



**QuarticOn Spółka Akcyjna**

**2021**

**Annual Report**

**Warsaw, May 31, 2022**

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**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 2021:        1 EUR = 4,5994 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.



**1**

**Annual Report of the  
Management Board of  
QuarticOn S.A. for the year 2021**

# 1.1 Letter to the Shareholders

## *Ladies and Gentlemen,*

*The past year was extremely volatile for us. Following excellent initial months, there were light slowdown, only to “accelerate” our operations further in subsequent periods. Ultimately, we closed the year with a 2% increase in sales. This result is below our expectations. However, the analysis of sales turbulence and ideas for boosting sales results have led to significant changes in our portfolio at the end of last year. In our opinion, their preparation and execution was one of two key milestones for the Company last year. The second one was, of course, the conclusion of an agreement of EUR 1M funding R&D from the National Center for Research and Development and the launch of the “AI Fashion Stylist” project.*

*But first things first. The new Customer Data Experience Platform (CDPX) is a comprehensive solution for the e-commerce sector, integrating not only the tools which are essential for this market, such as marketing automation or product recommendations, but also a range of essential, additional sales support services as ChatBots, Facebook integration, landing page creator and SMS and webpush contact channels. As already mentioned in previous reports, the new offering has been received very well by the market. We devoted the initial weeks of this year for promoting our offering and presenting it to our customers, and given the scale of conversations and meetings held by the Sales Team, we can see that it is working, even if we take into account temporary problems arising from the Ukrainian conflict.*

*When we found out that our “AI Fashion Stylist” project had been placed on the list of projects intended for funding in September last year, we realised that our work on this greatly innovative and unique solution could finally be accelerated. It is “a big deal” to us. Not only because of the technological challenges which are significant (and very fascinating) in this project, but also due to the enormous sales potential of this solution. Who would not like to have an assistant at hand to find clothes for us in online stores and help to compose them according to the occasion and at the same time maintaining our individual style, and instantly buying everything we need, knowing that it would match the other items. According to the assumptions, the aim of the project is to launch a new source of revenue, which will come from a dedicated marketplace for the fashion industry, which will be distinguished*

by the AI Fashion Stylist. Year 2021 was the beginning of the works, but at the moment our development team is working at a full scale.

At the end of last year, according to our plan, we had close negotiations with our investor, Venture FIZ fund, regarding debt-to-equity swap, which was officially approved by way of a resolution on issuing shares for the swap adopted by the General Meeting of Shareholders on December 13, 2021. The transaction was conducted in December. During the same General Meeting of Shareholders, a resolution was passed to issue shares for our second shareholder, ACATIS fund, which acquired them in February this year.

From a strategic point of view, year 2021 was successful: the company reduced its debt by EUR 0.6 million and reduced future financial costs by EUR 39 thousand annually, secured the financing of the "AI Fashion Stylist" for almost EUR 1 million and (in the fourth quarter of 2021) expanded its sales offer with a comprehensive CDXP system. In our opinion, these are strong assets for the further development of the Company, and their effects are already visible in the first months of 2022.

Best regards,



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**Paweł Wyborski**  
Founder & CEO QuarticOn SA



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**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 2021

In 2021, 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 2021

At the end of 2021, Supervisory Board was composed of:

- Oktawian Jaworek – Chairman of Supervisory Board
- Paweł Chojecki – Member of Supervisory Board
- Paweł Lebieziński – Member of Supervisory Board
- Bartłomiej Łagowski – Member of Supervisory Board
- Justyna Spytek – Member of Supervisory Board

On 19 April 2021, the Company received from Mr. Michał Markowski a letter of resignation from the Supervisory Board as of 30 April 2021. The General Meeting of Shareholders, on 28 June 2021, appointed Ms Justyna Spytek as a new member of the Supervisory Board.

### 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”. According to this regulations, 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 2021 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 2021 amounted to EUR 0.

On 19 March 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.

QuarticOn Ltd. ended its fiscal year on 31 March 2022. At this date Company's revenues and costs amounted GBP 0 and the total balance sheet was GBP 520. QuarticOn Ltd. has not started operating activities yet.

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 and Croatia.

## 1.5.2 Products

The development of QuarticOn is based on two business segments: **Customer Data & Experience Platform (CDXP)** and **"AI Fashion Stylist"**.

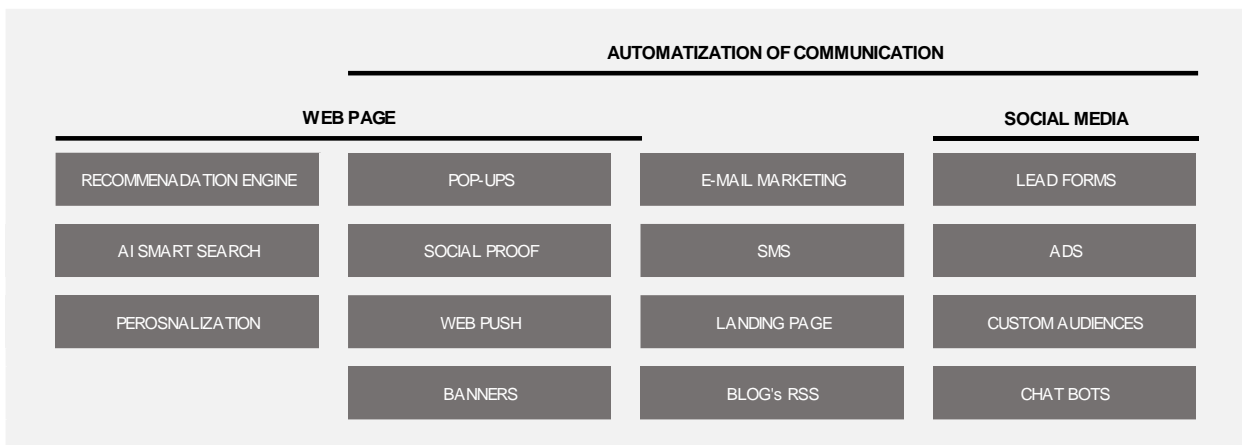
**CDXP** is a comprehensive proposal for e-commerce, supporting the sale of goods and services in online stores thanks to such tools as product recommendations engine, omnichannel marketing automation or smart search engine for e-shops with a wide range of additional services. The CDXP is a solution which is a class higher than other stand-alone solutions, as it exploits the full potential of client data thanks to additional new functionalities belonging to the categories of CRM, Account



Management and sales automation. The tool aligns very well with current market trends, allowing the construction of a 360° customer profile based on first party data, personalization and automation of activities (also those within a sales team) to explore and understand customers' needs, build relations and positive customer experience.

Artificial Intelligence & Machine learning + Personalization + Omni-channel communication

## Build multi-dimensional customer experiences using selected communication channels



The project launched in 2021 under the working name "AI Fashion Stylist" is an innovative solution for the fashion market that digitizes the competences of a traditional fashion stylist with technology based on artificial neural networks. This will enable the launch of 2 new products:

1. **Intelligent marketplace** for the fashion market (our technology is already integrated with fashion stores and we have access to the current offer of several dozen stores). The business model will be based on the classic way of operating a marketplace, i.e. a click fee that the store will pay (some marketplaces work already this way). The distinguishing feature here will be the built-in assistant - AI Fashion Stylist, who will advise each client and search for the best clothes. The marketplace will be available mainly via the mobile application.
2. **Technology in the module for online stores in the fashion industry**, which will allow them to automate the composing of ready-made stylizations (the so-called Shop the look), inspire customers to larger and thoughtful purchases. And also the personal intelligent fashion stylist for each customer. Ultimately, it will translate into a reduction in product returns in the store and an increase in sales. The business model will be based on a monthly subscription

depending on the size of the store (same as today's sales of our products - recommendation engine, search engine). This technology will be integrated with the company's current products, creating a coherent product platform.

The project is co-financed from EU Funds, and will be implemented by the end of Q3 2023.

## 1.5.3 Market and Development strategy

### 1.5.3.1 Market environment

The Polish e-commerce market was worth approximately EUR 26bn in 2021 (according to National Statistics Office – GUS) and based on PwC analysis, its value will reach EUR 35bn in 2026 (with an average annual growth rate of 12%). These are fairly good growth perspectives, although the online sector itself brings numerous challenges. However, comments on the coming death of traditional commerce are greatly exaggerated. It is true that during the pandemic the strong growth of online sales was achieved at the expense of traditional retail (with limited access due to restrictions), but a lot of customers still greatly value the so called “positive shopping experience” which is much more perceptible in a brick-and-mortar store than online. And it is the combination of online and offline worlds that is seen as one of the most interesting challenges and commercial trends. It is particularly vital for the fashion industry where the share of online sales is very high (in Q1 2021, online sales accounted for 44% of total clothing and footwear sales). It is a crucial trend from the Company’s perspective, given the commenced work on the AI Fashion Stylist for which these sectors are a natural environment

The e-commerce market itself is evolving, both as regards the expectation of business managers and from the technological side. With a growing competition among stores, a greater complexity of sales processes and a surge in internet traffic, technology is gaining increasing significance, not only in the context of the online store website development methods, but specifically in the sphere of integrating tools which “guide” customers through various shopping channels. All the more so as the scale of shopping via mobile devices keeps growing, and sale via social media is gaining popularity.

There are many companies offering various sales support systems in the e-commerce sector, starting from small-scale systems providing a single specific solution, to the largest ones with comprehensive solutions which integrate all management areas. Due to a huge number of online stores worldwide (over 20 million stores of all sizes), this versatile offering will find the right target groups. Nonetheless, it can be assumed that consolidation phenomena will be strengthening their position on the market, as customers' expectations are growing and the current macroeconomic (global) situation is full of uncertainties. Through mergers, companies will be able to operate more effectively on the market.

After all the changes made in 2021, we can see our place on the market now. We believe that our CDXP will become customers' first choice, and the "AI Fashion Stylist" being developed will soon become a hit in the fashion sector.

### 1.5.3.2 Development strategy

The Issuer development vision by 2024, adopted by the Company, provides for the growth of the Company based on two aforementioned business segments, i.e. Customer Data & Experience Platform [CDXP], a comprehensive proposal for e-commerce and a new product under development, AI Fashion Stylist (more on the product in the chapter on EU Funds).

In addition, the 2024 development concept also envisages potential acquisitions on the CEE market (Central and Eastern Europe), and further development in this region. The Company does not rule out a wider entrance to one of the Western European markets.

The development vision was published in the current report nr ESPI 20/2021 dated December 8, 2021.

#### Paweł Wyborski comment (CEO, QuarticOn S.A.)



*based on artificial intelligence.*

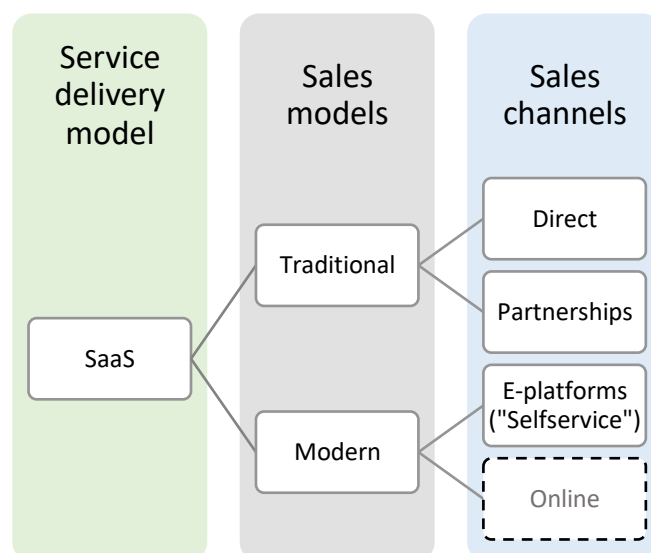
*Our strategy based on two pillars, it is a way to build two strong revenue streams in the long term. Closing the stage of building the integrated CDXP platform will allow us to focus on its sales, while the "AI Fashion Stylist" project will allow us to build a competitive advantage thanks to innovation and building a new generation of services*

*Taking into account the optimization already carried out over the cost part, a significant reduction of debt and funds obtained from EU funds for development, I am convinced that this puts the Company in a good position to build stable growth in the medium term.*

## 1.6 Summary of 2021 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



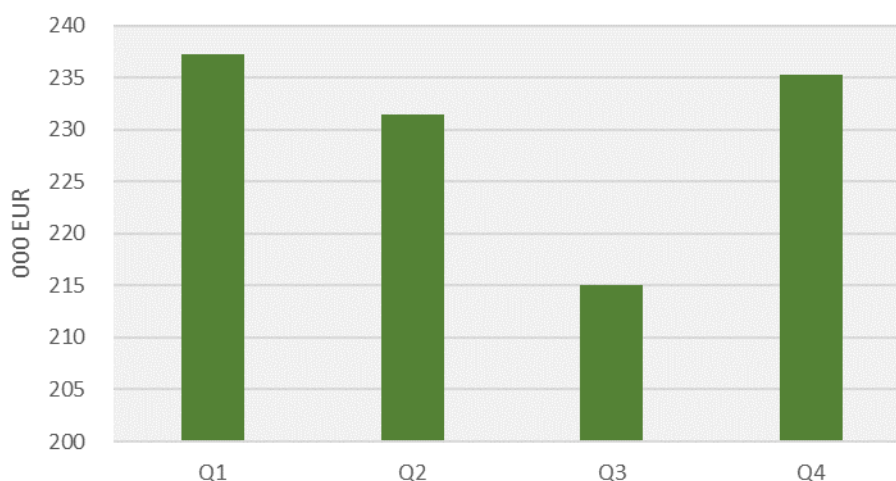
platforms, where services (apps) are sold as plug-ins to e-shops operating on the platform.

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

### 1.6.2 Key sales events

In 2021, we achieved a 2% increase in sales in relation to 2020. Since this sales growth rate is far from our expectations, the Company decided to lead a deep reorganization of sales processes in the end of 2021.

## 2021 Revenues (quarters)



The outbreak of the pandemic in 2020 and the experience we gained during the period, helped the Company mark out the direction which it should follow to meet the current market demands (or to anticipate them). Based on the information from our customers, a rapid growth in online sales has resulted in very demanding requirements which e-commerce managers need to fulfil. Given that, we are expected to provide increasingly comprehensive solutions, coupled with competitive prices. In addition, we often need to do it under time pressure, with insufficient human resources to handle all essential processes on the e-business side. With a view to transforming the sales processes in place at the Company, based on the conversations with customers and potential service recipients, we prepared a “model” ideal comprehensive solution which:

- includes an extended Marketing Automation system,
- has a recommendation system, as a standard service,
- has a smart search solution which is constantly being improved
- provides easy integration with many CRM or ERP systems, through data consolidation
- is user-friendly and easy to configure,
- is cost-competitive (although it is a relative notion).

An interesting finding based on one of the conversations made with potential customers was the feeling that the access to even the most advanced solutions is often provided at the expense of the provider's failing to ensure sufficient support, which hinders its full use. While working on the new offering, the Company took into account not only these expectations but also new market trends which may affect the decisions made by online store managers in the near future.



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

*Following the analysis of customers' expectations, market changes and current trends, we decided to face these challenges and transform our product portfolio together with our approach to customer service. It was particularly important to restructure our offering. We knew that we had to develop and refine our smart search solution which is gaining recognition and becoming a must-have product for customers, while most competitive companies do not have it in their portfolios. The possibility to offer extended Marketing Automation with additional function was of key significance. Finally we needed to merge it together and inform the market about our offering, and further focus the operations of our Customer Success Team on the support of customer needs. The end of 2021 and the beginning of this year was a period of intense efforts to us. They have been rewarded by a large number of current trade meetings – in short, we have more work now than before, but this is what we wanted ...*

### 1.6.3 Marketing and promotional activities

While 2020 was a year of “tidying up” and preparing the ground for the extension of market awareness of the Company’s services, 2021 was a period of “stepping out of the shadows”. The year, which was much calmer in terms of e-commerce sector development, gave us the possibility to plan specific actions to improve the Company’s visibility in the virtual space, and to build its image as an e-commerce expert.

The most important achievement of the past months was primarily the regularity of cooperation with strategic media players on the e-commerce and online marketing market. As a result, a total of 10 expert articles were published on such websites as *Marketing przy Kawie* (eng. *Marketing over Coffee*), *New Marketing* or *AdsTalk*, with a total of around 10 thousand unique users a month. The company was present at industry events (i.a. Estonian E-Commerce Association, “Lunch with E-Commerce” conference) and attended webinars, extending its reach (i.a. Crash Mondays). Partnerships were also established with new agencies (i.a., Ideo Force).

One of the Company's major achievements was marking its presence on Capterra, one of the leading platforms supporting consumers in the choice of software through user reviews, where it got nearly 20 reliable opinions from present and former customers. Marketing activities undertaken in this sphere, including e-mailing campaigns, dedicated landing page and incentive

schemes, resulted in taking QuarticOn into account in numerous rankings in which the Company is listed as expert, for example in rankings prepared by Puls Biznesu, Futurology and AdMonkey.

#### **Martyna Woźniszczuk's comment (Content Marketing Coordinator, QuarticOn S.A.)**



*Only change is the only constant element in business – and 2021 was not exceptional in this respect. The change in the concept of key Company development directions meant a significant intensification of work on the building of the marketing background for the Customer Data & Experience Platform (CDXP), a comprehensive platform for e-commerce, bringing together all our existing and future products, i.a. CRM, Smart Search, Account Management Recommendation and Marketing Automation. Our wish was to thoroughly inform our customers about it, and that is why we prepared a complete marketing communication concept, and new and accessible product presentations.*

*From our perspective, the development vision adopted by the Company, particularly the launch of the “AI Fashion Stylist” project, co-financed from EU Funds, creates limitless opportunities for marketing operations. The media sphere will surely remain one of the main objectives set by the Marketing Team for the current year.*

## **1.6.4 EU Projects**

On 27 December 2021, the Company entered into an agreement with the National Centre for Research and Development for the funding of an innovative project entitled “Development of advanced artificial intelligence algorithms and methods for the analysis and modelling of outfit styles in the form of a self-learning system recommending and composing outfits from individual pieces of clothing based on pre-defined style patterns” (working name: “AI Fashion Stylist”). This is co-financed from the European Regional Development Fund as part of the Smart Growth Operational Program 2014-2020, Sub-measure 1.1.1 “Industrial research and development work implemented by enterprises” (Fast Track). Under the agreement, the project is to be implemented for 23 months (starting from 1 November 2021). The total value of the project is EUR 1,364k (PLN 6,277k) and the co-financing amount is EUR 1,031k (PLN 4,742k).

## 1.7 IT infrastructure & product development

Despite the ongoing pandemic, 2021 was the year of intensive work on the further development of our Smart Search product - a smart search engine dedicated to e-commerce stores. The tool has been regularly improved and supplemented with new functionalities, for example a “suggester” module was added with the option of automated suggestion of the most popular results, the “letter by letter” autocomplete feature was optimized, the product grouping feature was extended, the word blocking and indeclinable word handling function was created, and the possibility to generate elaborate reports based on statistical data, accessible directly from the customer panel, was added. At the same time the IT Team conducted works on improving search engine algorithms, resulting in a version which allows faster and easier implementations of the tools in customers’ online stores.



Works on the proprietary Marketing Automation solution were also continued, as part of which certain improvements were introduced, including the optimization of the newsletter mailing process, the possibility to conduct A/B tests, and the preparation of a new marketing consent module.

The commencement of integration with a third-party large-scale Marketing Automation tool, which supplemented our offering with completely new features and possibilities, was a key decision made in 2021.

2021 also saw continued efforts to optimize IT processes and infrastructure costs.

Thanks to the measures that were taken, infrastructure costs were maintained at a steady level, despite the increased use of Marketing Automation and Smart Search.

The aspects related to the service implementation process at the customer's company is particularly important – thanks to the changes we have introduced the implementation time is being systematically reduced. The most vital solution the Company is working on at the moment is implementation automation, allowing a minimum participation of Company employees.

In all 2021 year, the Company's customers using our recommendation frames viewed 3.5 billion frames, sent 106 million e-mail messages and entered 213 million queries in the AI Smart Search engine.

## 1.8 Selected financial data

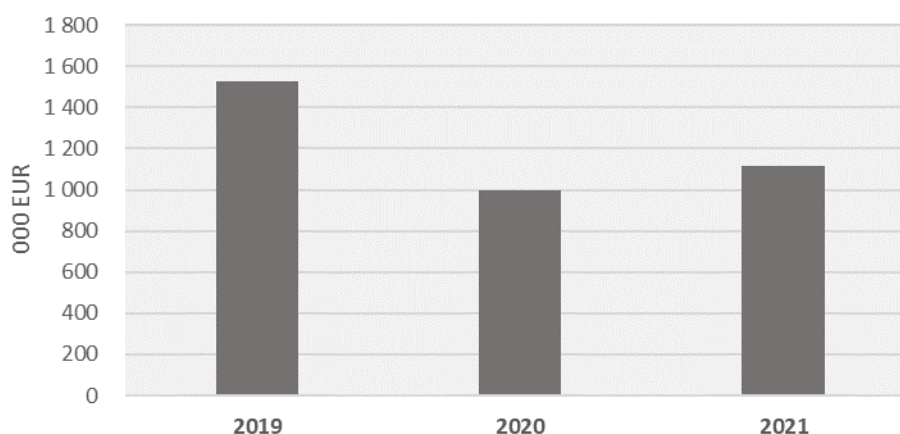
### 1.8.1 Introduction to financial results

In 2021, the Company recorded sales worth EUR 0,92 million which is equivalent to a 2% increase in relation to 2020. The sales structure has also changed: in 2020, 77% of sales was generated by services related to the recommendation engine, while service packages came second, with a share of 11%. In 2021, recommendation services still accounted for the greatest share in revenue (nearly 67%), but dedicated SmartSearch and Marketing Automation services exceeded 20% of the sales value in total (it was 6% the year before). It is a positive change, as it demonstrates that the Company's reliance on a single product is being reduced, and the high growth rate of the remaining two main products will result in further revenue diversification.



Operating costs (less depreciation and amortization and "AI Fashion Stylist" project) amounted to EUR 1.12 million and were by 12% higher than in the preceding year. This is largely owing to two factors: a low base value in 2020 resulting from wage reduction and freeze, and a "Covid" discount for certain services (e.g. office rental). The pressure to increase salaries, common in the technology sector, is an additional stimulus to increase costs. For a better understanding, it is worth comparing the level of costs from 2021 to 2019 (the period before the pandemic), then they amounted to EUR 1.5 million i.e. over 35% higher than in the discussed period.

**Operating costs excluding depreciation and amortization and "AI Fashion Stylist"**



By the end of 2021, the company decided to write off equity liabilities resulting from the shares in QuarticOn (Shanghai) Company Ltd. This j.v. company has not deployed its operations, and the shareholders did not pay in the initial capital. The provisions for the purpose were established in previous years, but as the re-establishment of the company is currently not being planned, the Management Board decided to write off this liability.

At the end of 2021, an analysis of development works subject to depreciation was performed (issued new products included in intangible assets), and in case of three of them, the Management Board decided to partially write off their values. The decision was dictated by a lower-than-planned sale of these products, resulting from the change to the offer and the resignation from sourcing customers interested in the VOD dedicated product.

<i>Data in '000 EUR</i>	Year 2020	IQ 2021	IIQ 2021	IIIQ 2021	IVQ 2021	Year 2021
Net revenue from sales	899.1	237.3	231.4	215.0	235.2	918.9
Operating expenses excl. depreciation & amort.	-994.7	-266.7	-285.6	-284.7	-287.3	-1,124.2
<b>EBITDA (based on result on sales)</b>	<b>-95.6</b>	<b>-29.4</b>	<b>-54.2</b>	<b>-69.7</b>	<b>-52.2</b>	<b>-205.4</b>
Amortisation and depreciation	-532.5	-129.5	-128.2	-128.2	-113.9	-499.7
Result on other operating revenues and expenses	4.2	0.0	-0.1	-0.4	-47.7	-48.2
EBIT (operating result)	-623.8	-158.9	-182.4	-198.2	-213.7	-753.2
<b>Net profit (loss)</b>	<b>-670.8</b>	<b>-172.5</b>	<b>-194.4</b>	<b>-210.0</b>	<b>-240.9</b>	<b>-817.8</b>
EBITDA (based on operating result)	-91.3	-29.4	-54.3	-70.0	-99.9	-253.6

Costs of “AI Fashion Stylist” in 2021 year amounted to EUR 10.4 k and according to accounting rules, all expenditures related to research works are charged to current costs.

#### Michał Giergielewicz ' comment (CFO, QuarticOn S.A.)



*We need to honestly admit that the financial results for 2021 are below our expectations.*

*In mid-2021 we decided to reconstruct our portfolio, because it became clear that we can attract new customers effectively only with a complete and integrated CDXP suite. At*

*the same time, were further optimized our processes, by implementing a detailed ex ante and*

*ex post analysis of contract and product profitability. This allows us to quickly assess if the adopted contract*

*assumptions (product range, prices, etc.) are profitable for us – if not, and if we do not manage to negotiate*

*better terms, we will not sign such contract (and there were such cases). The growing salary costs have been a*

*challenge for us (and this is probably a wide-spread challenge), yet we will try to make the most of this situation*

as well (among others, for our sales promotion activities related to our new offering). The last quarter of 2021 most of all marked the beginning of works on our new flagship product called “AI Fashion Stylist” co-financed from EU Funds. In management and administration terms, it is a completely new experience to us, and, let's be honest, fairly labor-intensive and time-consuming at first. As regards technology, it is a new class of products with huge potential. What is important, our modified strategy has been received well by our shareholders, thanks to which we managed to convert a significant part of our debt, and conduct a new share issue for the ACATIS fund in early 2022.

## 1.8.2 Selected financial statement data

### Selected balance sheet data:

	in '000 €		in '000 PLN	
	As of 31.12.2021	As of 31.12.2020	As of 31.12.2021	As of 31.12.2020
Fixed assets	1,120.1	1,549.9	5,151.7	7,152.6
- including intangible and legal assets	1,116.7	1,546.3	5,136.1	7,135.9
Current assets	196.7	147.0	904.7	678.1
- including short-term investments	15.9	12.8	73.2	59.0
<b>Total Assets</b>	<b>1,316.8</b>	<b>1,696.9</b>	<b>6,056.4</b>	<b>7,830.7</b>
Equity	594.9	672.1	2,736.4	3,101.8
Liabilities and provisions for liabilities	721.8	1,024.7	3,320.1	4,729.0
- including short term liabilities	604.8	596.7	2,781.6	2,753.9
<b>Total Liabilities</b>	<b>1,316.8</b>	<b>1,696.9</b>	<b>6,056.4</b>	<b>7,830.7</b>

### Selected profit and loss account data:

	in '000 €		in '000 PLN	
	2021	2020	2021	2020
Net revenue from sales	918.9	899.1	4,226.3	4,149.3
Operating expenses excl. depreciation & amort.	1,124.2	994.7	5,170.8	4,590.3
<b>EBITDA (based on profit (loss) operating result)</b>	<b>-253.6</b>	<b>-91.3</b>	<b>-1,166.2</b>	<b>-421.4</b>
Amortisation and depreciation	499.7	532.5	2,298.2	2,457.4
Gross profit (loss)	-817.8	-670.8	-3,761.6	-3,095.6
Net profit (loss)	-817.8	-670.8	-3,761.6	-3,095.6

**Selected cash flow statement data:**

	<i>in '000 €</i>		<i>in '000 PLN</i>	
	<b>Year 2021</b>	<b>Year 2020</b>	<b>Year 2021</b>	<b>Year 2020</b>
Net profit (loss)	-817.8	-670.8	-3,761.6	-3,095.6
Net cash flow from operating activities	-31.1	171.4	-143.1	791.2
Net cash flows from investment activities	-167.6	-257.1	-770.9	-1,186.4
Net cash flow from financial activities	201.7	50.0	927.7	230.7
Cash closing balance	15.9	12.8	73.2	59.0

## 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 current report ESPI Report No 20/2021, which is to increase its value for shareholders. 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 (excluding the “AI Fashion Stylist” project). The key to the success of this strategy will be to increase the level of sales and maintain the optimal level of costs. An important factor in financing the Company's development will be possible issues of shares, and in the case of the “AI Fashion Stylist” project, financing from EU funds.

### 1.9.2 Financial forecasts

The Company did not issue any financial projections for 2021.

## 1.10 Operating risks

### 1.10.1 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.

### **1.10.2 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.

### **1.10.3 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.

#### **1.10.4 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.

#### **1.10.5 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.

### **1.10.6 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.

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.

In recent years, the Company has developed, produced and put into use 18 tools, both supporting implementation and ready-made products for sale. The economic efficiency analysis performed at the end of 2021 for three of them showed a lower than expected development potential, therefore the Management Board of the Company decided to update their value by making revaluation write-offs.

On December 27, 2021, the Company signed an agreement with the National Center for Research and Development to co-finance the project "Development of advanced algorithms and artificial intelligence methods in the field of analysis and modeling of fashion styles in the form of a self-learning system of recommendations and composition of fashion styling from individual garments on the basis of given style patterns" under Sub-measure 1.1.1 of the Intelligent Development Operational Program 2014-2020 on co-financing of the project in the amount of PLN 4.74 million. The company implements the project in accordance with the application and the provisions of the contract. It also exercises the utmost diligence in the implementation of the project in subsequent periods. However, the risk that an unforeseen situation may occur in the future, the result of which may be the need to return a part of the received funding or a reduction in the level of funding, cannot be ruled out. The reasons for such a situation may be, inter alia, significant changes on the market and the resulting necessity to modify the expenditure plan, some of which, in extreme cases, may be considered by the financing party as ineligible expenditure or ownership changes in the Company, leading to a change in the qualification of the Company as an SME. As of today, the Company considers this risk rather as unlikely.

### **1.10.7 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.

### **1.10.8 Risk resulting from the effects of the war in Ukraine on the Company's operations**

The outbreak of the war in Ukraine in February this year was a great shock to the international community. It is difficult to ignore the great tragedy of our neighbors and business issues are relegated to the background in the face of the tragedy of the civilian population. Nevertheless, the consequences of the current political situation have an impact on the functioning of the Company. QuarticOn does not operate directly in Ukraine, Russia or Belarus, so it has not been directly affected either by the hostilities or by the sanctions imposed on the two latter countries mentioned. However, some of the Company's customers conducted sales in these countries (both through offline and online stores) and probably experienced a sharp drop in turnover in this region.

Therefore, there is a risk that with a sharp drop in turnover from this region, some customers will have to change their investment and development plans, which may contribute to postponing or suspending budgets for the purchase of services from QuarticOn. The Company, however, estimates this risk as insignificant, the more so as after a noticeable slowdown in the process of trade talks at the turn of February and March this year, now there has been a return to the pace from earlier periods. At the same time, it is worth emphasizing that the share of variable (sales-dependent) contracts with customers operating in the above-mentioned countries is imperceptible for the result, so there is no risk of direct impact on sales.

### 1.10.9 Risks and opportunities related to Covid-19 pandemic

The COVID-19 pandemic appears to be largely contained and its negative impact on trade is rather under control. The company notices more and more often quitting remote work and a partial return to pre-pandemic behavior. In the opinion of the Company, the business risks resulting from the pandemic do not pose a threat to the Company today. Of course, there is a risk of an increase in the number of infections and another wave of disease and related restrictions, but then we will be dealing with similar aspects of risks and opportunities as in previous stages of the pandemic.

However, a separate issue is the prospects for the development of e-commerce in the "post-pandemic" period. In the opinion of the Company, even if the dynamics of growth in online trade will be lower (which is actually the case), e-commerce has still a great development potential.

## 1.11 Shareholders at the end of 2021

To the best of Company's knowledge, at the date of 2021, 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	185,261	13.2%
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%
Others **	359,865	25.6%
<b>Total</b>	<b>1,404,300</b>	<b>100.0%</b>

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

\*\* Including key employees (ESOP)

On January 27, 2022, the Company learned, that on the same day the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register ("Court"), of registration of the increase in the share capital of the Company by 998,300 series G shares made by the Extraordinary General Meeting on December 13, 2022.

On May 27, 2022, the Company learned, that on the same day the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, of registration of the increase in the Company's share capital by 106,700 series H shares made by the Extraordinary General Meeting on December 13, 2021, therefore, as at the date of publication of this report, to the best of the Company's knowledge, the shareholding structure of QuarticOn is shaped by is as follows:

Shareholders	Number of shares *	Share percentage
Venture FIZ	1,249,300	49.53%
CBNC Capital Solutions Ltd.	180,000	7.14%
Paweł Wyborski	185,261	7.34%
Q Free Trading Limited	123,500	4.90%
ACATIS Investment KVG mbH	240,800	9.55%
Others **	543,439	21.55%
<b>Total</b>	<b>2,522,300</b>	<b>100.0%</b>

\* wszystkie akcje serii A, B, C, D, E, F, G, H and J

\*\* w tym kluczowi pracownicy (program ESOP)

## 1.12 Other information

### 1.12.1 Employment

In late December 2021, the Company employed (in terms of FTEs) 20 persons (employment contracts, contracts of mandate, B2B) which was 1 person less than the year before.

In 2021, the average number of persons employed on the basis of employment contracts or appointment to the Management Board was 11,84 persons and 2 Members of the Board, respectively. In total 13,84 persons.

## 1.12.2 Salaries for the Management Board and Supervisory Board

In 2021, the sum of salaries for the Members of the Management Board was EUR 100.3k (PLN 455.7k).

In 2021, Supervisory Board members did not receive any salary.

## 1.12.3 Financial auditor fee

The expert auditor's fee for the 2021 audit was EUR 3,5k (PLN 16,1k).

## 1.12.4 Authorized advisor fee

In 2021, 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 **2021 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 2020 to 31 December 2020.

## 1.12.6 Indicators and definitions

Wskaźnik	Źródło danych	Sposób obliczania	Użyteczność
EBITDA (based on result 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 (based on 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	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)



## 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 2021  
to December 31, 2021**

## 2.1 Introduction to the financial statement

### 1. Entity data

<b>Name</b>	QuarticOn Spółka Akcyjna
<b>Registered office</b>	02-017 Warszawa, Al. Jerozolimskie 123A
<b>NACE codes describing the entity's core activities</b>	62001Z
<b>Tax identification number:</b>	NIP 5213608082
<b>Number in the relevant court register</b>	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 01.01.2021 to 31.12.2021

### 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:

31.12.2021

EUR 1 = 4.5994 (National Bank of Poland exchange rate table No. 254/A/NBP/2021 of 31.12.2021)

USD 1 = 4.0600 (National Bank of Poland exchange rate table No. 254/A/NBP/2021 of 31.12.2021)

CZK 1 = 0.1850 (National Bank of Poland exchange rate table No. 254/A/NBP/2021 of 31.12.2021)  
 GBP 1 = 5.4846 (National Bank of Poland exchange rate table No. 254/A/NBP/2021 of 31.12.2021)

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)

## 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 01.01.2020 to 31.12.2020 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 31.12.2021	As of 31.12.2020
<b>A.</b>	<b>Fixed assets</b>	<b>1,120,091.3</b>	<b>1,549,923.6</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>1,116,694.2</b>	<b>1,546,314.3</b>
1.	R&D expenses	1,116,689.1	1,544,992.2
2.	Goodwill	0.0	0.0
3.	Other intangible assets	5.1	1,322.1
4.	Advances for intangible assets	0.0	0.0
<b>II.</b>	<b>Tangible fixed assets</b>	<b>1,200.4</b>	<b>2,521.5</b>
1.	Tangible fixed assets in use	1,200.4	2,521.5
	a) land (including right to perpetual usufruct)	0.0	0.0
	b) buildings, premises, civil and water engineering structures	0.0	0.0
	c) technical equipment and machines	1,200.4	2,521.5
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	0.0	0.0
2.	Tangible fixed assets under construction	0.0	0.0
3.	Advances for tangible fixed assets under construction	0.0	0.0
<b>III.</b>	<b>Long-term receivables</b>	<b>0.0</b>	<b>0.0</b>
1.	From related parties	0.0	0.0
2.	From other parties, in which the company holds capital commitment	0.0	0.0
3.	From other parties	0.0	0.0
<b>IV.</b>	<b>Long-term investments</b>	<b>1,091.4</b>	<b>1,087.8</b>
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0
3.	Long-term financial assets	1,091.4	1,087.8
	a) in related parties	1,091.4	1,087.8
	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
<b>V.</b>	<b>Long-term prepayments</b>	<b>1.1</b>	<b>0.0</b>
1.	Deferred tax assets	1.1	0.0
2.	Other prepayments	0.0	0.0
<b>B.</b>	<b>Current assets</b>	<b>196,702.5</b>	<b>146,950.8</b>
<b>I.</b>	<b>Inventory</b>	<b>0.0</b>	<b>0.0</b>
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.0	0.0
<b>II.</b>	<b>Short-term receivables</b>	<b>142,190.1</b>	<b>119,914.4</b>
1.	Receivables from related parties	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0

Items in Euro		As of 31.12.2021	As of 31.12.2020
	- 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	142,190.1	119,914.4
a)	trade receivables. maturing:	71,081.9	75,428.7
	- up to 12 months	71 081.9	75 428.7
	- over 12 months	0.0	0.0
b)	receivables from tax. subsidies. customs. social security and other benefits	39,344.8	12,450.7
c)	other	31,763.4	32,034.9
d)	claimed at court	0.0	0.0
<b>III.</b>	<b>Short-term investments</b>	<b>15,916.1</b>	<b>12,788.0</b>
1.	Short-term financial assets	15,916.1	12,788.0
a)	in related parties	0.0	0.0
b)	in other parties	0.0	0.0
c)	cash and other pecuniary assets	15,916.1	12,788.0
2.	Other short-term investments	0.0	0.0
<b>IV.</b>	<b>Short-term prepayments</b>	<b>38,596.3</b>	<b>14,248.5</b>
<b>C.</b>	<b>Called up share capital not paid</b>	<b>0.0</b>	<b>0.0</b>
<b>D.</b>	<b>Own shares (stocks)</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Assets</b>		<b>1,316,793.8</b>	<b>1,696,874.4</b>

## 2. Liabilities

Items in Euro		As of 31.12.2021	As of 31.12.2020
<b>A.</b>	<b>EQUITY</b>	<b>594,944.3</b>	<b>672,131.8</b>
<b>I.</b>	<b>Share capital</b>	<b>30,532.2</b>	<b>30,430.4</b>
<b>II.</b>	<b>Supplementary capital, including</b>	<b>4,071,637.6</b>	<b>4,058,050.2</b>
	- share (stock) premium	4,071,637.6	4,058,050.2
<b>III.</b>	<b>Revaluation reserve, including:</b>	<b>0.0</b>	<b>0.0</b>
	- from fair value adjustment	0.0	0.0
<b>IV.</b>	<b>Other reserve capitals</b>	<b>738,397.8</b>	<b>0.0</b>
	- created in accordance to articles of incorpor. of the Company	0.0	0.0
	- on own shares (stocks)	0.0	0.0
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-3,427,787.5</b>	<b>-2,745,550.5</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-817,835.8</b>	<b>-670,798.2</b>
<b>VII.</b>	<b>Write-off on net profit during the financial year (negative value)</b>	<b>0.0</b>	<b>0.0</b>
<b>B.</b>	<b>Liabilities and provisions for liabilities</b>	<b>721,849.5</b>	<b>1,024,742.6</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>79,716.0</b>	<b>44,518.4</b>

Items in Euro		As of 31.12.2021	As of 31.12.2020
1.	Provision for deferred income tax	1 097.5	0.0
2.	Provision for retirement and similar benefits	12,723.8	5,805.0
	- long-term	0.0	0.0
	- short-term	12,723.8	5,805.0
3.	Other provisions	65,886.9	38,713.5
	- long-term	0.0	0.0
	- short-term	65,886.9	38,713.5
<b>II.</b>	<b>Long-term liabilities</b>	<b>0.0</b>	<b>364,046.1</b>
1.	To related parties	0.0	0.0
2.	To other parties in which the company holds capital commitment	0.0	0.0
3.	To other parties	0.0	364,046.1
a)	credits and loans	0.0	364,046.1
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
<b>III.</b>	<b>Short-term liabilities</b>	<b>604,766.1</b>	<b>596,747.6</b>
1.	To related parties	1,091.4	57,648.4
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	1,091.4	57,648.4
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	603,674.7	539,099.2
a)	credits and loans	173,339.0	302,071.8
b)	arising from issuance of debt securities	0.0	0.0
c)	other financial liabilities	0.0	0.0
d)	trade liabilities maturing:	357,220.4	169,410.6
	- up to 12 months	357,220.4	169,410.6
	- 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	41,677.9	67,388.0
h)	payroll liabilities	15,818.6	228.7
i)	other	15,618.6	0.0
4.	Special funds	0.0	0.0
<b>IV.</b>	<b>Accruals</b>	<b>37,367.4</b>	<b>19,430.5</b>
1.	Negative goodwill	0.0	0.0
2.	Other accruals	37,367.4	19,430.5
	- long-term	0.0	0.0
	- short-term	37,367.4	19,430.5
<b>Total Liabilities</b>		<b>1,316,793.8</b>	<b>1,696,874.4</b>

### 3. Profit and loss account

Items in Euro		YTD 2021	YTD 2020
<b>A.</b>	<b>Net revenue from sales</b>	<b>918,878.2</b>	<b>899,134.8</b>
	from related parties	0.0	0.0
I.	Net revenue from sales of products	918,878.2	899,134.8
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>B.</b>	<b>Operating expenses</b>	<b>1,623,924.4</b>	<b>1,527,184.3</b>
I.	Amortisation and depreciation	499,682.9	532,497.0
II.	Consumption of materials and energy	4,358.3	6,064.3
III.	External services	667,300.4	620,584.0
IV.	Taxes and charges, including:	12,341.4	9,753.4
	- excise duty	0.0	0.0
V.	Payroll	377,805.1	302,638.1
VI.	Social security and other benefits, including:	48,457.4	39,567.9
	- retirement benefits	26,221.2	23,271.6
VII.	Other prime costs	13,978.8	16,079.7
VIII.	Value of goods and materials sold	0.0	0.0
<b>C.</b>	<b>Profit (loss) on sales (A - B)</b>	<b>-705,046.2</b>	<b>-628,049.5</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>59,178.7</b>	<b>22,627.4</b>
I.	Gain on disposal of non-financial fixed assets	110.0	417.7
II.	Subsidies	0.0	0.0
III.	Other operating revenues	0.0	3,056.8
IV.	Other operating revenues	59,068.7	19,152.8
<b>E.</b>	<b>Other operating expenses</b>	<b>107,369.7</b>	<b>18,382.3</b>
I.	Loss on disposal of non-financial fixed assets	0.0	0.0
II.	Revaluation of non-financial assets	101,286.5	10,180.8
III.	Other operating expenses	6,083.3	8,201.5
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-753,237.2</b>	<b>-623,804.4</b>
<b>G.</b>	<b>Financial revenues</b>	<b>110.9</b>	<b>6,166.5</b>
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:	110.9	35.4
	- 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	0.0	6,131.0

Items in Euro		YTD 2021	YTD 2020
<b>H.</b>	<b>Financial expenses</b>	<b>64,709.5</b>	<b>53,160.3</b>
I.	Interest, including:	42,508.3	43,181.4
	- 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	22,201.2	9,978.9
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-817,835.8</b>	<b>-670,798.2</b>
<b>J.</b>	<b>Income tax</b>	<b>0.0</b>	<b>0.0</b>
<b>K.</b>	<b>Other statutory reductions in profit (increases in loss)</b>	<b>0.0</b>	<b>0.0</b>
<b>L.</b>	<b>Net profit (loss) (I-J-K)</b>	<b>-817,835.8</b>	<b>-670,798.2</b>

## 4. Statement of changes in equity

Items in Euro		As of 31.12.2021	As of 31.12.2020
<b>I.</b>	<b>Opening balance of equity (OB)</b>	<b>674,382.3</b>	<b>1,342,930.0</b>
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
<b>I.a.</b>	<b>Opening balance of equity (OB) after adjustments</b>	<b>674,382.3</b>	<b>1,342,930.0</b>
<b>1.</b>	<b>Opening balance of share capital</b>	<b>30,532.2</b>	<b>30,081.5</b>
	1.2. Closing balance of share capital	30,532.2	30,430.4
<b>2.</b>	<b>Opening balance of called up share capital</b>	<b>0.0</b>	<b>0.0</b>
	2.1. Changes in called up share capital	0.0	0.0
	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
<b>3.</b>	<b>Opening balance of own shares</b>	<b>0.0</b>	<b>0.0</b>
	3.1. Increase in own shares	0.0	0.0
	3.2. Closing balance of own shares	0.0	0.0
<b>4.</b>	<b>Opening balance of supplementary capital</b>	<b>4,071,637.6</b>	<b>4,058,050.2</b>
	4.1. Changes in supplementary capital	0.0	0.0
	4.2. Closing balance of supplementary capital	4,071,637.6	4,058,050.2
<b>5.</b>	<b>Opening balance of revaluation reserve</b>	<b>0.0</b>	<b>0.0</b>
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
<b>6.</b>	<b>Opening balance of other reserve capitals</b>	<b>0.0</b>	<b>348.9</b>
	6.1. Changes in other reserve capitals	738,397.8	0.0
	6.2. Closing balance of other reserve capitals	738,397.8	0.0

Items in Euro		As of 31.12.2021	As of 31.12.2020
<b>7.</b>	<b>Opening balance of previous years' profit (loss)</b>	<b>-3,427,787.5</b>	<b>-2,745,550.5</b>
	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	-3,427,787.5	-2,745,550.5
	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	-3,427,787.5	-2,745,550.5
	7.6. Closing balance of previous years' loss	-3,427,787.5	-2,745,550.5
	7.7. Closing balance of previous years' profit (loss)	-3,427,787.5	-2,745,550.5
<b>8.</b>	<b>Net result</b>	<b>-817,835.8</b>	<b>-670,798.2</b>
	a) net profit	0.0	0.0
	b) net loss	-817,835.8	-670,798.2
	c) write-offs on profit	0.0	0.0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>594,944.3</b>	<b>672,131.8</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>594,944.3</b>	<b>672,131.8</b>

## 5. Cash flow statement

Items in Euro		2021	2020
<b>A.</b>	<b>A. Cash flow from operating activities - indirect method</b>		
<b>I.</b>	<b>I. Net profit (loss)</b>	<b>-817,835.8</b>	<b>-670,798.2</b>
<b>II.</b>	<b>II. Total adjustments</b>	<b>786,719.2</b>	<b>842,243.1</b>
	1. Amortisation and depreciation	499,682.9	532,497.0
	2. Profit (loss) from differences of exchange rates	0.0	0.0
	3. Interest and profit sharing (dividend)	44,834.8	51,571.5
	4. Profit (loss) on investment activities	100,769.1	-417.7
	5. Change in provisions	33,943.2	6,598.5
	6. Changes in inventory	0.0	0.0
	7. Change in the balance of receivables	-21,874.3	96,993.8
	8. Change in short-term liabilities excluding credits and loans	132,609.9	149,042.2
	9. Change in prepayments and accruals	-3,246.6	5,958.0
	10. Other adjustments	0.0	0.0
<b>III.</b>	<b>III. Net cash flow from operating activities (I+/-II)</b>	<b>-31,116.6</b>	<b>171,444.9</b>
<b>B.</b>	<b>B. Cash flows from investment activities</b>	0.0	0.0
<b>I.</b>	<b>I. Inflows</b>	<b>110.1</b>	<b>454.8</b>
	1. Disposal of intangible and legal assets, tangible fixed assets	110.1	454.8
	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		2021	2020
	- 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
<b>II.</b>	<b>II. Outflows</b>	<b>167,616.6</b>	<b>257,549.8</b>
1.	Purchase of intangible and legal assets, tangible fixed assets	167,616.6	257,549.8
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
<b>III.</b>	<b>III. Net cash flows from investment activities (I-II)</b>	<b>-167,616.6</b>	<b>-257,094.9</b>
<b>C.</b>	<b>C. Cash flows from financial activities</b>	<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>I. Inflows</b>	<b>241,570.4</b>	<b>68,468.6</b>
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	87,247.6	0.0
2.	Credits and loans	154,322.8	68,468.6
3.	Issuance of debt securities	0.0	0.0
4.	Other inflows from financial activities	0.0	0.0
<b>II.</b>	<b>II. Outflows</b>	<b>39,861.9</b>	<b>18,484.1</b>
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	32,612.9	0.0
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	7,249.0	18,484.1
9.	Other outflows from financial activities	0.0	0.0
<b>III.</b>	<b>III. Net cash flow from financial activities (I-II)</b>	<b>201,708.4</b>	<b>49,984.5</b>
<b>D.</b>	<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>3,085.3</b>	<b>-35,665.5</b>
<b>E.</b>	<b>E. Balance sheet change in cash, including:</b>	<b>3,085.3</b>	<b>-35,665.5</b>
-	change in cash due to exchange differences	0.0	0.0
<b>F.</b>	<b>F. Cash opening balance</b>	<b>12,830.8</b>	<b>48,453.5</b>
<b>G.</b>	<b>G. Cash closing balance (F+/- D), including:</b>	<b>15,916.0</b>	<b>12,788.0</b>
-	of limited disposability	10,068.8	2,467.2

## 6. Income tax calculation

Items in Euro		TOTAL 2021	TOTAL 2020
<b>A</b>	<b>Gross profit (loss) for a given year</b>	<b>-817,835.80</b>	<b>-670,798.22</b>
<b>B</b>	<b>Tax-exempt income (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes) including:</b>	<b>-1,961.86</b>	<b>18,265.86</b>
	Others	14,02	0.00
	Positive exchange rate differences on the balance sheet valuation (Article 12 par. 2)	-1,976,53	2,215.89
	Revaluation of non-financial assets (Article.16, par. 1, point 26, letter a)	0.00	3,056.83
	- remitted ZUS contributions under the Anti-Crisis Shield	0.00	12,993.14
<b>C</b>	<b>Non-taxable income in the current year, including:</b>	<b>0.00</b>	<b>1,684.50</b>
	Others	0.0	0.0
	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)	0.0	1,684.5
<b>D</b>	<b>Revenues subject to taxation in the current year, included in the accounting books of previous years, including:</b>	<b>0.0</b>	<b>0.0</b>
	Interest on deposits accrued in 2017 paid in 2018 (Article 16 par. 1 point 11)	0.0	0.0
<b>E</b>	<b>Costs that are not tax-deductible costs (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes), including:</b>	<b>17,275.39</b>	<b>2,142.06</b>
	Negative exchange differences on balance sheet valuation (Article 15a)	5,818.12	-1,184.81
	Representation (Article 16 par. 1 point 28)	670.22	0.0
	Budget interest (Article 16 par. 1 point 21)	5,950.13	94.5
	Write-downs of outdated balances (Article 16 par. 1 point 25)	4,836.92	3,232.40
<b>F</b>	<b>Costs not recognized as tax deductible expenses in the current year, including:</b>	<b>709,062.28</b>	<b>633,833.29</b>
	Others	1,631.81	14,959.50
	Interest on loans and bonds (Article 16 par 1 item 11)	35,299.15	37,990.09
	Provisions for paid cost (Article 16, par. 1, point 27)	34,244.94	6,598.46
	Write-downs on receivables and intangible assets. (Article 16g, par. 13)	101,286.45	10,180.8
	Accounting depreciation (Article 16d, par. 1)	499,682.90	532,496.97
	Salary, social security contributions (Article 16 par. 1 point 57 a)	19,128.51	25,591.45
	Medical packages not used by employees (Article 16)	0.00	815.35
	Commission for loan extension (Article 16)	0.00	5,200.66
	Insurance policy of management board members (Article 16 par. 1 point 38a)	4,169.44	0.00
	Commission for loan (Article 16)	3,261.29	0.00
	Expenditure financed by NCBiR (Article 16 par. 1 point 48a)	10,357,00	0.00
<b>G</b>	<b>Costs recognized as tax deductible expenses in the current year recognized in previous years' books including:</b>	<b>22,264.73</b>	<b>10,734.09</b>
	Interest paid on loans and bonds (Article 16 par.. 1 point 11)	976.58	10,103.36
	Salaries, social security contributions (Article 15, par. 4g)	7,761.63	630.73
	Writing down receivables with probable irrecoverability covered by a write-down in previous years (Article 16 par. 1 point 26a)	13,526.52	0.00
<b>H</b>	<b>Loss from previous years, including:</b>	<b>0.0</b>	<b>0.0</b>
<b>I</b>	<b>Other changes in the tax base, including:</b>	<b>479,897.85</b>	<b>523,362.10</b>
	Tax depreciation in the current year (Article 16d)	498,343.19	529,321.20
	Prepayments of deferred income (Article 12 par.. 3a)	-18,445.34	-5,959.10
<b>J</b>	<b>Income tax base</b>	<b>-591,698.85</b>	<b>-588,869.42</b>
<b>K</b>	<b>Income tax</b>	<b>0.0</b>	<b>0.0</b>



## **Signatures on the financial statements:**

- Monika Śpiewła - May 31, 2022
- Michał Giergielewicz- May 31, 2022
- Paweł Wyborski - May 31, 2022

## 2.3 Note 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
<b>Gross value</b>					
<b>Balance at the beginning of the period</b>	<b>3,552.0</b>	<b>0.0</b>	<b>12.7</b>	<b>0.0</b>	<b>3,564.7</b>
<b>Increase</b>	<b>164.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>164.4</b>
- purchases	0.0	0.0	0.0	0.0	0.0
- other	164.4	0.0	0.0	0.0	164.4
<b>Decrease</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
- Liquidation	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	<b>3,716.4</b>	<b>0.0</b>	<b>12.7</b>	<b>0.0</b>	<b>3,729.1</b>
<b>Redemption</b>					
<b>Balance at the beginning of the period</b>	<b>2,001.8</b>	<b>0.0</b>	<b>11.4</b>	<b>0.0</b>	<b>2,013.2</b>
<b>Increase</b>	<b>497.0</b>	<b>0.0</b>	<b>1.3</b>	<b>0.0</b>	<b>498.4</b>
- depreciation	497.0	0.0	1.3	0.0	498.4
- other	0.0	0.0	0.0	0.0	0.0
<b>Decrease</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
- liquidation	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	<b>2,498.8</b>	<b>0.0</b>	<b>12.7</b>	<b>0.0</b>	<b>2,511.6</b>
<b>Write-downs</b>					
<b>Balance at the beginning of the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Increase</b>	<b>100.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.9</b>
- other	100.9	0.0	0.0	0.0	100.9
<b>Decrease</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
- other	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	<b>100.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.9</b>
<b>Net value</b>					
<b>As at 01/01/2021</b>	<b>1,550.2</b>	<b>0.0</b>	<b>1.3</b>	<b>0.0</b>	<b>1,551.5</b>
<b>As at 31/12/2021</b>	<b>1,116.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,116.7</b>

In 2021 QuarticOn completed development work as part of three projects totalling EUR 164,434.9:

- SMART SEARCH 2.0 Project – original cost EUR 67,624.75; date commissioned 31/12/2021
- MARKETING AUTOMATION 3.0 Project – original cost EUR 96,810.14; date commissioned 31/12/2021.

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	Other Fixed assets	Fixed assets under construction	Advances on fixed assets under construction	Total
<b>Gross value</b>							
<b>Balance at the beginning of the period</b>	0.0	27.3	0.0	3.8	0.0	0.0	31.1
<b>Increase:</b>	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
<b>Decrease:</b>	0.0	0.6	0.0	0.0	0.0	0.0	0.6
- sale	0.0	0.6	0.0	0.0	0.0	0.0	0.6
- liquidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	26.7	0.0	3.8	0.0	0.0	30.5
<b>Redemption</b>							
<b>Balance at the beginning of the period</b>	0.0	24.8	0.0	3.8	0.0	0.0	28.6
<b>Increase:</b>	0.0	1.3	0.0	0.0	0.0	0.0	1.3
- depreciation	0.0	1.3	0.0	0.0	0.0	0.0	1.3
- other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Decrease:</b>	0.0	0.6	0.0	0.0	0.0	0.0	0.6
- sale	0.0	0.6	0.0	0.0	0.0	0.0	0.6
- liquidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	25.5	0.0	3.8	0.0	0.0	29.3
<b>Write-downs</b>							
<b>Balance at the beginning of the period</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Increase</b>	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
<b>Decrease</b>	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
<b>Balance at the end of the period</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net value</b>							
<b>As at 01/01/2021</b>	0.0	2.5	0.0	0.0	0.0	0.0	2.5
<b>As at 31/12/2021</b>	0.0	1.2	0.0	0.0	0.0	0.0	1.2

### 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 2021 was EUR 554.5 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

None.

### 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
<b>Gross value</b>					
<b>Balance at the beginning of the period</b>	0.0	0.0	57.8	0.0	57.8
<b>Increase:</b>	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
<b>Decrease:</b>	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
<b>Balance at the end of the period</b>	0.0	0.0	57.8	0.0	57.8
<b>Redemption</b>					
<b>Balance at the beginning of the period</b>	0.0	0.0	0.0	0.0	0.0
<b>Increase:</b>	0.0	0.0	0.0	0.0	0.0
<b>Decrease:</b>	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	0.0	0.0	0.0	0.0
<b>Redemption</b>					
<b>Balance at the beginning of the period</b>	0.0	0.0	0.0	0.0	0.0
<b>Increase:</b>	0.0	0.0	0.0	0.0	0.0
<b>Decrease:</b>	0.0	0.0	0.0	0.0	0.0
<b>Write-downs</b>					
<b>Balance at the beginning of the period</b>	0.0	0.0	56.8	0.0	56.8
<b>Increase</b>	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
<b>Decrease</b>	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	0.0	56.8	0.0	56.8
<b>Net value</b>					
<b>As at 01.01.2021</b>	0.0	0.0	1.1	0.0	1.1
<b>As at 31.12.2021</b>	0.0	0.0	1.1	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

(in EUR)	31.12.2021	31.12.2020
Deferred tax assets	1,105.36	0.00
<b>Total</b>	<b>1,105.36</b>	<b>0.00</b>

Due to the losses to be deducted in subsequent financial years, the company recognized deferred tax assets in the amount of the deferred tax provision.

### 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)	31/12/2021	31/12/2020
- up to 12 months	71.5	88.9
- over 12 months	0.0	0.0
<b>Trade receivables</b>	<b>71.5</b>	<b>88.9</b>
- VAT receivables	39.1	12.5
- others	0.2	0.0
<b>Receivables from taxes, subsidies, customs</b>	<b>39.3</b>	<b>12.5</b>
<b>Other receivables</b>	<b>31.8</b>	<b>32.0</b>
<b>Receivables under court proceedings</b>	<b>0.0</b>	<b>0.0</b>
<b>Net receivables</b>	<b>142.6</b>	<b>133.4</b>
Write-downs on receivables	-0.4	-13.5
<b>Gross receivables</b>	<b>142.2</b>	<b>119.9</b>

### 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
<b>Balance at the beginning of the period</b>	<b>0.0</b>	<b>0.0</b>	<b>13.5</b>
Increase	0.0	0.0	0.4
Utilization	0.0	0.0	13.5
Termination of a previously made write-down	0.0	0.0	0.0
<b>Balance at the end of the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>

## 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)	31/12/2021	31/12/2020
- cash on bank accounts	5.7	10.0
- cash on the VAT account	10.1	2.5
- cash on hand	0.1	0.1
<b>Total cash on hand and on bank accounts</b>	<b>15.9</b>	<b>12.6</b>
<b>Other cash</b>	<b>0.0</b>	<b>0.2</b>
<b>Other cash assets</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>15.9</b>	<b>12.8</b>

## 1.9 Prepayments

(in 000 Euro)	31/12/2021	31/12/2020
- Expenses between accounting periods	0.0	4.5
- R&D	3.2	0.0
- Settlement of project Stylista costs	14.1	0.6
- Insurance policy	10.8	0.0
- Costs of attracting new investors	8.5	8.4
- Others	2.0	0.7
	<b>38.6</b>	<b>14.2</b>

## 1.10 Share capital

Shareholders	Number of shares	Nominal value of shares (in Euro)	%
Venture FIZ	251,000	5,457.2	17.9%
CBNC Capital Solutions Ltd.	180,000	3,913.6	12.8%
Paweł Wyborski	185,261	4,027.9	13.2%
Q Free Trading Limited	123,500	2,685.1	8.8%
ACATIS Investment KVG mbH	134,100	2,915.6	9.5%
Kamil Cisto	100,000	2,174.2	7.1%
Paulina Zamojska	70,574	1,534.3	5.0%
Others <sup>1</sup>	359,865	7,824.3	25.6%
<b>Total</b>	<b>1,404,300</b>	<b>30,532.2</b>	<b>100.0%</b>

## 1.11 Movements in the balance of supplementary and reserve capitals

(in 000 Euro)	Supplementary capital	Reserve capital
<b>Balance at the beginning of the period</b>	<b>4,071.6</b>	<b>0.0</b>
<b>Increase</b>	<b>0.0</b>	<b>738.4</b>
- from profit	0.0	0.0
- capital contributions	0.0	0.0
- capital increase during registration	0.0	738.4
<b>Decrease</b>	<b>0.0</b>	<b>0.0</b>
- capital registration	0.0	0.0
- dividend payments	0.0	0.0
- refunds of capital contributions	0.0	0.0
- others	0.0	0.0
<b>Balance at the end of the period</b>	<b>4,071.6</b>	<b>738.4</b>

On January 27, 2022, an increase in the company's equity was registered in the amount of:

- EUR 21,705.00 (PLN 99,830) as part of the issue of series G share,
- EUR 282.65 (PLN 1,300) as part of the issue of series J shares,

On May 27, 2022, an increase in the Company's equity in the amount of EUR 2,319 (PLN 10,670) as part of the issue of series H shares was registered.

The surplus of the issue value over the nominal value is transferred to the supplementary capital.

## 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

(in EUR)	31.12.2021	31.12.2020
Provision for deferred tax	1,105.36	0.00
<b>Total</b>	<b>1,105.36</b>	<b>0.00</b>

<sup>1</sup> State based on the best knowledge of the Company

### 1.13.2 Provision for retirement and similar benefits

(in 000 Euro)	Retirement severance pay	Reserve for unused holiday entitlement	Other provisions	Total
<b>Balance at the beginning of the period</b>	<b>0.0</b>	<b>5.8</b>	<b>0.0</b>	<b>5.8</b>
Increase	0.0	12.7	0.0	12.7
Utilization	0.0	0.0	0.0	0.0
Reversal	0.0	5.8	0.0	5.8
<b>Balance at the end of the period</b>	<b>0.0</b>	<b>12.7</b>	<b>0.0</b>	<b>12.7</b>
including:				
- long term	0.0	0.0	0.0	0.0
- short terms	0.0	12.7	0.0	12.7

### 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
<b>Balance at the beginning of the period</b>	<b>38.8</b>	<b>38.8</b>
Increase	80.4	80.4
Use	9.1	9.1
Reversal	44.2	44.2
<b>Balance at the end of the period</b>	<b>65.9</b>	<b>65.9</b>

Other provisions are provisions for expenses that relate to 2021 but will be invoiced in the next months.

## 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

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

### 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)	31/12/2021	31/12/2020
- up to 12 months	0,0	0,0
- over 12 months	0,0	0,0
<b>Trade liabilities</b>	<b>0,0</b>	<b>0,0</b>
- loans	0,0	0,0
- purchase if QuarticON(Shanghai) Company Ltd. shares	0,0	56,6
- purchase if QuarticON(England) Ltd. shares	1,1	1,1
<b>Other liabilities</b>	<b>1,1</b>	<b>57,6</b>
	<b>1,1</b>	<b>57,6</b>

### 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)	31/12/2021	31/12/2020
<b>Credits and loans</b>	<b>173.3</b>	<b>302.1</b>
<b>from the issue of the debt securities</b>	<b>0.0</b>	<b>0.0</b>
<b>Other financial liabilities</b>	<b>0.0</b>	<b>0.0</b>
- up to 12 months	357.2	169.4
- over 12 months	0.0	0.0
<b>Trade liabilities</b>	<b>357.2</b>	<b>169.4</b>
<b>Received advances for deliveries</b>	<b>0.0</b>	<b>0.0</b>
<b>Bill of exchange liabilities</b>	<b>0.0</b>	<b>0.0</b>
- VAT liabilities	0.0	0.5
- Corporate income tax liabilities	0.0	0.0
- Personal income tax liabilities	11.9	20.5
- social and health insurance liabilities	29.8	46.4
- PFRON liabilities	0.0	0.0
- other benefit liabilities	0.0	0.0
<b>Liabilities from taxes, customs, social and health insurance and benefits and other public and legal liabilities</b>	<b>41.7</b>	<b>67.4</b>
<b>Salary liabilities</b>	<b>15.8</b>	<b>0.2</b>
- deposits	0.0	0.0
- other settlements with employees	0.0	0.0
- other settlements with partners	0.0	0.0
<b>Other liabilities</b>	<b>15.6</b>	<b>0.0</b>
<b>State of liabilities</b>	<b>603.7</b>	<b>539.1</b>

The personal income tax liability, social and health insurance liability were fully paid in February 2022.

## 1.16 Other accruals

### 1.16.1 Other long-term accruals

None.

### 1.16.2 Other short-term accruals

(in 000 Euro)	31/12/2021	31/12/2020
- deferred income	36.5	19.4
- accrued expenses	0.9	0.0
<b>Total</b>	<b>37.4</b>	<b>19.4</b>

## 1.17 Liabilities secured against Company assets

Lender	Method of securing the loan	Loan amount (in EUR)
- Kamil Cisko	collateral agreement	16,806.54
- Przemysław Wyborski	blanc bill	15,762.93
- Michał Giera	voluntary submission to enforcement	32,612.95

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

As at 31 December 2021 and 31 December 2020, the Company had no substantial contingent liabilities, including substantial guarantees and pledges, except for the securities listed in point 1.17.

## 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)	31/12/2021	31/12/2020
- long-term credits	0.0	0.0
- short-term credits	27.2	36.0
<b>Credits</b>	<b>27.2</b>	<b>36.0</b>
- long-term loans	0.0	364.0
- short-term loans	146.1	266.1
<b>Loans</b>	<b>146.1</b>	<b>630.2</b>
<b>Total</b>	<b>173.3</b>	<b>666.1</b>

## 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)	2021	2020
<b>Revenues from the sale of services</b>	<b>918.9</b>	<b>899.1</b>
- in Poland	611.9	594.0
- export	306.9	305.2
<b>Revenues from the sale of goods and materials</b>	<b>0.0</b>	<b>0.0</b>
<b>Total revenue from the sale of products, goods and materials</b>	<b>918.9</b>	<b>899.1</b>

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

(in 000 Euro)	2021	2020
<b>Revenues from the sale of services</b>	<b>919.0</b>	<b>899.1</b>
Recommendation Engine	613.8	696.4
Marketing Automation	91.7	29.2
Packages	84.8	105.8
Implementations services	30.7	26.2
AI Smart Search	93.0	25.9
Other	5.0	15.5
<b>Revenues from the sale of goods and materials</b>	<b>0.0</b>	<b>0.0</b>
<b>Total revenue from the sale of products, goods and materials</b>	<b>919.0</b>	<b>899.1</b>

### 1.21 Other operating revenue

(in 000 Euro)	2021	2020
- profit from the sale of fixed assets	0.1	0.4
<b>Profit from the outflow of non-financial fixed assets</b>	<b>0.1</b>	<b>0.4</b>
- received subsidies	0.0	0.0
<b>Subsidies</b>	<b>0.0</b>	<b>0.0</b>
<b>Revaluation of non-financial assets</b>	<b>0.0</b>	<b>3.1</b>
- writing off capital liabilities	56.8	0.0
- reimbursement of the court fee	0.0	0.9
- VAT rounding	0.1	0.0
- commission for affiliations	0.2	0.0
- write-down of outdated settlements	1.9	4.6
- currency exchange revenue	0.0	0.0
- recovery costs	0.0	0.5
- cancelled ZUS contributions under the Anti-Crisis Shield	0.0	13.0
- other (less than 10% of the total value)	0.1	0.2
<b>Other operating income</b>	<b>59.1</b>	<b>19.2</b>
	<b>59.2</b>	<b>22.6</b>

## 1.22 Other operating costs

(in 000 Euro)	2021	2020
- loss on the sale of fixed assets	0.0	0.0
<b>Loss on the outflow of non-financial fixed assets</b>	<b>0.0</b>	<b>0.0</b>
- write-down of receivables	0.4	10.2
write-down of R&D (development works)	100.9	0.0
<b>- Write- down of the investment costs</b>	<b>101.3</b>	<b>10.2</b>
- correction of social benefits (ZUS)	0.0	0.0
- redemption of receivables	0.0	1.5
- write-down of outdated settlements	4.8	4.8
- Other	1.2	2.0
<b>Other operating costs</b>	<b>6.1</b>	<b>8.2</b>
	<b>107.4</b>	<b>18.4</b>

## 1.23 Financial revenues

(in 000 Euro)	2021	2020
<b>Dividends and shares in profits</b>	<b>0.0</b>	<b>0.0</b>
<b>Interest, including:</b>	<b>0.1</b>	<b>0.0</b>
- interest on loans granted	0.0	0.0
- on assets on bank accounts	0.1	0.0
-other interest	0.0	0.0
<b>Profit from the outflow of financial assets</b>	<b>0.0</b>	<b>0.0</b>
<b>Revaluation of financial assets</b>	<b>0.0</b>	<b>0.0</b>
<b>Other, including:</b>	<b>0.0</b>	<b>6.1</b>
- realised foreign exchange gains	0.0	10.5
- unrealised foreign exchange gains	0.0	2.2
- realised foreign exchange losses	0.0	-7.7
- unrealised foreign exchange gains	0.0	1.2
<b>Total</b>	<b>0.1</b>	<b>6.2</b>

## 1.24 Financial costs

(in 000 Euro)	2021	2020
<b>Interest, including:</b>	<b>42.5</b>	<b>43.2</b>
- on received loans and credits	36.5	42.9
- budget interest	6.0	0.1
- other interests	0.0	0.0
- interest on contractors	0.0	0.2
<b>Loss on the outflow of financial assets</b>	<b>0.0</b>	<b>0.0</b>
<b>evaluation of financial assets</b>	<b>0.0</b>	<b>0.0</b>
<b>Other, including:</b>	<b>22.2</b>	<b>10.0</b>
- realised negative differences on exchange	11.0	0.0
- not realised negative differences on exchange	5.8	0.0
- realised positive differences on exchange	-5.7	0.0
- not realised positive differences on exchange	2.0	0.0
- commission for the extension and granting loans	3.3	7.8
- factoring costs	5.6	2.2
- other (less than 10% of the total value)	0.3	0.0
<b>Total</b>	<b>64.7</b>	<b>53.2</b>

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

(in '000 Euro)	2021	2020
<b>Gross profit (loss)</b>	<b>-817.8</b>	<b>-670.8</b>
<b>Non-tax revenue (-)</b>	<b>-2.0</b>	<b>20.0</b>
- positive exchange rate differences in balance sheet valuation	-2.0	2.2
- revaluation of non-financial assets	0.0	3.1
- reversal of write-downs	0.0	1.7
- reversal of provisions	0.0	0.0
- balance-sheet revenue, tax revenue 2016 (fundamental error correction)	0.0	13.0
- others	0.0	0.0
<b>Tax revenue not entered in the books of accounts (+)</b>	<b>18.4</b>	<b>6.0</b>
deferred and accrued revenues	18.4	6.0
<b>Revenue carried forward as tax revenue in the current year (+)</b>	<b>0.0</b>	<b>0.0</b>
<b>Tax costs not entered in the books of accounts (-)</b>	<b>498.3</b>	<b>529.3</b>
- tax depreciation	498.3	529.3
<b>Costs carried forward as deductible costs in the current year (-)</b>	<b>22.3</b>	<b>10.7</b>
- payroll, social insurance	7.8	0.6
- paid interest on loans and bonds	1.0	10.1
- writing down receivables with probable irrecoverability covered by a write-down in previous years	13.5	0.0
<b>Non-deductible costs</b>	<b>726.3</b>	<b>636.0</b>
- representation	0.7	0.0
- charge-off of time-barred amounts	4.8	3.2
- interest on loans and bonds	35.3	38.0
- revaluation of non-financial assets	101.3	10.2
- provisions for paid costs	34.2	6.6
- write-downs of receivables and intangible assets	0.0	0.0
- unrealised foreign exchange losses	5.8	-1.2
- accounting depreciation	499.7	532.5
- budget interest	6.0	0.1
- payroll, social insurance	19.1	25.6
- VAT (non-deductible costs)	0.0	0.0
- reversal of provisions	3.3	5.2
- insurance policy of management board members	4.2	0.0
- expenditure financed by NCBiR	10.4	0.0
- other non-deductible costs	1.6	15.8
<b>Income/Loss</b>	<b>-591.7</b>	<b>-588.9</b>
<b>Income deduction</b>	<b>0</b>	<b>0</b>
<b>Tax basis</b>	<b>-591.70</b>	<b>-588.87</b>
Income tax rate	19%	19%
<b>Financial year income tax</b>	<b>0</b>	<b>0</b>

## 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 167,616 (PLN 770,935) in the reported financial year and EUR 257,550 (PLN 1,188,540) in the previous financial year. In the next year the Company is planning to spend about EUR 108,709 (PLN 500,000) 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

On December 28, 2021, the Company received confirmation of the signing by the National Center for Research and Development of an agreement for co-financing the Company's project "Development of advanced algorithms and artificial intelligence methods in the field of analysis and modelling of fashion styles in the form of a self-learning system of recommendations and compositions of fashion styling from individual garments. on the basis of given style patterns ". The total budget of the project is EUR 1,369,744 (PLN 6.3 million), and the co-financing from EU funds has been set at EUR 1,021,872 (PLN 4.7 million). The company started the project at the beginning of November this year. The cost eligibility period for the project started on November 1, 2021 and will end on September 30, 2023. The Company undertook to ensure the durability of the project for a period of 3 years from the date of its completion.

### 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	2021	2020
Management Board	2.0	2.0
Employees	11.8	11.7
<b>Total</b>	<b>13.8</b>	<b>13.7</b>

### 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 99,072 (previous year: EUR 94,479).

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 3,500 (PLN 16,100).

## **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. 2021, 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 December 2021, the company launched a new MA project - Active Campaigne, the value of works at the end of the financial year was EUR 3,181 (PLN 14,634), this value is included in the differences.

The rest of the research and development work undertaken in 2021 was transferred to intangible assets due to their completion.

### **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 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. At the end of 2021, the revenues and costs amounted 0 GBP. 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, which continued in 2021, had an impact on the national and European economies. The company's management considers such a situation to be a non-adjusting event in the financial statements for 2021, but an event requiring additional disclosure. The Management will continue to monitor the potential impact and will take all reasonable steps to mitigate any negative effects on the entity.

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 EUR 5,435 (PLN 25,000.00) by issuing no more than 250,000 new shares of the Company of subsequent series (target capital).

On December 13 2021, subsequent resolutions were adopted authorizing an increase in the share capital by issuing:

- EUR 21,705 (PLN 99,830) as part of the issue of series G share,
- no more than EUR 54,354 (PLN 250,000) series H shares,
- no more than EUR 108,709 (PLN 500,000) series H shares.

The issue of series G shares was intended for the conversion of debt to the strategic investor, the Venture FIZ fund, and the issue of series H (took place in the 1st quarter of 2022) for the German fund ACATIS.

#### **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 73,756 (PLN 339,234). 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 2021, while the large diversification of recipients reduces the risk. In addition, in 2021 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 13,526 (PLN 62,213). 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 15,916 (PLN 73,204) (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 56,750 (PLN 261,016) has been covered by a 100% write-off of EUR 56,750 (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.

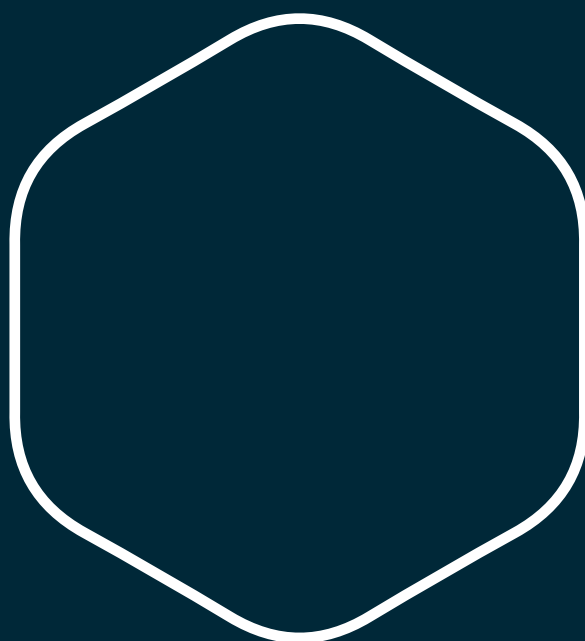
3) Financial liabilities category:

As at balance sheet date, the Company has a few loans for the total amount of EUR 141,473 (PLN 650,693).

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](mailto:contact@quarticon.com)
- 🌐 [www.quarticon.com](http://www.quarticon.com)

