any data breach to supervisory authorities within 72 hours of becoming aware of such breach. And entities processing data on behalf of controllers are required to immediately report any data breach to controllers. Any violation of GDPR regulations is punishable by fines up to EUR 20 million or up to 4% of annual revenue (whichever amount is higher). In addition, GDPR regulations strengthens the rights of people who have suffered some damage as a result of GDPR violation to claim compensation. It is possible that this might increase the number of civil-law claims against data controllers or processing entities. We believe that this might pose the risk of incurring costs related to court actions, including the payment of compensation to people who have suffered damage due to such violation. In the event of a GDPR violation, the Company can, in particular, be required to pay high fines or compensations, which could adversely affect our financial situation, growth prospects, performance, or the market price of our shares.

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

1.10.3 Macroeconomic risk

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

1.10.4 Risks of diminishing market attractiveness of our products and growing competition

The Company operates on its markets alongside its competitors. Services provided by QuarticOn can be categorized as innovative, state-of-the-art technologies, and this market is likely to experience unpredictable, major, and dynamic developments, also in relation to competition. Such developments, however, can take the form of new technological or marketing solutions, including those related to the business model adopted to provide and sell services to make them seem more attractive.

While our services continue to be competitive, the ongoing mergers, acquisitions, and other investment processes in these sectors can lead to some major changes, both in terms of our market position, measured as our market share, and our competitive edge, based on the terms and conditions, and prices, of our services. It is possible that a change in business models adopted by our competitors, or some new market developments, will affect our market share, which, in turn, can adversely affect our business operations, growth prospects, financial situation and/or financial performance.

1.10.5 Risks associated with the development of new products and unsuccessful strategy

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

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

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

1.10.6 Technological and market-change-related risks

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

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

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

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

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

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

the money we have spent on the development of new products might produce less profit than we expect and negatively affect our financial standing.

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

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

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

1.10.8 Risks of serious cash-flow interruptions and loss of financial liquidity

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

1.11 Shareholders at the end of 2020

To the best of Company's knowledge, at the date of 2020, QuarticOn has the following shareholders:

Shareholders	Number of shares *	Share percentage
Venture FIZ	251 000	17.9%
CBNC Capital Solutions Ltd.	187 031	13.3%
Paweł Wyborski	179 401	12.8%
Q Free Trading Limited	123 500	8.8%
ACATIS Investment KVG mbH	134 100	9.5%
Kamil Cisło	118 500	8.4%
Paulina Zamojska	72 574	5.2%
Pozostali **	338 194	24.1%
Razem	1 404 300	100.0%

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

** Including key employees (ESOP)

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

Shareholders	Number of shares *	Share percentage
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 Cisło	100 000	7.1%
Paulina Zamojska	70 574	5.0%
Pozostali **	363 985	25.9%
Razem	1 404 300	100.0%

* wszystkie akcje serii A, B, C, D, E i F

** w tym kluczowi pracownicy (program ESOP)

1.12 Other information

1.12.1 Employment

In late December 2020, the Company employed (in terms of FTEs) 21.3 persons (employment contracts, contracts of mandate, B2B), which was 15 persons less than the year before.

In 2020, the average number of persons employed on the basis of employment contracts or appointment to the Management Board was 15,42 persons and 2 Members of the Board, respectively. In total 17,42 persons

1.12.2 Salaries for the Management Board and Supervisory Board

In 2020, the sum of salaries for the Members of the Management Board was EUR 100.3k (PLN 463.0k).

In 2020, Supervisory Board members did not receive any salary.

1.12.3 Financial auditor fee

The expert auditor's fee for the 2020 audit was EUR 3,5k (PLN 16,1k).

1.12.4 Authorized advisor fee

In 2020, the Authorized Adviser's (Dom Maklerski BDM S.A.) fee for its services was EUR 4,16k (PLN 19,2k).

1.12.5 Basis for the financial statement

This **2020 Annual Report by QuarticOn** was prepared pursuant to § 5 Sections 6.1. – 6.3. Appendix 3 to the Alternative Trading System Rules: Current and periodic information communicated through the alternative trading system on the NewConnect market.

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

Accounting records are kept according to the historical cost principle (items in the balance-sheet and financial result were valued pursuant to the Accounting Act), so the effect of inflation is not accounted for. The Company aggregates its costs by type and prepares its Profit and Loss Account using a single-step/comparative version. The figures in our financial statement in its original version are in PLN and

for the English issue were recalculated on EUR using foreign exchange rates presented at the beginning of the Report . For reference purposes, we provided financial data for the previous financial year from 1 January 2019 to 31 December 2019.

1.13 Management Board' declarations

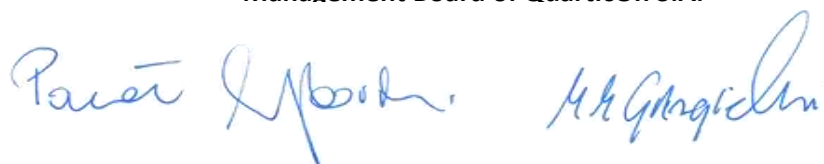
1.13.1 Declaration by the management board about the integrity and compliance of the financial statement and reference data

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

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

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

Management Board of QuarticOn S.A.



Paweł Wyborski
CEO

Michał Giergielewicz
CFO

2

**Financial statement
for January 1st 2020
to December 31, 2020**

2.1 Introduction to the financial statement

1. Entity data

Name	QuarticOn Spółka Akcyjna
Registered office	02-017 Warszawa, Al. Jerozolimskie 123A
NACE codes describing the entity's core activities	62001Z
Tax identification number:	NIP 5213608082
Number in the relevant court register	KRS 0000715276

2. Duration of the entity, if not perpetual

Not applicable.

3. Period covered by the financial statements

Financial statements drawn up for the period from 01.01.2020 to 31.12.2020

4. Indication whether the financial statements contain combined data

These financial statements contain no combined data.

5. Assumption of going concern

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

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

6. Information on mergers

Not applicable.

7. Accounting policy

Overview of the adopted methods of valuation of assets and liabilities (including amortization and depreciation):

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

Tangible fixed assets and intangible assets

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

The purchase price of fixed assets also includes the cost of servicing debt incurred to finance them for the period of assembly and adaptation and the related exchange rate differences less any revenues generated in this way. The purchase price of a fixed asset is increased by its improvement costs, involving reconstruction, modernization and development, resulting in the value in use of that fixed asset after improvement being higher than its value at the time of putting into service.

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

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

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

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

- R&D expenses 20%
- other 50%

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

- buildings, premises, civil and water engineering structures 2.5%
- technical equipment and machines 10% – 30%

- vehicles 20%
- other tangible fixed assets in use 2.5% – 30%

Tangible fixed assets in use include tangible fixed assets with the expected useful economic life longer than a year and purchase price exceeding EUR 821,88 (PLN 3 500).

Tangible fixed assets in use in group 491 (computers and computer hardware) with a value higher than EUR 352 (PLN 1 500) and lower than EUR 822 (PLN 3 500) are depreciated on a one-off basis (write-off of 100% of the initial value) in the month in which they are put into use.

Tangible fixed assets under construction are recognized at the amount of total costs directly related to their purchase, less impairment losses.

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

Investments

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

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

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

Receivables

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

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

Inventory

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

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

Cash and cash equivalents

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

Deferred and accrued expenses

Deferred expenses are recognized in relation to the costs incurred relating to future reporting periods. This item also includes R&D expenses, which will constitute intangible assets after completion.

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

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

Equity

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

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

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

Provisions for liabilities

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

Provisions are created for:

- certain or highly probable future liabilities, the amount of which can be estimated in a reliable manner and, in particular, for losses on ongoing business transactions, including due to provided guarantees, sureties, lending operations, and results of ongoing judicial proceedings.
- unused employees' holiday entitlements

Liabilities

Liabilities are recognized at the amount due.

Deferred and accrued revenues

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

Deferred income tax

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

Financial result determinations:

Recognizing revenue

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

Cost

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

Management Board estimates

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

Transactions in foreign currencies

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

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

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

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

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

31.12.2020

EUR 1 = 4.6148 (National Bank of Poland exchange rate table No. 255/A/NBP/2020 of 31.12.2020)

USD 1 = 3.7584 (National Bank of Poland exchange rate table No. 255/A/NBP/2020 of 31.12.2020)

CZK 1 = 0.1753 (National Bank of Poland exchange rate table No. 255/A/NBP/2020 of 31.12.2020)
 GBP 1 = 5.1327 (National Bank of Poland exchange rate table No. 255/A/NBP/2020 of 31.12.2020)

31.12.2019

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

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

Financial result

The financial result is composed of:

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

Drawing up the financial statements:

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

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

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

Numerical data in the financial statements are presented in Polish zloty. For English edition of the Annual Report the mentioned above exchange rates were used.

Financial data for the previous financial year, covering the period from 01.01.2019 to 31.12.2019 are presented as comparative data.

The management board:

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

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

8. Additional information

Not applicable.

No circumstances were found that would indicate a threat to the going concern.

2.2 Balance sheet

1. Assets

Items in Euro		As of 31.12.2020	As of 31.12.2019
A.	Fixed assets	1,549,923.6	1,877,409.6
I.	Intangible and legal assets	1,546,314.3	1,870,033.0
1.	R&D expenses	1,544,992.2	1,862,918.8
2.	Goodwill	0.0	0.0
3.	Other intangible assets	1,322.1	7,114.3
4.	Advances for intangible assets	0.0	0.0
II.	Tangible fixed assets	2,521.5	6,197.7
1.	Tangible fixed assets in use	2,521.5	6,197.7
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	2,521.5	5,952.0
d)	means of transport	0.0	0.0
e)	other tangible fixed assets	0.0	245.8
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	1,087.8	1,178.8
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0
3.	Long-term financial assets	1,087.8	1,178.8
a)	in related parties	1,087.8	1,178.8
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	146,950.8	401,617.0
I.	Inventory	0.0	0.0
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.0	0.0
II.	Short-term receivables	119,914.4	235,056.4
1.	Receivables from related parties	0.0	0.0
a)	trade receivables, maturing:	0.0	0.0

Items in Euro		As of 31.12.2020	As of 31.12.2019
	- 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 ent	119,914.4	235,056.4
a)	trade receivables. maturing:	75,428.7	182,464.0
	- up to 12 months	75 428.7	182 464,0
	- over 12 months	0.0	0.0
b)	receivables from tax. subsidies. customs. social security and other benefits	12,450.7	18,210.6
c)	other	32,034.9	34,381.8
d)	claimed at court	0.0	0.0
III.	Short-term investments	12,788.0	52,507.5
1.	Short-term financial assets	12,788.0	52,507.5
a)	in related parties	0.0	0.0
b)	in other parties	0.0	0.0
c)	cash and other pecuniary assets	12,788.0	52,507.5
2.	Other short-term investments	0.0	0.0
IV.	Short-term prepayments	14,248.5	114,053.1
C.	Called up share capital not paid	0.0	0.0
D.	Own shares (stocks)	0.0	0.0
Total Assets		1,696,874.4	2,279,026.6

2. Liabilities

Items in Euro		As of 31.12.2020	As of 31.12.2019
A.	EQUITY	672,131.8	1,455,290.2
I.	Share capital	30,430.4	32,598.3
II.	Supplementary capital, including	4,058,050.2	4,397,578.9
	- share (stock) premium	4,058,050.2	4,397,578.9
III.	Revaluation reserve, including:	0.0	0.0
	- from fair value adjustment	0.0	0.0
IV.	Other reserve capitals	0.0	378.1
	- created in accordance to articles of incorpor. of the Company	0.0	0.0
	- on own shares (stocks)	0.0	378.1
V.	Profit (loss) from previous years	-2,745,550.5	-1,887,042.4
VI.	Nett profit (loss)	-670,798.2	-1,088,222.7
VII.	Write-off on net profit during the financial year (negative value)	0.0	0.0
B.	Liabilities and provisions for liabilities	1,024,742.6	823,736.4
I.	Provisions for liabilities	44,518.4	41,092.7

Items in Euro		As of 31.12.2020	As of 31.12.2019
1.	Provision for deferred income tax	0.0	0.0
2.	Provision for retirement and similar benefits	5,805.0	6,556.3
	- long-term	0.0	0.0
	- short-term	5,805.0	6,556.3
3.	Other provisions	38,713.5	34,536.3
	- long-term	0.0	0.0
	- short-term	38,713.5	34,536.3
II.	Long-term liabilities	364,046.1	499,002.0
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	364,046.1	499,002.0
a)	credits and loans	364,046.1	499,002.0
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
e)	Other	0.0	0.0
III.	Short-term liabilities	596,747.6	270,614.1
1.	To related parties	57,648.4	62,471.7
a)	trade liabilities maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
b)	Other	57,648.4	62,471.7
2.	To other parties in which the company holds capital commitment	0.0	0.0
a)	trade liabilities 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.	To other parties	539,099.2	208,142.3
a)	credits and loans	302,071.8	112,795.7
b)	arising from issuance of debt securities	0.0	0.0
c)	other financial liabilities	0.0	0.0
d)	trade liabilities maturing:	169,410.6	84,546.0
	- up to 12 months	169,410.6	84,546.0
	- 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	67,388.0	10,677.1
h)	payroll liabilities	228.7	0.0
i)	other	0.0	123.5
4.	Special funds	0.0	0.0
IV.	Accruals	19,430.5	13,027.6
1.	Negative goodwill	0.0	0.0
2.	Other accruals	19,430.5	13,027.6
	- long-term	0.0	0.0
	- short-term	19,430.5	13,027.6
Total Liabilities		1,696,874.4	2,279,026.6

3. Profit and loss account

Items in Euro		YTD 2020	YTD 2019
A.	Net revenue from sales	899,134.8	1,083,812.2
	from related parties	0.0	0.0
I.	Net revenue from sales of products	899,134.8	1,083,812.2
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0.0	0.0
III.	Costs of manufacturing products for internal purposes	0.0	0.0
IV.	Net revenue from sales of goods and materials	0.0	0.0
B.	Operating expenses	1,527,184.3	2,139,210.7
I.	Amortisation and depreciation	532,497.0	610,407.2
II.	Consumption of materials and energy	6,064.3	16,947.4
III.	External services	620,584.0	870,154.8
IV.	Taxes and charges, including:	9,753.4	10,187.3
	- excise duty	0.0	0.0
V.	Payroll	302,638.1	542,962.8
VI.	Social security and other benefits, including:	39,567.9	63,590.9
	- retirement benefits	23,271.6	40,826.8
VII.	Other prime costs	16,079.7	24,960.3
VIII.	Value of goods and materials sold	0.0	0.0
C.	Profit (loss) on sales (A - B)	-628,049.5	-1,055,398.4
D.	Other operating revenues	22,627.4	80,009.4
I.	Gain on disposal of non-financial fixed assets	417.7	595.7
II.	Subsidies	0.0	0.0
III.	Other operating revenues	3,056.8	63,460.9
IV.	Other operating revenues	19,152.8	15,952.8
E.	Other operating expenses	18,382.3	71,150.7
I.	Loss on disposal of non-financial fixed assets	0.0	0.0
II.	Revaluation of non-financial assets	10,180.8	25,897.8
III.	Other operating expenses	8,201.5	45,252.9
F.	Profit (loss) on operating activities (C+D-E)	-623,804.4	-1,046,539.7
G.	Financial revenues	6,166.5	4,198.9
I.	Dividend and profit sharing, including:	0.0	0.0
	a) from related parties, including:	0.0	0.0
	- those in which the company holds capital commitment	0.0	0.0
	b) from other parties, including:	0.0	0.0
	'- those in which the company holds capital commitment	0.0	0.0
II.	Interest, including:	35.4	4,198.9
	- from related parties	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0
	- in related parties	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0
V.	Other	6,131.0	0.0

Items in Euro		YTD 2020	YTD 2019
H.	Financial expenses	53,160.3	45,882.0
I.	Interest, including:	43,181.4	43,957.8
	- for related parties	0.0	0.0
II.	Loss on disposal of financial assets, including:	0.0	0.0
	- for related parties	0.0	0.0
III.	Revaluation of financial assets	0.0	0.0
IV.	Other	9,978.9	1,924.2
I.	Gross profit (loss) (F+G-H)	-670,798.2	-1,088,222.7
J.	Income tax	0.0	0.0
K.	Other statutory reductions in profit (increases in loss)	0.0	0.0
L.	Net profit (loss) (I-J-K)	-670,798.2	-1,088,222.7

4. Statement of changes in equity

Items in Euro		As of 31.12.2020	As of 31.12.2019
I.	Opening balance of equity (OB)	1,342,930.0	2,389,786.3
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
I.a.	Opening balance of equity (OB) after adjustments	1,342,930.0	2,389,786.3
1.	Opening balance of share capital	30,081.5	29,007.2
	1.2. Closing balance of share capital	30,430.4	32,598.3
2.	Opening balance of called up share capital	0.0	0.0
	2.1. Changes in called up share capital	0.0	0.0
	a) increase (due to)	0.0	0.0
	- called up share capital not paid	0.0	0.0
	b) decrease (due to)	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	4,058,050.2	4,247,821.4
	4.1. Changes in supplementary capital	0.0	149,757.5
	4.2. Closing balance of supplementary capital	4,058,050.2	4,397,578.9
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	348.9	0.0
	6.1. Changes in other reserve capitals	0.0	378.1
	6.2. Closing balance of other reserve capitals	0.0	378.1

Items in Euro		As of 31.12.2020	As of 31.12.2019
7.	Opening balance of previous years' profit (loss)	-2,745,550.5	-1,887,042,4
	7.1. Opening balance of previous years' profit	0.0	0,0
	a) changes of adopted accounting principles	0.0	0,0
	b) adjustments of fundamental errors	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	-2,745,550.5	-1,887,042,4
	a) changes of adopted accounting principles	0.0	0,0
	b) adjustments of fundamental errors	0.0	0,0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-2,745,550.5	-1,887,042,4
	7.6. Closing balance of previous years' loss	-2,745,550.5	-1,887,042,4
	7.7. Closing balance of previous years' profit (loss)	-2,745,550.5	-1,887,042,4
8.	Net result	-670,798.2	-1,088,222,7
	a) net profit	0.0	0,0
	b) net loss	-670,798.2	-1,088,222,7
	c) write-offs on profit	0.0	0,0
II.	Closing balance of equity (CB)	672,131,8	1,455,290.2
III.	Equity including proposed profit distribution (loss coverage)	672,131,8	1,455,290.2

5. Cash flow statement

Items in Euro		2020	2019
A.	A. Cash flow from operating activities - indirect method		
I.	I. Net profit (loss)	-670,798.2	-1,088,222.7
II.	II. Total adjustments	842,243.1	613,357.3
	1. Amortisation and depreciation	532,497.0	610,407.2
	2. Profit (loss) from differences of exchange rates	0.0	0.0
	3. Interest and profit sharing (dividend)	51,571.5	43,830.4
	4. Profit (loss) on investment activities	-417.7	-33,851.4
	5. Change in provisions	6,598.5	19,696.0
	6. Changes in inventory	0.0	4,678.2
	7. Change in the balance of receivables	96,993.8	72,214.1
	8. Change in short-term liabilities excluding credits and loans	149,042.2	-79,699.4
	9. Change in prepayments and accruals	5,958.0	-23,917.9
	10. Other adjustments	0.0	0.0
III.	III. Net cash flow from operating activities (I+/-II)	171,444.9	-474,865.5
B.	B. Cash flows from investment activities	0.0	0.0
I.	I. Inflows	454.8	1,244.6
	1. Disposal of intangible and legal assets, tangible fixed assets	454.8	1,244.6
	2. Disposal of investments in real property and in intangible and legal assets	0.0	0.0
	3. From financial assets, including:	0.0	0.0
	a) in related parties	0.0	0.0

Items in Euro		2020	2019
	- disposal of financial assets	0.0	0.0
	- dividends and profit sharing	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0
	- interest	0.0	0.0
	- other inflows from financial assets	0.0	0.0
	b) in other parties	0.0	0.0
	- disposal of financial assets	0.0	0.0
	- dividends and profit sharing	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0
	- interest	0.0	0.0
	- other inflows from financial assets	0.0	0.0
4.	Other inflow from investment activities	0.0	0.0
II.	II. Outflows	257,549.8	464,469.6
1.	Purchase of intangible and legal assets, tangible fixed assets	257,549.8	464,469.6
2.	Investment in real property, intangible and legal assets	0.0	0.0
3.	For financial assets, including:	0.0	0.0
	a) in related parties	0.0	0.0
	- purchase of financial assets	0.0	0.0
	- long-term loans granted	0.0	0.0
	b) in other entities	0.0	0.0
	- purchase of financial assets	0.0	0.0
	- long-term loans granted	0.0	0.0
4.	Other outflows from investment activities	0.0	0.0
III.	III. Net cash flows from investment activities (I-II)	-257,094.9	-463,225.1
C.	C. Cash flows from financial activities	0.0	0.0
I.	I. Inflows	68,468.6	167,816.1
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0.0	153,726.7
2.	Credits and loans	68,468.6	14,089.5
3.	Issuance of debt securities	0.0	0.0
4.	Other inflows from financial activities	0.0	0.0
II.	II. Outflows	18,484.1	88,096.4
1.	Purchase of own shares (stocks)	0.0	0.0
2.	Dividend and payments to stockholders	0.0	0.0
3.	Profit distribution liabilities other than profit distribution payments to stockholders	0.0	0.0
4.	Repayment of credits and loans	0.0	49,313.1
5.	Redemption of debt securities	0.0	0.0
6.	Payment of other financial liabilities	0.0	0.0
7.	Payment of liabilities arising from financial leases	0.0	0.0
8.	Interest	18,484.1	38,783.3
9.	Other outflows from financial activities	0.0	0.0
III.	III. Net cash flow from financial activities (I-II)	49,984.5	79,719.7
D.	D. Total net cash flows (A.III+/-B.III+/-C.III)	-35,665.5	-858,370.8
E.	E. Balance sheet change in cash, including:	-35,665.5	-858,370.8
-	change in cash due to exchange differences	0.0	0.0
F.	F. Cash opening balance	48,453.5	910,878.3
G.	G. Cash closing balance (F+/- D), including:	12,788.0	52,507.5
-	of limited disposability	2,467.2	0.0

6. Income tax calculation

Items in Euro		TOTAL 2020	TOTAL 2019
A	Gross profit (loss) for a given year	-670,798.22	-1,088,222.71
B	Tax-exempt income (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes) including:	18,265.86	66,223.03
	Others	0.00	1,442.06
	Positive exchange rate differences on the balance sheet valuation (Article 12 par. 2)	2,215.89	1,320.10
	Revaluation of non-financial assets (Article.16, par. 1, point 26, letter a)	3,056.83	63,460.9
		0.00	0.0
C	Non-taxable income in the current year, including:	1,684.50	0.00
	Others	0.0	0.00
	Reversal of the provision (Article 12 par. 1 point 4 letter e)	0.00	0.00
	Reversal of write-downs (Article 16 par. 1 point 26 a)	1,684.5	0.00
D	Revenues subject to taxation in the current year, included in the accounting books of previous years, including:	0.0	0.0
	Interest on deposits accrued in 2017 paid in 2018 (Article 16 par. 1 point 11)	0.0	0.0
E	Costs that are not tax-deductible costs (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes), including:	2,142.06	43,634.28
	Negative exchange differences on balance sheet valuation (Article 15a)	-1,184.81	530.38
	Representation (Article 16 par. 1 point 28)	0.0	0.00
	Budget interest (Article 16 par. 1 point 21)	94.5	40.7
	Write-downs of outdated balances (Article 16 par. 1 point 25)	3,232.40	43,063.2
F	Costs not recognized as tax deductible expenses in the current year, including:	633,833.29	686,194.69
	Others	14,959.50	10,703.68
	Interest on loans and bonds (Article 16 par 1 item 11)	37,990.09	26,681.14
	Provisions for paid cost (Article 16, par. 1, point 27)	6,598.46	8,669.65
	Write-downs on receivables and intangible assets. (Article 16g, par. 13)	10,180.8	25,897.80
	Accounting depreciation (Article 16d, par. 1)	532,496.97	610,407.23
	Salary, social security contributions (Article 16 par. 1 point 57 a)	25,591.45	683.50
	VAT not deducted, not constituting tax deductible costs (Article 16 par. 1 item 46)	0.00	970.5
	Medical packages not used by employees (article 16)	815.35	2,181.2
	Commission for loan extension (art. 16)	0.00	0.0
G	Costs recognized as tax deductible expenses in the current year recognized in previous years' books including:	10,734.09	28,741.08
	Interest paid on loans and bonds (Article 16 par.. 1 point 11)	10,103.36	21,634.02
	Salaries, social security contributions (Article 15, par. 4g)	630.73	7,107.1
H	Loss from previous years, including:	0.0	0.0
I	Other changes in the tax base, including:	523,362.10	615,883.52
	Tax depreciation in the current year (Article 16d)	529,321.20	603,208.98
	Prepayments of deferred income (Article 12 par.. 3a)	-5,959.10	12,674.5
J	Income tax base	-588,869.42	-1,069,241.39
K	Income tax	0.0	0.0

Signatures on the financial statements:

- Monika Śpiewła - May 28, 2021
- Michał Giergielewicz- May 30, 2021
- Paweł Wyborski - May 30, 2021

2.3 NOTES AND EXPLANATIONS

Explanations to the Balance Sheet

1.1 Intangible assets

1.1.1 Movements in intangible assets

(in 000 Euro)	Costs of implemented development work	Goodwill	Other intangible assets	Advances on intangible assets	Total
Gross value					
Balance at the beginning of the period	3,190.1	0.0	12.7	0.0	3,202.8
Increase	350.0	0.0	0.0	0.0	350.0
- purchases	0.0	0.0	0.0	0.0	0.0
- other	350.0	0.0	0.0	0.0	350.0
Decrease	0.0	0.0	0.0	0.0	0.0
- Liquidation	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
Balance at the end of the period	3,540.1	0.0	12.7	0.0	3,552.8
Redemption					
Balance at the beginning of the period	1,471.0	0.0	6.1	0.0	1,477.2
Increase	524.1	0.0	5.2	0.0	529.3
- depreciation	524.1	0.0	5.2	0.0	529.3
- other	0.0	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	0.0	0.0	0.0
- liquidation	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
Balance at the end of the period	1,995.1	0.0	11.4	0.0	2,006.5
Write-downs					
Balance at the beginning of the period	0.0	0.0	0.0	0.0	0.0
Increase	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
Balance at the end of the period	0.0	0.0	0.0	0.0	0.0
Net value					
As at 01/01/2020	1,719.1	0.0	6.6	0.0	1,725.7
As at 31/12/2020	1,545.0	0.0	1.3	0.0	1,546.3

In 2020 QuarticOn completed development work as part of three projects totalling EUR 349,999.3:

- IA SHOPPING 2.0 Project – original cost EUR 176,928.61; date commissioned 31/12/2020
- SUPLEMENCY 2.0 Project – original cost EUR 68,806.21; date commissioned 31/12/2020
- SELFSERVICE 2.0 Project - original cost EUR 104,264.51; date commissioned 31/12/2020.

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

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

1.2 Tangible fixed assets

1.2.1 Movements in tangible fixed assets

(in 000 Euro)	Buildings, premises, rights to premises and civil engineering facilities	Technical devices and machines	Means of transport	Oter Fixed assets	Fixed assets under construction	Advances on fixed assets under construction	Total
Gross value							
Balance at the beginning of the period	0.0	30.3	0.0	1.1	0.0	0.0	31.4
Increase:	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- purchase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Decrease:	0.0	3.5	0.0	0.0	0.0	0.0	3.5
- sale	0.0	3.5	0.0	0.0	0.0	0.0	3.5
- liquidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance at the end of the period	0.0	26.8	0.0	1.1	0.0	0.0	28.0
Redemption							
Balance at the beginning of the period	0.0	24.8	0.0	0.9	0.0	0.0	25.7
Increase:	0.0	2.9	0.0	0.2	0.0	0.0	3.2
- depreciation	0.0	2.9	0.0	0.2	0.0	0.0	3.2
- other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Decrease:	0.0	3.4	0.0	0.0	0.0	0.0	3.4
- sale	0.0	3.4	0.0	0.0	0.0	0.0	3.4
- liquidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance at the end of the period	0.0	24.3	0.0	1.1	0.0	0.0	25.4
Write-downs							
Balance at the beginning of the period	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance at the end of the period	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net value							
As at 01.01.2020	0.0	5.5	0.0	0.2	0.0	0.0	5.7
As at 31.12.2020	0.0	2.5	0.0	0.0	0.0	0.0	2.5

1.2.2 Value of land in perpetual usufruct

The Company does not hold any land in perpetual usufruct.

1.2.3 Value of non-depreciated or non-depreciated fixed assets used on the basis of rental, lease and other agreements, including lease agreements

In the financial year, the Company used the following means of transport on the basis of leasing contracts:

- Volkswagen Tiguan Allspace under the 2018 lease agreement, the monthly fee in 2020 was EUR 570 net.

1.3 Long term receivables

1.3.1 Receivables breakdown

The Company does not have any long-term receivables.

1.3.2 Write-downs of receivables

None.

1.4 Long-term investments

1.4.1 Movements in long-term investments

(in 000 Euro)	Real estate	Intangible assets	Long term financial assets	Other long term investments	Total
Gross value					
Balance at the beginning of the period	0.0	0.0	57.6	0.0	57.6
Increase:	0.0	0.0	0.0	0.0	0.0
- purchase	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
Decrease:	0.0	0.0	0.0	0.0	0.0
- sale	0.0	0.0	0.0	0.0	0.0
- liquidation	0.0	0.0	0.0	0.0	0.0
Balance at the end of the period	0.0	0.0	57.6	0.0	57.6
Redemption					
Balance at the beginning of the period	0.0	0.0	0.0	0.0	0.0
Increase:	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
Decrease:	0.0	0.0	0.0	0.0	0.0
- sale	0.0	0.0	0.0	0.0	0.0
- liquidation	0.0	0.0	0.0	0.0	0.0
Balance at the end of the period	0.0	0.0	0.0	0.0	0.0
Write-downs					
Balance at the beginning of the period	0.0	0.0	56.6	0.0	56.6
Increase	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0

Decrease	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
Balance at the end of the period	0.0	0.0	56.6	0.0	56.6
Net value					
As at 01.01.2020	0.0	0.0	1.1	0.0	1.1
As at 31.12.2020	0.0	0.0	1.1	0.0	1.1

1.4.2 Movements in long-term financial assets in related parties

(in 000 Euro)	Shares or stocks	Other securities	Granted loans	Other long term financial assets	Total
Gross value					
Balance at the beginning of the period	57,6	0,0	0,0	0,0	57,6
Increase:	0,0	0,0	0,0	0,0	0,0
- purchase	0,0	0,0	0,0	0,0	0,0
- other	0,0	0,0	0,0	0,0	0,0
Decrease:	0,0	0,0	0,0	0,0	0,0
- sale	0,0	0,0	0,0	0,0	0,0
- liquidation	0,0	0,0	0,0	0,0	0,0
Balance at the end of the period	57,6	0,0	0,0	0,0	57,6
Redemption					
Balance at the beginning of the period	0,0	0,0	0,0	0,0	0,0
Increase:	0,0	0,0	0,0	0,0	0,0
Decrease:	0,0	0,0	0,0	0,0	0,0
Balance at the end of the period	0,0	0,0	0,0	0,0	0,0
Redemption					
Balance at the beginning of the period	0,0	0,0	0,0	0,0	0,0
Increase:	0,0	0,0	0,0	0,0	0,0
Decrease:	0,0	0,0	0,0	0,0	0,0
Write-downs					
Balance at the beginning of the period	56,6	0,0	0,0	0,0	56,6
Increase	0,0	0,0	0,0	0,0	0,0
- other	0,0	0,0	0,0	0,0	0,0
Decrease	0,0	0,0	0,0	0,0	0,0
- other	0,0	0,0	0,0	0,0	0,0
Balance at the end of the period	56,6	0,0	0,0	0,0	56,6
Net value					
As at 01.01.2020	1,1	0,0	0,0	0,0	1,1
As at 31.12.2020	1,1	0,0	0,0	0,0	1,1

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

None

1.4.4 Movements in long-term financial assets in other entities

None

1.5 Other long-term prepayments

1.5.1 Deferred tax assets

None

1.5.2 Other long-term prepayments

None.

1.6 Inventory

None.

1.7 Short-term receivables

1.7.1 Receivables from related parties

The Company has no receivables from related parties.

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

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

1.7.3 Receivables from other entities

(in 000 Euro)	31/12/2020	31/12/2019
- up to 12 months	88.9	208.4
- over 12 months	0.0	0.0
Trade receivables	88.9	208.4
- VAT receivables	12.5	18.2
Receivables from taxes, subsidies, customs	12.5	18.2
- deposits	0.0	34.1
- other	0.0	0.3
Other receivables	32.0	34.4
Receivables under court proceedings	0.0	0.0
Net receivables	133.4	261.0
Write-downs on receivables	-13.5	-25.9
Gross receivables	119.9	235.1

1.7.4 Write-downs of short-term receivables

(in 000 Euro)	Write-downs receivables from related entities	Write-down receivables from other entities in which the entity has equity commitment	Write-down receivables from other entities
Balance at the beginning of the period	0.0	0.0	23.9
Increase	0.0	0.0	10.2
Utilization	0.0	0.0	17.5
Termination of a previously made write-down	0.0	0.0	3.1
Balance at the end of the period	0.0	0.0	13.5

1.8 Short-term financial assets

1.8.1 Short-term financial assets in related parties

None.

1.8.2 Short-term financial assets in other entities

None.

1.8.3 Cash and other pecuniary assets

(in 000 Euro)	31/12/2020	31/12/2019
- cash on bank accounts	10.0	51.6
- cash on the VAT account	2.5	0.8
- cash on hand	0.1	0.1
Total cash on hand and on bank accounts	12.6	52.5
Other cash	0.2	0.0
Other cash assets	0.0	0.0
Total	12.8	52.5

1.9 Prepayments

(in 000 Euro)	31/12/2020	31/12/2019
- Expenses between accounting periods	4.5	10.6
- Advertising Services	0.0	2.9
- Licence fee for CRM	0.6	0.0
- Own investments	0.0	100.5
- costs of attracting new investors	8.4	0.0
- Others	0.7	0.0
Total	14.2	114.1

1.10 Share capital

Shareholders	Number of shares	Nominal value of shares (in Euro)	%
Venture FIZ	251,000.00	5,439.02	17.9%
CBNC Capital Solutions Ltd.	187,031.00	4,052.85	13.3%
Paweł Wyborski	179,401.00	3,887.51	12.8%
Q Free Trading Limited	123,500.00	2,676.17	8.8%
ACATIS Investment KVG mbH	134,100.00	2,905.87	9.5%
Kamil Cisło	118,500.00	2,567.83	8.4%
Paulina Zamojska	72,574.00	1,572.64	5.2%
Others**	338,194.00	7,328.46	24.1%
Total	1,404,300.00	30,430.35	100.0%

1.11 Zmiana stanu kapitałów zapasowych i rezerwowych

(in 000 Euro)	Supplementary capital	Reserve capital
Balance at the beginning of the period	4,058.1	0.3
Increase	0.0	0.0
- from profit	0.0	0.0
- for shares	0.0	0.0
- other	0.0	0.0
Decrease	0.0	0.3
- capital registration	0.0	0.3
- others	0.0	0.0
Balance at the end of the period	4,058.1	0.0

1.12 Suggested profit distribution/loss coverage

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

1.13 Provisions for liabilities

1.13.1 Provision for deferred income tax

None.

1.13.2 Provision for retirement and similar benefits

(in 000 Euro)	Retirement severance pay	Reserve for unused holiday entitlement	Other provisions	Total
Balance at the beginning of the period	0.0	6.1	0.0	6.1
Increase	0.0	5.8	0.0	5.8
Utilization	0.0	0.0	0.0	0.0
Reversal	0.0	6.1	0.0	6.1
Balance at the end of the period	0.0	5.8	0.0	5.8
including:				
- long term	0.0	0.0	0.0	0.0
- short terms	0.0	5.8	0.0	5.8

1.13.3 Other provisions for long-term liabilities

None

1.13.4 Other provisions for short-term liabilities

(in 000 Euro)	Other Provisions	Total
Balance at the beginning of the period	31.9	31.9
Increase	38.7	38.7
Use	0.0	0.0
Reversal	31.9	31.9
Balance at the end of the period	38.7	38.7

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

1.14 Long-term liabilities

1.14.1 Ageing of long-term liabilities towards related parties

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

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

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

1.14.3 Ageing of long-term liabilities towards other entities

(in 000 Euro)	Credits and loans	Arising from issuance of debt securities	Other financial liabilities	Bill-of-exchange liabilities	Others	Total
Maturity date						
above 1 up to 3 years	364.0	0.0	0.0	0.0	0.0	364.0
above 3 up to 5 years	0.0	0.0	0.0	0.0	0.0	0.0
above 5 years	0.0	0.0	0.0	0.0	0.0	0.0
Total	364.0	0.0	0.0	0.0	0.0	364.0

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

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

1.15 Short-term liabilities

1.15.1 Breakdown of short-term liabilities to related parties

(in 000 Euro)	31/12/2020	31/12/2019
- up to 12 months	0.0	0.0
- over 12 months	0.0	0.0
Trade liabilities	0.0	0.0
- loans	0.0	0.0
- purchase of QuarticON(Shanghai) Company Ltd. shares	56.6	61.3
Other liabilities	56.6	61.3
Total	56.6	61.3

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

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

1.15.3 Ageing of short-term liabilities towards other entities

(in 000 Euro)	31/12/2020	31/12/2019
Credits and loans	302.1	112.8
from the issue of the debt securities	0.0	0.0
Other financial liabilities	0.0	0.0
- up to 12 months	169.4	84.5
- over 12 months	0.0	0.0
Trade liabilities	169.4	84.5
Received advances for deliveries	0.0	0.0
Bill of exchange liabilities	0.0	0.0
- VAT liabilities	0.5	0.0
- Corporate income tax liabilities	0.0	0.0
- Personal income tax liabilities	20.5	3.7
- social and health insurance liabilities	46.4	7.0
- PFRON liabilities	0.0	0.0
- other benefit liabilities	0.0	0.0
Liabilities from taxes, customs, social and health insurance and benefits and other public and legal liabilities	67.4	10.7
Salary liabilities	0.2	0.0
- deposits	0.0	0.0
- other settlements with employees	0.0	0.1
- other settlements with partners	0.0	0.0
Other liabilities	0.0	0.1
State of liabilities	539.1	208.1

The personal income tax liability was fully paid in February 2021.

The company plans to pay off the social and health insurance liability by the end of June 2021.

1.16 Other accruals

1.16.1 Other long-term accruals

None.

1.16.2 Other short-term accruals

(in 000 Euro)	31/12/2020	31/12/2019
- provisions for unused annual leaves	0.0	0.0
- deferred income	19.4	13.0
Total	19.4	13.0

1.17 Liabilities secured against Company assets

The Company has loans from Venture Fundusz Inwestycyjny Zamknięty, the collateral of which are blank bills of exchange and have also been secured by contracts for the transfer of receivables due to the Company for payment of remuneration to the Company from an entity indicated by the Company. In turn, the loan from Leonarto VC sp.z o.o. is secured. sp. k. is voluntary submission to enforcement up to the amount of PLN 220,000.00. A loan from Leonarto VC sp.z o.o. was repaid in 2021.

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

As at 31 December 2020 and 31 December 2019, the Company had no substantial contingent liabilities, including substantial guarantees and pledges, excluding blank bills of exchange for loan agreements with Venture Fundusz Inwestycyjny Zamknięty.

1.19 Explanation of the relationship between liabilities and assets shown in two or more balance sheet items

1.19.1 Liabilities towards loans, borrowings and financial lease.

(in 000 Euro)	31/12/2020
- long-term	0,0
- short-term	36,0
Loans liabilities	36,0
- long-term	364,0
- short-term	266,1
Borrowings liabilities	630,2
Total	666,1

Explanations to the Profit and Loss Statement

1.20 Net revenue from sales of products, goods and materials

1.20.1 Revenues from sales of products and services by territory

(in 000 Euro)	2020	2019
Revenues from the sale of services	899.1	1 083.8
- in Poland	594.0	733.8
- export	305.2	350.0
Revenues from the sale of goods and materials	0.0	0.0
Total revenue from the sale of products, goods and materials	899.1	1 083.8

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

(in 000 Euro)	2020	2019
Revenues from the sale of services	899.1	1 083.8
Recommendation Engine	696.4	1 049.4
Marketing Automation	29.2	3.8
Packages	105.8	21.3
Implementations services	26.2	7.6
AI Smart Search	25.9	0.0
Other	15.5	1.6
Revenues from the sale of goods and materials	0.0	0.0
Total revenue from the sale of products, goods and materials	899.1	1 083.8

1.21 Other operating revenue

(in 000 Euro)	2020	2019
- profit from the sale of fixed assets	0.4	0.6
Profit from the outflow of non-financial fixed assets	0.4	0.6
- received subsidies	0.0	0.0
Subsidies	0.0	0.0
Revaluation of non-financial assets	3.1	63.5
- reimbursement of the court fee	0.9	1.7
- VAT rounding	0.0	0.0
- reversal of provision	0.0	1.4
- write-down of outdated settlements	4.6	8.8
- currency exchange revenue	0.0	2.3
- recovery costs	0.5	0.8
- cancelled ZUS contributions under the Anti-Crisis Shield	13.0	0.0
- Other (less than 10% of the total value)	0.2	1.0
Other operating income	19.2	16.0
Total	22.6	80.0

1.22 Other operating costs

(in 000 Euro)	2020	2019
- loss on the sale of fixed assets	0.0	0.0
Loss on the outflow of non-financial fixed assets	0.0	0.0
Revaluation of non-financial assets	10.2	25.9
- Write- down of the investment costs	10.2	25.9
- correction of social benefits (ZUS)	0.0	1.0
- redemption of receivables	1.5	0.0
- write-down of outdated settlements	4.8	40.7
- Other	2.0	3.5
Other operating costs	8.2	45.3
Total	18.4	71.2

1.23 Financial revenues

(in 000 Euro)	2020	2019
Dividends and shares in profits	0.0	0.0
Interest, including:	0.0	4.2
- interest on loans granted	0.0	0.0
- on assets on bank accounts	0.0	4.2
- other interest	0.0	0.0
Profit from the outflow of financial assets	0.0	0.0
Revaluation of financial assets	0.0	0.0
Other, including:	6.1	0.0
- realised foreign exchange gains	10.5	0.0
- unrealised foreign exchange gains	2.2	0.0
- realised foreign exchange losses	-7.7	0.0
- unrealised foreign exchange gains	1.2	0.0
Total	6.2	4.2

1.24 Financial costs

(in 000 Euro)	2020	2019
Interest, including:	43.2	44.0
- on received loans and credits	42.9	43.8
- budget interest	0.1	0.0
- other interests	0.0	0.1
- interest on contractors	0.2	0.0
Loss on the outflow of financial assets	0.0	0.0
evaluation of financial assets	0.0	0.0
Other, including:	10.0	1.9
- realised negative differences on exchange	0.0	8.5
- not realised negative differences on exchange	0.0	0.5
- realised positive differences on exchange	0.0	-5.7
- not realised positive differences on exchange	0.0	-1.3
- commission for the extension and granting loans	7.8	0.0
- factoring costs	2.2	0.0
- other (less than 10% of the total value)	0.0	0.0
Total	53.2	45.9

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

(in '000 Euro)	2020	2019
Gross profit (loss)	-670.8	-1 088.2
Non-tax revenue (-)	20.0	66.2
- positive exchange rate differences in balance sheet valuation	2.2	1.3
- revaluation of non-financial assets	3.1	63.5
- reversal of write-downs	1.7	0.0
- reversal of provisions	0.0	1.4
- balance-sheet revenue, tax revenue 2016 (fundamental error correction)	13.0	0.0

(in '000 Euro)	2020	2019
Tax revenue not entered in the books of accounts (+)	6.0	-12.7
deferred and accrued revenues	6.0	-12.7
Revenue carried forward as tax revenue in the current year (+)	0.0	0.0
Tax costs not entered in the books of accounts (-)	529.3	603.2
- tax depreciation	529.3	603.2
Costs carried forward as deductible costs in the current year (-)	10.7	28.7
- payroll, social insurance	0.6	7.1
- paid interest on loans and bonds	10.1	21.6
Non-deductible costs	636.0	729.8
- charge-off of time-barred amounts	3.2	43.1
- interest on loans and bonds	38.0	26.7
- revaluation of non-financial assets	10.2	25.9
- provisions for paid costs	6.6	8.7
- write-downs of receivables and intangible assets	0.0	0.0
- unrealised foreign exchange losses	-1.2	0.5
- accounting depreciation	532.5	610.4
- budget interest	0.1	0.0
- payroll, social insurance	25.6	0.7
- VAT (non-deductible costs)	0.0	1.0
- reversal of provisions	5.2	0.0
- other non-deductible costs	15.8	12.9
Income/Loss	-588.9	-1 069.2
Income deduction	0	0
Tax basis	-588.8	-392.8
Income tax rate	19%	19%
Financial year income tax	0	0

1.26 Discontinued operations

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

1.27 Non-financial expenditures on fixed assets (including on environmental protection)

Expenditures on non-financial fixed assets amounted to EUR 257,550 (PLN 1,188,541) in the reported financial year and EUR 452,956 (PLN 1,928,914) in the previous financial year. In the next year the Company is planning to spend about EUR 216.694 (1 million PLN) in capital expenditures.

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

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

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

None.

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

None.

1.30 Average employment by occupational group

Average employment in individual occupational groups:

Headcount	2020	2019
Management Board	2.0	2.0
Employees	11.7	15.4
Total	13.7	17.4

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

In the reported financial year Members of the Management Board received a total pay of EUR 94,479 (previous year: EUR 127,005).

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

1.32 Loans and other debt extended to members of governing, supervisory or administrative bodies

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

1.33 Chartered accountant or audit firm fees

The chartered accountant's fee was EUR 3,489 (PLN 16,100.00).

Other information

1.34 Significant past events included in the financial statements

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

1.35 Information on significant events that took place after the balance sheet date but were not included in the financial statements

None.

1.36 Changes in accounting rules in the financial year

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

1.37 Comparability of previous year's financial data with the reported year's financial statements

The financial statements for the reported and previous periods are based on the same accounting rules.

1.38 Differences between movements in some balance-sheet items and movements in the same items shown in the cash flow statement

In the comparative period, i.e. 2019, there are differences in the presentation of expenditure on intangible assets made by the company. In the balance sheet, they are shown in accruals due to the uncertainty as to the results achieved after the completion of works, in the cash flow statement they appear as investing activities, because they are undertaken for this purpose. In 2020, all research and development work was transferred to intangible assets due to their completion, therefore the differences no longer exist this year.

1.39 Transactions with related parties

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

1.40 Information on subsidiaries and reasons for the lack of consolidated financial statements

The Company has a 50% shareholding in QuarticOn (Shanghai) Company Ltd., which, however, is not operational yet, and as such does not have any significant impact on the Company's business. 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 2020 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. At the end of 2020, the revenues amounted 0 GBP and operating costs amounted 480 GBP (obligatory statutory reporting). The fiscal year for the Company end on March 31. The company's liabilities and assets are GBP 520.

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

1.41 Consolidated financial statements

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

1.42 Going concern uncertainty

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

1.43 Other information relevant to the Company's assessment

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

The Covid-19 pandemic in the middle months of 2020 slightly affected the Company's results, however, the large increase in the online trade channel on the market allowed to rebuild the order portfolio and the number of implementations is constantly growing since that time.

On May 5, 2021, the Extraordinary General Meeting of Shareholders (Resolution No. 3) authorized the Management Board of the Company to increase the Company's share capital by one or more increases by an amount not exceeding PLN 25,000.00 by issuing no more than 250,000 new shares of the Company of subsequent series (target capital). The shareholders' decision formally opens the way to obtaining financing for the further development of the Company.

1.44 Information regarding financial instruments

- I. The entity holds the following financial instruments:
 - 1) Loans and receivables category.

Under this category, the entity recognises trade and other receivables with the value of EUR 88,910 (PLN 410,302). The entity believes that the credit risk associated with this item is not significant. Its amount results from, i.a. the sales invoices issued in the last weeks of 2020, while the large diversification of recipients reduces the risk. In addition, in 2020 the company covered some of its receivables by factoring, which improved the company's financial liquidity.

However, the Company has identified some significant risks related to the payment of trade and other receivables from defined clients, which resulted in creating impairment write-offs of EUR 13,481 (PLN 62,214). According to the Company's Management Board, the receivables not covered by the allowances shall be realistically collected in the future periods. The Company recognises the above items according to their nominal values, taking into account impairment write-offs.

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

Under this category, the entity recognises:

- a) Cash at bank and in hand of EUR 12,788 (PLN 59,014) (including the Company Social Benefit Fund, PLN 0,00). The entity recognises the said items according to their nominal values increased by potential interest.
- b) Shares in the entity QuarticOn (Shanghai) Company Ltd., which is a related party. QuarticOn holds 100% of the shares in the Company. It is not the Company's intention to sell these shares in the short term. As the Company has not started its activities, the value of shares of EUR 56,561 (PLN 261,016) has been covered by a 100% write-off of EUR 56,561 (PLN 261,016).
- c) Shares in the entity QuarticOn Ltd (United Kingdom), which is a related party. QuarticOn holds 100% of the shares in the Company. It is not the Company's intention to sell these shares in the short term. The Company recognises the said items according to their nominal values, taking into account impairment write-offs.

3) Financial liabilities category:

As at balance sheet date, the Company has four loans taken out from the main investor, the Venture FIZ fund, for the total amount of EUR 530,901 (PLN 2.45 million) and one loan taken out from Leonarto VC for amount EUR 32,504 (PLN 150 k) which was repaid in March 2021. The loans are secured with a blank promissory note.

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

- II. Due to the nature of the financial instruments held, the Company indicates that their carrying amount does not differ from their fair value.
- III. The Company does not hold derivative financial instruments.
- IV. No other issues which are required to be disclosed in accordance with the Regulation of the Ministry of Finance of 12 December 2001 on specific rules concerning the recognition, valuation, disclosure and presentation of financial instruments, are present in the Company.



QuarticOn S.A.



- 📍 Al. Jerozolimskie 123A, 02-017 Warszawa
- ☎ +48 22 844 02 51
- ✉ contact@quarticon.com
- 🌐 www.quarticon.com

