



QuarticOn S.A.

QUARTERLY REPORT

2nd Quarter of 2022

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1 Management Board's Commentary

Ladies and Gentlemen,

The second quarter of this year is, sadly, the period of the war in Ukraine. The effects of the war and the ongoing instability of the geopolitical situation have an impact on our customers and indirectly on ourselves. Despite the dramatic reports from Ukraine, we make every effort to ensure that the effects of the war have as little impact on our business as possible.

In the period in question, we focused our efforts on implementing the “AI Fashion Stylist” project and filling our sales funnel. The latter is already delivering results: „new sales” (sales from the first new invoice to a new client, or for a new product, including a set-up fee) in Q2 2022 amounted to EUR 7.9k, up by EUR 3.2k relative to the previous quarter. While this performance is not one to fully satisfy us yet, it is important that we can see the interest in our services grow in a major fashion, as reflected by the increasing number of commercial meetings held and proposals sent. Of course, as usual, the summer period has been a bit slower for all our processes, even those initiated earlier, but we are seeing some positive change.

Our sales have faced some temporary difficulties associated with the prolonged e-store revamp being carried out by our key client, resulting in the lack of invoices for the last months and consequently, in lower sales from a quarter-to-quarter perspective. Luckily, everything has been going back to normal in August of this year.

Meanwhile, our “AI Fashion Stylist” has been taking shape: the ML/AI algorithms have already come up with the first outfits. Of course, the results are still rough around the edges, but this is the first “tangible” outcome delivered by this innovative technology. In the last months we also launched a marketing campaign to create broader awareness of this project. Still, we are yet to face the biggest challenges – we will discuss them in more detail in the “AI Fashion Stylist Project” section below.

As you can see, the second quarter saw us work more “behind the scenes”, and while not readily noticeable, these efforts are essential for our day to day business. We expect that with the scale of commercial talks continuing to grow, we will see more tangible outcomes in Q3 2022, and the intensive work on the “AI Fashion Stylist” should make it possible for us to carry out real-life tests of the first (demo) version of our product before the end of this year.

Management Board of QuarticOn S.A.



Paweł Wyborski

Founder
President of the Management Board



Michał Giergielewicz

Member of the Board

2 Financial results

Despite a temporary decrease in revenue, attributable mainly to the aforementioned lack of invoices for one of our key clients, our current EBITDA (based on sales profit, excluding the “AI Fashion Stylist” project) figure is similar to the one recorded in the previous quarter, i.e. EUR -53.1k vs EUR -48.8k, attributable to the lower costs in this segment (costs of outsourced services).

“AI Fashion Stylist” project

Works on the “AI Fashion Stylist” project had reached an advanced stage, which is why the costs were much higher than in the previous quarter. About 50 percent of the costs were those associated with the project personnel (largely AI experts and software developers). The remainder is mainly hosting services and, to a small extent, consulting services. At this stage of the project (industrial testing), cost levels should remain stable. In Q2 2022, the Company has accounted for two advance payments received for project financing, and these payments were recognised under “grants” in other operating revenues, having a positive impact on EBIT and net profit.

Selected data from Profit and loss statement

‘000 Euro

Profit and loss statement	IIQ 2021	IQ 2022	IQ 2022	IIQ 2022 vs IIQ 2021	II 2022 vs IQ 2021
Net revenue from sales	235.5	214.2	198.3	-37.2	-15.9
Operating expenses excl. depreciation & amortization And “AI Fashion Stylist”	-290.6	-263.0	-251.6	38.9	11.4
EBITDA (based on result on sale, excluding “AI Fashion Stylist”)	-55.1	-48.8	-53.3	1.7	-4.5
“AI Fashion Stylist” expenses	0.0	-64.1	-129.4	-129.4	-65.3
EBITDA (based on result on sales)*	-55.1	-112.9	-182.8	-127.7	-69.9
EBIT (operating result)	-185.6	-227.8	-216.6	-31.0	11.2
Net result	-197.8	-230.7	-222.7	-24.9	7.9

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

Operating expenses

‘000 Euro

	IQ 2022	IIQ 2022	IIQ 2022 vs IQ 2022
Operating expenses excl. depreciation & amort. and "AI Fashion Stylist" project	-263.0	-251.6	-11.4
Payroll, Social security and other benefit	-89.0	-91.6	2.6
External services	-166.9	-153.1	-13.8
Others	-7.1	-7.0	-0.1
Operating expenses of "AI Fashion Stylist" project	-64.1	-129.4	65.3
Payroll, Social security and other benefit	-52.3	-63.6	11.3
External services	-11.8	-65.9	54.0
Others	0.0	0.0	0.0
Amortisation and depreciation	-114.2	-113.4	-0.8
Operating expenses (Item B in profit and loss account)	-441.3	-494.5	53.1

Selected data from the balance sheet and cash flow statement

‘000 Euro

Balance sheet	As of 30.06.2022	As of 30.06.2021
Fixed assets	873.8	1 320.0
- including intangible and legal assets	870.8	1 316.9
Current assets	275.5	243.3
- including short-term investments (excl. overdraft)	21.9	6.9
Total Assets	1 149.3	1 563.3
Equity	351.5	312.8
Liabilities and provisions for liabilities	797.8	1 250.5
- including short term liabilities	569.0	748.6
Total Liabilities	1 149.3	1 563.3

‘000 Euro

Cash Flow	Cum 2022	Cum 2021
Net profit (loss)	-452.0	-373.3
Net cash flow from operating activities	-128.6	91.7
Net cash flow from financial activities	180.8	-10.5
Cash closing balance	21.9	6.9

3 Key events in 1st quarter of 2022

3.1 Polish market (67%) and foreign markets (33%)

War in Ukraine continued to be the one of the factor for sales results in Q2 2022. With the business being closed or substantially limited for our clients on this market, their financial results suffered accordingly. And it was virtually impossible for them to find alternative sales options within the short span of several months. The Company experienced the consequences of this market unrest by having to suspend or slow down commercial talks until around mid-May.

What is positive amidst these developments is that the comprehensive offering built on the CDXP platform has, in spite all of the challenges, been receiving good feedback from our potential clients – by the end of May, we had secured two times more sales leads than in the corresponding period of 2021. The system offered by QuarticOn has been getting positive feedback from clients, mainly owing to its versatility and universality (e.g. see the comparison of Marketing Automation systems on one of industry portals: <https://convertis.pl/ranking/przewodnik-po-marketing-automation/#tabelaRanking>). The ranking provides a fairly accurate picture of why our CDXP platform is unique, focusing mainly on the Marketing Automation area without discussing other elements, such as search engines, social media automation and other features that do very well against competitors.

At the time this report is published, the Company assumes that the increased rate at which new clients have been secured will translate into more contracts being signed in Q3 2022.

3.2 Marketing and customer success

For the Marketing Department, the second quarter of 2022 was marked by continued efforts to promote CDXP, as well as the launch of the marketing campaign for the “AI Fashion Stylist” project con-financed by the National Centre for Research and Development.

The following has been achieved as part of CDXP promotional efforts:

- an incentive scheme was implemented (Amazon gift cards) for users submitting their reviews on Capterra, including a dedicated mailing campaign that helped us to get additional reviews;
- a free webinar was designed, promoted and carried out for individuals interested in Marketing Automation; several dozen potential leads were secured and a nurturing campaign was carried out (the existing communications plan expects the campaign to close at the end of August);

- a LinkedIn campaign was conceived in terms of graphics and contents, drawing in 54 new followers of the Company's page on LinkedIn;
- a new CDXP section at the Help Centre was launched and more than 20 articles on automation, CRM and email authentication were written;

The following was carried out as part of the "AI Fashion Stylist" project:

- a promotion budget was set up with the primary objective of supporting measures to broaden the e-commerce industry's awareness of our upcoming innovative solution called "AI Fashion Stylist"
- partnerships were established with strategic media players on the e-commerce and online marketing market to further our promotional efforts;
- a sponsored interview with the Company's CEO, Paweł Wyborski, was published on InnPoland, reaching 8,792 unique users; link to the interview: <https://innpoland.pl/179191,ai-stylista-modowy-pawel-wyborski-z-quarticon-o-przyszlosci-branzy-modowej>.

Further budget- and project-related activities will be carried out in upcoming quarters.

Moreover, the Marketing Department's day-to-day activities included maintaining regular communication with clients (social media and direct newsletter), supporting the Sales Department, updating and preparing visual and technical materials for clients (Help Centre zone).

3.3 IT and products

Due to the heavy workload associated with deployments for new clients, development works in Q2 2022 were limited to SmartSearch and to the implementation of a feature that provides the user with an option to add product catalogue from the Client Panel. Furthermore, in the Client Panel, an option was added to allow users to download reports for all phrases bringing no search results.

For individual product lines the sizes are as follows:

	Q2 2022	% ¹
Smart Search searches:	49.3 million	+22.6 %
Frames view in Reko:	418.0 million	-35.0 %
Mailing - Marketing Automation:	24.2 million	-17.9 %

¹ In comparison to previous quarter

3.4 Subscriptions and churn¹

In the second quarter of 2022, the Company generated sales thanks to 257 subscriptions (monthly average), with an average price of EUR 232 (PLN 1.09k) per subscription. The churn rate in the second quarter of 2022 was 2.6% and was higher than in the previous periods, mainly due to the termination of long-term contracts with several clients.

3.5 EU financing projects

The Company is now past the first stage of industrial testing, which was aimed at developing AI methods to model “AI Fashion Stylist” behaviours. In effect, a prototype was built with the taught ability to put together individual items of clothing to create coherent outfits according to pre-defined rules. Deep neural networks and metric learning were employed to facilitate learning based on a large set of photos depicting outfits with coherent style patterns. Following the learning process, numerous experiments and measurements were ran, demonstrating that the model was effective (first algorithm-created outfits).

In the next stage, a number of methods will be devised to allow the “AI Fashion Stylist” to provide customised advice on how to put together coherent outfits from items of clothing available at online stores. Another very important characteristic of the algorithm is its ability to automate the work of the “AI Fashion Stylist” in an online clothing store that puts together complete outfits (“Buy the look”). To ensure our solution is up to standard, we are planning to conduct test deployments and perform impact analyses of the “Stylist” to measure how it influences user choices and e-store sales.

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

4 Information on the Company's subsidiaries

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

The remaining 50% of the capital share in the above-mentioned the company is vested in Wan Sheng Asia Ltd based in Road Town in the British Virgin Islands. The company's initial capital was set at 118 thousand Euro. The value of liabilities and assets is also EUR 118k. Neither party paid the relevant shares and the Company did not start its activities. Therefore, the revenues and costs of the above-mentioned the companies at the end of the second quarter of 2022 amounted to EUR 0.

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

As at the date of the report, QuarticOn Ltd. did not increase its operating activities. The revenues and costs of which at the end of the second of 2022 amounted to GBP 0. The company's liabilities and assets are £ 520.

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



5 Information on the Company's shareholder structure

Based on the best knowledge of the Company, the share the shareholding structure of QuarticOn S.A. as of the date of publication of this report, on August 16, 2022, it is as follows:

Shareholder	Number of stocks*	Share
Venture FIZ	1 249 300	49.5%
CBNC Capital Solutions Ltd.	180 000	7.1%
Paweł Wyborski	185 719	7.4%
Q Free Trading Limited	123 500	4.9%
ACATIS Investment KVG mbH	240 800	9.5%
Others **	542 981	21.5%
Total	2 522 300	100.0%

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

** including key employees (ESOP)

On May 27, 2022, the District Court for the Capital City of Warsaw, in Warsaw, 12th Commercial Division of the National Court Register, registered the increase of the Company's share capital by the Extraordinary General Meeting on December 13, 2021 to the amount of PLN 252,230.00 therefore, as at the date of publication of this current report, the total number of votes resulting from all issued shares by the Company is 2,522,300.

6 Information on the number of persons employed

At the end of August 2022, the Company employed or cooperated with 25.27 persons (counted on a full-time basis) including those having a contract of employment, contract of mandate or those with B2B contracts.

7 Forecasts of financial results

The company did not published forecasts of financial results for year 2022.



8 Definition and indicators explanation

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

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



9 Shortened financial statement

9.1 Introduction

Basic information for the company

Name of the company: QuarticOn Spółka Akcyjna

Seat: Warsaw, Poland

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

Incorporation date Notarial deed 13.05.2011

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

Polish Taxpayer Identification Number: NIP: 5213608082

Polish Business Registry Number: REGON: 142977414

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

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

This quarterly report of QuarticOn S.A. was drawn up in accordance with the requirements of § 5 sec. 1 point 1 of Annex 3 to the Alternative Trading System Regulations - "Current and periodic information provided in the alternative trading system on the NewConnect market" in connection with the provisions of § 5 subparagraph 3 and sec. 4.1 and 4.2. The financial data presented in this quarterly report of the Company includes data for the period from April 1st to June 30, 2022 and comparative data for the same period of the previous year. The balance sheet data is presented as at June 30, 2022, and the comparative data as at June 30, 2021.

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

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

- 2nd Quarter of 2022: 1 EUR = 4.6806 PLN (zł),
- 2nd Quarter of 2021: 1 EUR = 4.5208 PLN (zł),
- 1st Quarter of 2022: 1 EUR = 4.6525 PLN (zł),

9.2 Balance sheet

Assets

'000 Euro

Items		As of 30.06.2022	As of 30.06.2021
A.	Fixed assets	873.8	1 320.0
I.	Intangible and legal assets	870.8	1 316.9
1.	R&D expenses	870.8	1 316.9
2.	Goodwill	0,0	0,0
3.	Other intangible assets	0,0	0,0
4.	Advances for intangible assets	0,0	0,0
II.	Tangible fixed assets	0.9	2.0
1.	Tangible fixed assets in use	0.9	2.0
	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	0.9	2.0
	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
III.	Long-term receivables	0.0	0.0
1.	From related parties	0.0	0.0
2.	From other parties, in which the company holds capital commitment	0.0	0.0
3.	From other parties	0.0	0.0
IV.	Long-term investments	1.1	1.1
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 30.06.2022	As of 30.06.2021
3.	Long-term financial assets	1.1	1.1
	a) in related parties	1.1	1.1
	b) in other parties, in which the company holds capital commitment	0.0	0.0
	c) in other parties	0.0	0.0
4.	Other long-term investments	0.0	0.0
V.	Long-term prepayments	1.1	0.0
1.	Deferred tax assets	1.1	0.0
2.	Other prepayments	0.0	0.0
B.	Current assets	275.5	243.3
I.	Inventory	0.0	0.0
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.0	0.0
II.	Short-term receivables	158.5	134.3
1.	Receivables from related parties	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
2.	Receivables from other entities in which the company holds capital commitment	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
3.	Receivables from other entities	158.5	134.3
	a) trade receivables, maturing:	83.4	80.4
	- up to 12 months	83.4	80.4
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	43.3	21.6
	c) other	31.8	32.4
	d) claimed at court	0.0	0.0
III.	Short-term investments	21.9	6.9
1.	Short-term financial assets	21.9	6.9
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	21.9	6.9
2.	Other short-term investments	0.0	0.0
IV.	Short-term prepayments	95.1	102.1
C.	Called up share capital not paid	0.0	0.0
D.	Own shares (stocks)	0.0	0.0
Total Assets		1 149.3	1 563.3

Equity and liabilities

‘000 Euro

Items		As of 30.06.2022	As of 30.06.2021
A.	EQUITY	351.5	312.8
I.	Share capital	53.9	31.1
II.	Supplementary capital, including	4 857.2	4 142.4
	- share (stock) premium	4 857.2	4 142.4
III.	Revaluation reserve, including:	0.0	0.0
IV.	Other reserve capitals	64.3	0.0
V.	Profit (loss) from previous years	-4 172.0	-3 487.4
VI.	Nett profit (loss)	-452.0	-373.3
VII.	Write-off on net profit during the financial year (negative value)	0.0	0.0
B.	Liabilities and provisions for liabilities	797.8	1 250.5
I.	Provisions for liabilities	109.6	51.1
1.	Provision for deferred income tax	1.1	0.0
2.	Provision for retirement and similar benefits	12.5	5.9
	- long-term	0.0	0.0
	- short-term	12.5	5.9
3.	Other provisions	96.0	45.2
	- long-term	0.0	0.0
	- short-term	96.0	45.2
II.	Long-term liabilities	0.0	384.9
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	384.9
	a) credits and loans	0.0	384.9
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) liabilities on bills of exchange	0.0	0.0
III.	Short-term liabilities	569.0	748.6
1.	To related parties	1.1	58.8
	a) trade liabilities, maturing:	0.0	0.0
	b) other	1.1	58.8
2.	To other parties in which the company holds capital commitment	0.0	0.0
	a) trade liabilities, maturing:	0.0	0.0
	b) other	0.0	0.0
3.	To other parties	567.9	689.7
	a) credits and loans	138.2	306.1
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	343.8	270.8
	- up to 12 months	343.8	270.8
	- 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	42.3	100.3
	h) payroll liabilities	20.7	12.0

Items		As of 30.06.2022	As of 30.06.2021
	i) other	22.8	0.4
4.	Special funds	0.0	0.0
IV.	Accruals	119.3	65.9
1.	Negative goodwill	0.0	0.0
2.	Other accruals	119.3	65.9
	- long-term	0.0	0.0
	- short-term	119.3	65.9
Total Liabilities		1 149.3	1 563.3

9.3 Profit and loss statement

‘000 Euro

Items		YTD 2022	Only IIQ 2022	YTD 2021	Only IIQ 2021
A.	Net revenue from sales	411.2	198.3	476.9	235.5
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	411.2	198.3	476.9	235.5
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0.0	0.0	0.0	0.0
III.	Costs of manufacturing products for internal purposes	0.0	0.0	0.0	0.0
IV.	Net revenue from sales of goods and materials	0.0	0.0	0.0	0.0
B.	Operating expenses	933.1	494.5	824.0	420.9
I.	Amortisation and depreciation	226.9	113.4	262.1	130.4
II.	Consumption of materials and energy	3.5	1.8	2.4	1.1
III.	External services	396.6	218.9	336.9	172.5
IV.	Taxes and charges, including:	4.0	1.8	6.7	3.4
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	258.2	135.2	184.3	95.2
VI.	Social security and other benefits, including:	37.4	20.0	24.8	13.0
	- retirement benefits	17.9	10.4	14.1	7.4
VII.	Other prime costs	6.6	3.4	6.8	5.4
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
C.	Profit (loss) on sales (A - B)	-521.9	-296.2	-347.1	-185.5
D.	Other operating revenues	80.4	80.3	0.3	0.1
I.	Gain on disposal of non-financial fixed assets	0.3	0.2	0.0	0.0
II.	Subsidies	80.0	80.0	0.0	0.0
III.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
IV.	Other operating revenues	0.0	0.2	0.3	0.1
E.	Other operating expenses	1.5	0.7	0.4	0.2
I.	Loss on disposal of non-financial fixed assets	0.0	0.0	0.0	0.0
II.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
III.	Other operating expenses	1.5	0.7	0.4	0.2
F.	Profit (loss) on operating activities (C+D-E)	-443.0	-216.6	-347.2	-185.6
G.	Financial revenues	1.0	1.0	0.0	0.7

Items		YTD 2022	Only IIQ 2022	YTD 2021	Only IIQ 2021
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	1.0	1.0	0.0	0.0
	- from related parties	0.0	0.0	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0	0.0	0.0
	- in related parties	0.0	0.0	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0	0.0	0.0
V.	Other	0.0	0.0	0.0	0.0
H.	Financial expenses	10.0	7.1	26.1	12.9
I.	Interest, including:	3.7	2.4	22.5	10.8
	- for related parties	0.0	0.0	0.0	0.0
II.	Loss on disposal of financial assets, including:	0.0	0.0	0.0	0.0
	- for related parties	0.0	0.0	0.0	0.0
III.	Revaluation of financial assets	0.0	0.0	0.0	0.0
IV.	Other	6.3	4.7	3.6	2.0
I.	Gross profit (loss) (F+G-H)	-452.0	-222.7	-373.3	-197.8
J.	Income tax	0.0	0.0	0.0	0.0
K.	Other statutory reductions in profit (increases in loss)	0.0	0.0	0.0	0.0
L.	Net profit (loss) (I-J-K)	-452.0	-222.7	-373.3	-197.8

9.4 Cash flow statement

‘000 Euro

Items		YTD 2022	Only IIQ 2022	YTD 2021	Only IIQ 2021
A.	A. Cash flow from operating activities - indirect method				
I.	I. Net profit (loss)	-452.0	-222.7	-373.3	-197.8
II.	II. Total adjustments	323.4	228.6	465.0	223.6
1.	Amortisation and depreciation	226.9	113.4	262.1	130.4
2.	Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
3.	Interest and profit sharing (dividend)	5.9	3.7	21.5	10.7
4.	Profit (loss) on investment activities	-0.3	-0.2	0.0	0.0
5.	Change in provisions	31.3	8.8	5.7	1.1
6.	Changes in inventory	0.0	0.0	0.0	0.0
7.	Change in the balance of receivables	-18.8	-11.6	-11.9	-3.0
8.	Change in short-term liabilities excluding credits and loans	6.8	110.7	141.6	110.9
9.	Change in prepayments and accruals	71.7	3.8	45.9	-26.5
10.	Other adjustments	0.0	0.0	0.0	0.0
III.	III. Net cash flow from operating activities (I+/-II)	-128.6	5.9	91.7	25.8
B.	B. Cash flows from investment activities	0.0	0.0	0.0	0.0
I.	I. Inflows	0.3	0.2	0.0	0.0
1.	Disposal of intangible and legal assets, tangible fixed assets	0.3	0.2	0.0	0.0
2.	Disposal of investments in real property and in intangible and legal assets	0.0	0.0	0.0	0.0
3.	From financial assets, including:	0.0	0.0	0.0	0.0
	a) in related parties	0.0	0.0	0.0	0.0

Items		YTD 2022	Only IIQ 2022	YTD 2021	Only IIQ 2021
	b) in other parties	0.0	0.0	0.0	0.0
	- disposal of financial assets	0.0	0.0	0.0	0.0
	- dividends and profit sharing	0.0	0.0	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0	0.0	0.0
	- interest	0.0	0.0	0.0	0.0
4.	Other inflow from investment activities	0.0	0.0	0.0	0.0
II.	II. Outflows	46.3	17.6	87.4	47.9
1.	Purchase of intangible and legal assets, tangible fixed assets	46.3	17.6	87.4	47.9
2.	Investment in real property, intangible and legal assets	0.0	0.0	0.0	0.0
3.	For financial assets, including:	0.0	0.0	0.0	0.0
4.	Other outflows from investment activities	0.0	0.0	0.0	0.0
III.	III. Net cash flows from investment activities (I-II)	-45.9	-17.4	-87.4	-47.9
C.	C. Cash flows from financial activities	0.0	0.0	0.0	0.0
I.	I. Inflows	226.7	0.3	24.1	1.6
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	218.8	0.0	0.0	0.0
2.	Credits and loans	7.9	0.3	24.1	1.6
3.	Issuance of debt securities	0.0	0.0	0.0	0.0
4.	Other inflows from financial activities	0.0	0.0	0.0	0.0
II.	II. Outflows	45.9	7.2	34.6	0.0
1.	Purchase of own shares (stocks)	0.0	0.0	0.0	0.0
2.	Dividend and payments to stockholders	0.0	0.0	0.0	0.0
3.	Profit distribution liabilities other than profit distribution payments to stockholders	0.0	0.0	0.0	0.0
4.	Repayment of credits and loans	41.7	4.3	33.2	0.0
5.	Redemption of debt securities	0.0	0.0	0.0	0.0
6.	Payment of other financial liabilities	0.0	0.0	0.0	0.0
7.	Payment of liabilities arising from financial leases	0.0	0.0	0.0	0.0
8.	Interest	4.2	3.0	1.4	0.0
9.	Other outflows from financial activities	0.0	0.0	0.0	0.0
III.	III. Net cash flow from financial activities (I-II)	180.8	-6.9	-10.5	1.6
D.	D. Total net cash flows (A.III+/-B.III+/-C.III)	6.2	-18.5	-6.2	-20.6
E.	E. Balance sheet change in cash, including:	6.2	0.0	-6.2	-20.6
-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
F.	F. Cash opening balance	15.6	40.3	13.1	27.5
G.	G. Cash closing balance (F+/- D), including: *	21.9	21.9	6.9	6.9
-	of limited disposability	0.0	0.0	0.0	0.0

9.5 Statement of changes in equity

‘000 Euro

Items		As of 30.06.2022	As of 30.06.2021
I.	Opening balance of equity (OB)	584.6	686.1
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
I.a.	Opening balance of equity (OB) after adjustments	584.6	686.1
1.	Opening balance of share capital	30.2	31.1
	1.2. Closing balance of share capital	53.9	31.1
2.	Opening balance of called up share capital	0.0	0.0
	2.1. Changes in called up share capital	0.0	0.0
	2.2. Closing balance of called up share capital	0.0	0.0
3.	Opening balance of own shares	0.0	0.0
	3.1. Increase in own shares	0.0	0.0
	3.2. Closing balance of own shares	0.0	0.0
4.	Opening balance of supplementary capital	4 001.0	4 142.4
	4.1. Changes in supplementary capital	856.2	0.0
	4.2. Closing balance of supplementary capital	4 857.2	4 142.4
5.	Opening balance of revaluation reserve	0.0	0.0
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
6.	Opening balance of other reserve capitals	725.6	0.0
	6.1. Changes in other reserve capitals	-661.2	0.0
	6.2. Closing balance of other reserve capitals	64.3	0.0
7.	Opening balance of previous years' profit (loss)	-4 172.0	-3 487.4
	7.1. Opening balance of previous years' profit	0.0	0.0
	7.2. Opening balance of previous years' profit after reconciliation to comparable data	0.0	0.0
	7.3. Closing balance of previous years' profit	0.0	0.0
	7.4. Opening balance of previous years' loss	-4 172.0	-3 487.4
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-4 172.0	-3 487.4
	7.6. Closing balance of previous years' loss	-4 172.0	-3 487.4
	7.7. Closing balance of previous years' profit (loss)	-4 172.0	-3 487.4
8.	Net result	-452.0	-373.3
	a) net profit	0.0	0.0
	b) net loss	-452.0	-373.3
	c) write-offs on profit	0.0	0.0
II.	Closing balance of equity (CB)	351.5	312.8
III.	Equity including proposed profit distribution (loss coverage)	351.5	312.8

9.6 Additional information (2nd quarter of 2022)

Sales structure:

'000 Euro

Items	01.04.2022 - 30.06.2022	01.04.2021 - 30.06.2021
Revenue from sales of products	198.3	235.5
- in Poland	133.8	157.3
- Other countries	64.5	78.2

Investments:

'000 Euro

Items	01.04.2022 - 30.06.2022	01.04.2021 - 30.06.2021
R&D Investment Offset	-17.6	-47.9



9.7 Principles adopted for drawing up of the financial statement

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

Tangible and intangible assets

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

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

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

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

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

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

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

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

Investments

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

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

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

Receivables

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

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

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

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

Inventory

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

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

Cash and cash equivalents

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

Prepayments and accruals

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

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

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

Equity

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

Provisions for liabilities

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

These provisions are being made for:

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

Liabilities

Liabilities are being presented in the amount due.

Unearned revenue

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

Deferred income tax

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

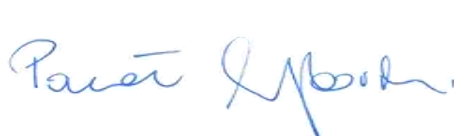
Revenue recognition

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

Costs

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

Management Board of QuarticOn S.A.



Paweł Wyborski

President of the Board



Michał Giergielewicz

Member of the Board



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