



QuarticOn S.A.

QUARTERLY REPORT

2nd quarter of 2021

Table of contents

1 Management Board's Commentary	3
2 Corporate matters	5
3 Financial results	5
4 Key events in 2nd quarter of 2021	7
4.1 Polish market (share of sales in the quarter: 67%)	7
4.2 Foreign markets (share of sales in the quarter: 33%)	7
4.3 Marketing and customer success	8
4.4 IT and products	9
4.5 Subscriptions and churn	9
5 Information on the Company's subsidiaries	10
6 Information on the Company's shareholder structure	11
7 Information on the number of persons employed	11
8 Forecasts of financial results	11
9 Definition and indicators explanation	12
10 Shortened financial statement	13
10.1 Introduction	13
10.2 Balance sheet	14
10.3 Profit and loss statement	17
10.4 Cash flow statement	18
10.5 Statement of changes in equity	20
10.6 Additional information (2nd quarter of 2021)	21
10.7 Principles adopted for drawing up of the financial statement	22

1 Management Board's Commentary

Ladies and Gentlemen,

In the second quarter of 2021, the Company's **sales increased by + 4%** compared to the same period last year. This makes it clear that we should have a much better sales performance this year. As in previous years, Q2 sales (in relation to the PLN amounts) were slightly lower than in Q1, mainly due to the lower sales from customers who pay on a variable basis. The second quarter was also notable **for a low churn rate** (1.4% vs. 1.7% in Q1 2021).

In general, we are growing our sales fairly well, as reflected by both the interest in our services (customer acquisition) and the scale of implementations in progress. It is important to add here that some of the implementation are highly complex, substantially extending developer work time and consequently the pace of sales generation. Thanks to the optimization made in the implementation process, more and more often our clients and partners can start the services on their own. Through this approach, we can not only release our resources for handling “more difficult cases”, but also unblock our deployment funnel and improves the scalability of product sales. We assume this to bring the first results, i.e. higher sales, already in Q3 2021.

QuarticOn's Net result was, **as we expected**, lower than in Q1 (difference EUR -27.6k). As already mentioned in the Q1 2021 report, the Company is preparing for the Q3 and Q4 sales season, and is already investing in its team. This, regrettably, has a short-term effect on the level of its costs (team changes alone generate an extra EUR 12.2k in costs quarter to quarter), although it will also enable us to tap the market potential in the months to come.

In the second quarter QuarticOn also continued its marketing (four publications on business fora) and product improvement efforts (to meet customers' expectations). And our customer ratings are clearly positive, as shown, for instance, by our average Capterra rating of 4.4 (16 opinions).

In the coming months we are expecting to further accelerate our customer acquisition (despite sales processes taking longer in the summer holiday period), and to come up with the best-possible offering for the last quarter of 2021.

Management Board of QuarticOn S.A.



Paweł Wyborski

Founder

President of the Management Board



Michał Giergielewicz

Member of the Board

2 Corporate matters

On 28 June 2021 the Company held its General Annual Meeting, at which the shareholders approved QuarticOn's 2020 Financial Report. Furthermore, the Supervisory Board was expanded to include Ms Justyna Spytek (as per Report EBI No. 12/2021).

3 Financial results

Compared to the previous quarter, EBITDA for Q2 2021 was lower by EUR - 26.1k. Of this, EUR 6.0k was attributable to lower sales, **EUR 12.2k was caused by changes in the Company team, i.e. the investment in our implementation and sales processes (an average of EUR 4.0k per month)**. Other components of cost increases amount to EUR 7.9k of which EUR 4.0k are one-off insurance policy costs.

In relation to Q2 2020, the costs are higher as well, but it should be remembered that during that period the Company could use a number of "Covid discounts", including for lease payments, and had lower payroll costs.

Selected data from Profit and loss statement

'000 Euro

Profit and loss statement	IIQ 2020	IQ 2020	IIQ 2021	IIQ 2021 vs IIQ 2020	IIQ 2021 vs IQ 2021
Net revenue from sales	229.7	234.2	235.5	5.8	1.3
Operating expenses excl. depreciation & amort.	-248.0	-263.2	-290.6	-42.5	-27.4
EBITDA (based on result on sales)*	-18.4	-29.0	-55.1	-36.7	-26.1
EBIT (operating result)	-146.4	-156.8	-185.6	-39.2	-28.8
Net result	-159.6	-170.2	-197.8	-38.2	-27.6

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

Selected data from the balance sheet and cash flow statement

‘000 Euro

Balance sheet	As of 30.06.2021	As of 30.06.2020
Fixed assets	1 320.0	1 498.1
- including intangible and legal assets	1 316.9	1 493.3
Current assets	243.3	449.9
- including short-term investments (excl. overdraft)	6,9	14.6
Total Assets	1 563.3	1 948.0
Equity	312.8	999.1
Liabilities and provisions for liabilities	1 250.5	948.9
- including short term liabilities	748.6	502.1
Total Liabilities	1 563.3	1 948.0

‘000 Euro

Cash Flow	Cum 2021	Cum 2020
Net profit (loss)	-373.3	-388.6
Net cash flow from operating activities	91.7	92.2
Net cash flow from financial activities	-10.5	22.4
Cash closing balance	6.9	14.6



4 Key events in 2nd quarter of 2021

4.1 Polish market (share of sales in the quarter: 67%)

The direct decrease in revenues Q2 2021 vs. Q1 2021 is a seasonal phenomenon, which occurred both last year and two years ago. Thanks to the unwavering interest in our services, we saw our customer base and, consequently, sales grow year on year. In Q2 2021 QuarticOn sold a total of 22 subscriptions on the Polish market, with a total contract value of EUR 54.0k.

One other positive development that is worth noting in the Q2 2021 is the low churn rate, achieved through investment in the Customer Success Department, and further product and customer service improvements.

In conclusion, it is also important to note that we could maintain a steady level of tests, deployments and business negotiations, providing us with good prospects for the next quarter. We have also been investing substantial funds in the development of partnership programmes, which are expected to deliver the first results in the next quarter.

4.2 Foreign markets (share of sales in the quarter: 33%)

On the Czech and Slovak markets, last quarter was marked by a considerable interest in SmartSearch and Marketing Automation products, however, due to the relatively long negotiation process, in the described period, the Company signed contracts for 2 new subscription with a total contract value of EUR 1.2k.

As part of the testing process, we commenced Mailchimp integration for one of our major customers. This is an interesting solution for businesses which already use this app to send standard newsletters but would also like to be able to send personalised communications and automated campaigns. Through this integration, they will be able to use QuarticOn Marketing Automation, as well as the sophisticated tool based on recommendation engine e.g. using the abandoned-cart scenario (customers visiting the e-shop but making no purchases) or cross-selling & up-selling features.

The advantage is the lack of labor-intensive integration (integration via API), and the system can synchronize customer data in two ways.

Developments on the international market also included the considerable development of partnership channel – the Company is negotiating new contracts with both agencies and technology businesses (customer-deployment support).

4.3 Marketing and customer success

In Q2 2021 the Marketing Department continued working on enhancing its visibility in the virtual space by:

- expanding cooperation with renown industry portals, agencies and other e-commerce organisations in Poland and abroad to provide them with expert articles , and promoting them on industry forums in social media (see below for the list of publications),
- taking part in the webinar organised by Crash Mondays (link: <https://www.facebook.com/CRASHmondays/videos/489986745392770>)
- encouraging customers to leave feedback on their use of QuarticOn’s products on Capterra (a total of 16 opinions).

List of QuarticOn’s publications :

- *„Nurturing w e-commerce, czyli jak zadbać o wygenerowany ruch na stronie sklepu?„* (Nurturing in e-commerce, or how to make sure that the store’s website generates traffic?) (Nowy Marketing, April 2021),
- *“Effective online business? 3 technologies that’s worth believing”* (Magexo, April 2021),
- A series of articles for Perso Solutions, two of which have already been posted on the blog (April 2021):
 - AI Smart Search, an effective search engine for web shops, part 1,
 - Marketing automation: 4 applications
- *„Sposoby na rzetelny i skuteczny e-mail marketing. Jak podnieść swoją skuteczność na elektronicznym polu bitwy”* (Reliable and effective email marketing. How to become more effective on the electronic battlefield) (Marketing przy Kawie, June 2021)

In the period in question QuarticOn also undertook and completed work on updating the price list on its website. A module was added for technical support packages to provide a more detailed

description of the range of additional services, and to streamline the developer-work payment process and improve IT team performance.

In Q2 2021 the Marketing Department also commenced its work on another case study, this time for Wittchen, which is due to be completed and promoted already in the third quarter.

The Department is continually engaging in regular communications with users on social media, direct communication with customers through the newsletter, and is also regularly making Help Center updates by posting new articles and manuals.

4.4 IT and products

In the second quarter of 2021 the Company's products generated a total of approx. 1,022 million operations (12% fewer than in the previous quarter):

Smart Search searches:	57 million	-9%
Frames view in Reko:	942 million	-13%
Mailing - Marketing Automation:	23 million	+19%

In Q2 2021, in addition to deployments for new customers and improvements to existing tools, we launched new features for our products, most notably including:

- marketing automation: to set A/B tests for mailing campaigns under development and to enhance the information management process (SPF and DKIM)
- smart search – a new option was added to enrich the layout of the search engine with “the most...” group (clicked, sold and viewed products, and the most searched phrases), and the product-grouping feature was expanded to group more than feature at a time.

Despite the increased Smart Search traffic and similar recommendation-engine traffic, the infrastructure costs remained at a similar level.

4.5 Subscriptions and churn¹

In Q2 QuarticOn achieved sales from **322 subscribers**, with an average amount of EUR 230 each.

The churn rate in Q2 2021 was 1.4% and it is the lowest value of this indicator in the last 10 quarters. There is an effect of, among others concluding long-term contracts with clients.

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

5 Information on the Company's subsidiaries

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

The remaining 50% of the capital share in the above-mentioned the company is vested in Wan Sheng Asia Ltd based in Road Town in the British Virgin Islands. The company's initial capital was set at 118 thousand Euro. The value of liabilities and assets is also EUR 118k. Neither party paid the relevant shares and the Company did not start its activities. Therefore, the revenues and costs of the above-mentioned the companies at the end of the second quarter of 2021 amounted to EUR 0.

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

As at the date of the report, QuarticOn Ltd. did not increase its operating activities, the revenues and costs of which at the end of the second quarter of 2021 amounted to GBP 0. The company's liabilities and assets are £ 1000.

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



6 Information on the Company's shareholder structure

Based on the best knowledge of the Company, the share the shareholding structure of QuarticOn S.A. as of the date of publication of this report, on 16'th August 2021, it is as follows:

Shareholder	Number of stocks*	Share
Venture FIZ	251 000	17.9%
CBNC Capital Solutions Ltd.	180 000	12.8%
Paweł Wyborski	185200	13.2%
Q Free Trading Limited	123 500	8.8%
ACATIS Investment KVG mbH	134 100	9.5%
Kamil Cisko	100 000	7.1%
Paulina Zamojska	70 574	5.0%
Others **	359 926	25.6%
Total	1 404 300	100.0%

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

** including key employees (ESOP)

7 Information on the number of persons employed

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

8 Forecasts of financial results

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



9 Definition and indicators explanation

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

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



10 Shortened financial statement

10.1 Introduction

Basic information for the company

Name of the company: QuarticOn Spółka Akcyjna

Seat: Warsaw, Poland

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

Incorporation date Notarial deed 13.05.2011

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

Polish Taxpayer Identification Number: NIP: 5213608082

Polish Business Registry Number: REGON: 142977414

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

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

This quarterly report of QuarticOn S.A. was drawn up in accordance with the requirements of § 5 sec. 1 point 1 of Annex 3 to the Alternative Trading System Regulations - "Current and periodic information provided in the alternative trading system on the NewConnect market" in connection with the provisions of § 5 subparagraph 3 and sec. 4.1 and 4.2. The financial data presented in this quarterly report of the Company includes data for the period from April 1st to June 30, 2021 and comparative data for the same period of the previous year. The balance sheet data is presented as at June 30, 2021, and the comparative data as at June 30, 2020.

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

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

- 2nd Quarter of 2021: 1 EUR = 4.5208 PLN (zł),
- 2nd Quarter of 2020: 1 EUR = 4.6600 PLN (zł),
- 1st Quarter of 2021: 1 EUR = 4.6603 PLN (zł),

10.2 Balance sheet

Assets

'000 Euro

Items		As of 30.06.2021	As of 30.06.2020
A.	Fixed assets	1 320.0	1 498.1
I.	Intangible and legal assets	1 316.9	1 493.3
1.	R&D expenses	1 316.9	1 489.3
2.	Goodwill	0,0	0,0
3.	Other intangible assets	0,0	4.1
4.	Advances for intangible assets	0,0	0,0
II.	Tangible fixed assets	2.0	3.6
1.	Tangible fixed assets in use	2.0	3.6
	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	2.0	3.5
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	0.0	0.1
2.	Tangible fixed assets under construction	0.0	0.0
3.	Advances for tangible fixed assets under construction	0.0	0.0
III.	Long-term receivables	0.0	0.0
1.	From related parties	0.0	0.0
2.	From other parties, in which the company holds capital commitment	0.0	0.0
3.	From other parties	0.0	0.0
IV.	Long-term investments	1.1	1.1
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 30.06.2021	As of 30.06.2020
3.	Long-term financial assets	1.1	1.1
	a) in related parties	1.1	1.1
	b) in other parties, in which the company holds capital commitment	0.0	0.0
	c) in other parties	0.0	0.0
4.	Other long-term investments	0.0	0.0
V.	Long-term prepayments	0.0	0.0
1.	Deferred tax assets	0.0	0.0
2.	Other prepayments	0.0	0.0
B.	Current assets	243.3	449.9
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	134.3	172.7
1.	Receivables from related parties	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
2.	Receivables from other entities in which the company holds capital commitment	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
3.	Receivables from other entities	134.3	172.7
	a) trade receivables, maturing:	80.4	122.0
	- up to 12 months	80.4	122.0
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	21.6	18.0
	c) other	32.3	32.7
	d) claimed at court	0.0	0.0
III.	Short-term investments	6.9	14.6
1.	Short-term financial assets	6.9	14.6
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	6.9	14.6
2.	Other short-term investments	0.0	0.0
IV.	Short-term prepayments	102.1	262.6
C.	Called up share capital not paid	0.0	0.0
D.	Own shares (stocks)	0.0	0.0
Total Assets		1 563.3	1 948.0

Equity and liabilities

‘000 Euro

Items		As of 30.06.2021	As of 30.06.2020
A.	EQUITY	312.8	999.1
I.	Share capital	31.1	31.4
II.	Supplementary capital, including	4 142.4	4 193.3
	- share (stock) premium	4 142.4	4 193.3
III.	Revaluation reserve, including:	0.0	0.0
IV.	Other reserve capitals	0.0	0.0
V.	Profit (loss) from previous years	-3 487.4	-2 837.0
VI.	Nett profit (loss)	-373.3	-388.6
VII.	Write-off on net profit during the financial year (negative value)	0.0	0.0
B.	Liabilities and provisions for liabilities	1 250.5	948.9
I.	Provisions for liabilities	51.1	32.9
1.	Provision for deferred income tax	0.0	0.0
2.	Provision for retirement and similar benefits	5.9	6.3
	- long-term	0.0	0.0
	- short-term	5.9	6.3
3.	Other provisions	45.2	26.7
	- long-term	0.0	0.0
	- short-term	45.2	26.7
II.	Long-term liabilities	384.9	356.0
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	384.9	356.0
	a) credits and loans	384.9	356.0
	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
III.	Short-term liabilities	748.6	502.1
1.	To related parties	58.8	59.6
	a) trade liabilities, maturing:	0.0	0.0
	b) other	58.8	59.6
2.	To other parties in which the company holds capital commitment	0.0	0.0
	a) trade liabilities, maturing:	0.0	0.0
	b) other	0.0	0.0
3.	To other parties	689.7	442.5
	a) credits and loans	306.1	270.6
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	270.8	130.6
	- up to 12 months	270.8	130.6
	- 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	100.3	31.9
	h) payroll liabilities	12.0	6.8

Items		As of 30.06.2021	As of 30.06.2020
	i) other	0.4	2.6
4.	Special funds	0.0	0.0
IV.	Accruals	65.9	57.9
1.	Negative goodwill	0.0	0.0
2.	Other accruals	65.9	57.9
	- long-term	0.0	0.0
	- short-term	65.9	57.9
Total Liabilities		1 563.3	1 948.0

10.3 Profit and loss statement

'000 Euro

Items		YTD 2021	Only IIQ 2021	YTD 2020	Only IIQ 2020
A.	Net revenue from sales	476.9	235.5	476.7	229.7
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	476.9	235.5	476.7	229.7
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0.0	0.0	0.0	0.0
III.	Costs of manufacturing products for internal purposes	0.0	0.0	0.0	0.0
IV.	Net revenue from sales of goods and materials	0.0	0.0	0.0	0.0
B.	Operating expenses	824.0	420.9	841.4	391.2
I.	Amortisation and depreciation	262.1	130.4	292.1	143.1
II.	Consumption of materials and energy	2.4	1.1	4.2	1.2
III.	External services	336.9	172.5	354.7	164.6
IV.	Taxes and charges, including:	6.7	3.4	3.8	1.1
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	184.3	95.2	161.3	72.3
VI.	Social security and other benefits, including:	24.8	13.0	15.8	5.4
	- retirement benefits	14.1	7.4	12.8	4.3
VII.	Other prime costs	6.8	5.4	9.5	3.4
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
C.	Profit (loss) on sales (A - B)	-347.1	-185.5	-364.7	-161.5
D.	Other operating revenues	0.3	0.1	18.1	17.1
I.	Gain on disposal of non-financial fixed assets	0.0	0.0	0.2	0.1
II.	Subsidies	0.0	0.0	0.0	0.0
III.	Revaluation of non-financial assets	0.0	0.0	16.7	16.7
IV.	Other operating revenues	0.3	0.1	1.2	0.3
E.	Other operating expenses	0.4	0.2	20.2	2.0
I.	Loss on disposal of non-financial fixed assets	0.0	0.0	0.0	0.0
II.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
III.	Other operating expenses	0.4	0.2	20.2	2.0
F.	Profit (loss) on operating activities (C+D-E)	-347.2	-185.6	-366.8	-146.4
G.	Financial revenues	0.0	0.7	0.0	0.0

Items		YTD 2021	Only IIQ 2021	YTD 2020	Only IIQ 2020
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	0.0	0.0	0.0	0.0
	- from related parties	0.0	0.0	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0	0.0	0.0
	- in related parties	0.0	0.0	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0	0.0	0.0
V.	Other	0.0	0.7	0.0	0.0
H.	Financial expenses	26.1	12.9	21.9	13.2
I.	Interest, including:	22.5	10.8	21.5	10.7
	- for related parties	0.0	0.0	0.0	0.0
II.	Loss on disposal of financial assets, including:	0.0	0.0	0.0	0.0
	- for related parties	0.0	0.0	0.0	0.0
III.	Revaluation of financial assets	0.0	0.0	0.0	0.0
IV.	Other	3.6	2.0	0.4	2.5
I.	Gross profit (loss) (F+G-H)	-373.3	-197.8	-388.6	-159.6
J.	Income tax	0.0	0.0	0.0	0.0
K.	Other statutory reductions in profit (increases in loss)	0.0	0.0	0.0	0.0
L.	Net profit (loss) (I-J-K)	-373.3	-197.8	-388.6	-159.6

10.4 Cash flow statement

'000 Euro

Items		YTD 2021	Only IIQ 2021	YTD 2020	Only IIQ 2020
A.	A. Cash flow from operating activities - indirect method				
I.	I. Net profit (loss)	-373.3	-197.8	-388.6	-159.6
II.	II. Total adjustments	465.0	223.6	480.8	207.2
	1. Amortisation and depreciation	262.1	130.4	292.1	143.1
	2. Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
	3. Interest and profit sharing (dividend)	21.5	10.7	20.9	10.4
	4. Profit (loss) on investment activities	0.0	0.0	-0.2	-0.1
	5. Change in provisions	5.7	1.1	-6.3	-5.2
	6. Changes in inventory	0.0	0.0	0.0	0.0
	7. Change in the balance of receivables	-11.9	-3.0	51.4	55.2
	8. Change in short-term liabilities excluding credits and loans	141.6	110.9	81.0	25.4
	9. Change in prepayments and accruals	45.9	-26.5	42.0	-21.6
	10. Other adjustments	0.0	0.0	0.0	0.0
III.	III. Net cash flow from operating activities (I+/-II)	91.7	25.8	92.2	47.7
B.	B. Cash flows from investment activities	0.0	0.0	0.0	0.0
I.	I. Inflows	0.0	0.0	0.2	0.1
	1. Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0	0.2	0.1
	2. Disposal of investments in real property and in intangible and legal assets	0.0	0.0	0.0	0.0
	3. From financial assets, including:	0.0	0.0	0.0	0.0
	a) in related parties	0.0	0.0	0.0	0.0

Items		YTD 2021	Only IQ 2021	YTD 2020	Only IQ 2020
	b) in other parties	0.0	0.0	0.0	0.0
	- disposal of financial assets	0.0	0.0	0.0	0.0
	- dividends and profit sharing	0.0	0.0	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0	0.0	0.0
	- interest	0.0	0.0	0.0	0.0
4.	Other inflow from investment activities	0.0	0.0	0.0	0.0
II.	II. Outflows	87.4	47.9	150.4	59.3
1.	257.3	87.4	47.9	150.4	59.3
2.	Investment in real property, intangible and legal assets	0.0	0.0	0.0	0.0
3.	For financial assets, including:	0.0	0.0	0.0	0.0
4.	Other outflows from investment activities	0.0	0.0	0.0	0.0
III.	III. Net cash flows from investment activities (I-II)	-87.4	-47.9	-150.1	-59.1
C.	C. Cash flows from financial activities	0.0	0.0	0.0	0.0
I.	I. Inflows	24.1	1.6	32.9	16.9
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0.0	0.0	0.0	0.0
2.	Credits and loans	24.1	1.6	32.9	16.9
3.	Issuance of debt securities	0.0	0.0	0.0	0.0
4.	Other inflows from financial activities	0.0	0.0	0.0	0.0
II.	II. Outflows	34.6	0.0	10.4	10.4
1.	Purchase of own shares (stocks)	0.0	0.0	0.0	0.0
2.	Dividend and payments to stockholders	0.0	0.0	0.0	0.0
3.	Profit distribution liabilities other than profit distribution payments to stockholders	0.0	0.0	0.0	0.0
4.	Repayment of credits and loans	33.2	0.0	0.0	0.0
5.	Redemption of debt securities	0.0	0.0	0.0	0.0
6.	Payment of other financial liabilities	0.0	0.0	0.0	0.0
7.	Payment of liabilities arising from financial leases	0.0	0.0	0.0	0.0
8.	Interest	1.4	0.0	10.4	10.4
9.	Other outflows from financial activities	0.0	0.0	0.0	0.0
III.	III. Net cash flow from financial activities (I-II)	-10.5	1.6	22.4	6.4
D.	D. Total net cash flows (A.III+/-B.III+/-C.III)	-6.2	-20.6	-35.5	-5.1
E.	E. Balance sheet change in cash, including:	-6.2	-20.6	-35.5	-5.1
-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
F.	F. Cash opening balance	13.1	27.5	50.1	19.6
G.	G. Cash closing balance (F+/- D), including: *	6.9	6.9	14.6	14.6
-	of limited disposability	0.0	0.0	0.0	0.0

10.5 Statement of changes in equity

‘000 Euro

Items		As of 30.06.2021	As of 30.06.2020
I.	Opening balance of equity (OB)	686.1	1 387.7
	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	686.1	1 387.7
1.	Opening balance of share capital	31.1	31.1
	1.2. Closing balance of share capital	31.1	31.4
2.	Opening balance of called up share capital	0.0	0.0
	2.1. Changes in called up share capital	0.0	0.0
	2.2. Closing balance of called up share capital	0.0	0.0
3.	Opening balance of own shares	0.0	0.0
	3.1. Increase in own shares	0.0	0.0
	3.2. Closing balance of own shares	0.0	0.0
4.	Opening balance of supplementary capital	4 142.4	4 193.3
	4.1. Changes in supplementary capital	0.0	0.0
	4.2. Closing balance of supplementary capital	4 142.4	4 193.3
5.	Opening balance of revaluation reserve	0.0	0.0
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
6.	Opening balance of other reserve capitals	0.0	0.0
	6.1. Changes in other reserve capitals	0.0	0.0
	6.2. Closing balance of other reserve capitals	0.0	0.0
7.	Opening balance of previous years' profit (loss)	-3 487.4	-2 837.0
	7.1. Opening balance of previous years' profit	0.0	0.0
	7.2. Opening balance of previous years' profit after reconciliation to comparable data	0.0	0.0
	7.3. Closing balance of previous years' profit	0.0	0.0
	7.4. Opening balance of previous years' loss	-3 487.4	-2 837.0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-3 487.4	-2 837.0
	7.6. Closing balance of previous years' loss	-3 487.4	-2 837.0
	7.7. Closing balance of previous years' profit (loss)	-3 487.4	-2 837.0
8.	Net result	-373.3	-388.6
	a) net profit	0.0	0.0
	b) net loss	-373.3	-388.6
	c) write-offs on profit	0.0	0.0
II.	Closing balance of equity (CB)	312.8	999.1
III.	Equity including proposed profit distribution (loss coverage)	312.8	999.1

10.6 Additional information (2nd quarter of 2021)

Sales structure:

'000 Euro

Items	01.04.2021 - 30.06.2021	01.04.2020 - 30.06.2020
Revenue from sales of products	235.5	229.7
- in Poland	157.3	150.5
- Other countries	78.2	79.2

Investments:

'000 Euro

Items	01.04.2021 - 30.06.2021	01.04.2020 - 30.06.2020
R&D Investment Offset	-47.9	-59.3



10.7 Principles adopted for drawing up of the financial statement

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

Tangible and intangible assets

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

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

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

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

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

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

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

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

Investments

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

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

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

Receivables

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

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

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

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

Inventory

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

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

Cash and cash equivalents

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

Prepayments and accruals

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

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

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

Equity

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

Provisions for liabilities

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

These provisions are being made for:

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

Liabilities

Liabilities are being presented in the amount due.

Unearned revenue

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

Deferred income tax

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

Revenue recognition

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

Costs

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

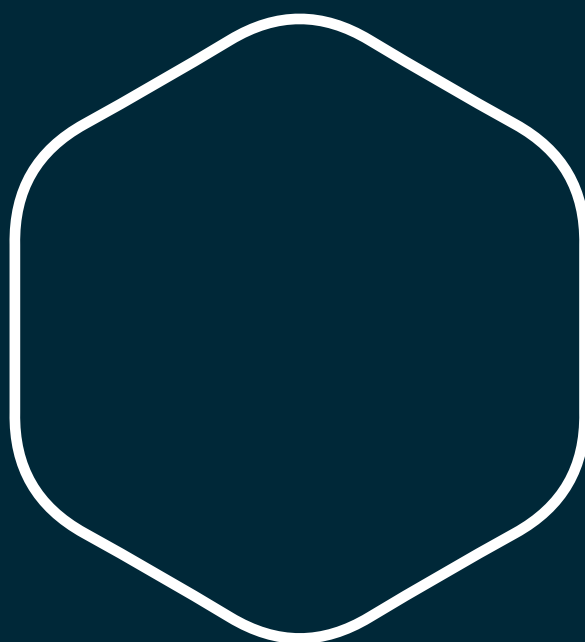
Management Board of QuarticOn S.A.

Paweł Wyborski

President of the Board

Michał Giergielewicz

Member of the Board



QuarticOn S.A.



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

