



QuarticOn S.A.

QUARTERLY REPORT

4th Quarter of 2022

Table of contents

1 Management Board’s Commentary	3
2 Financial results	5
3 Key events in 4th quarter of 2022	7
3.1 Corporate matters	7
3.2 Polish market (76%) and foreign markets (24%)	7
3.3 Marketing and customer success	9
3.4 IT and products	9
3.5 Subscriptions and churn	9
3.6 EU financing project “AI Fashion Stylist”	10
4 Information on the Company’s subsidiaries	10
5 Information on the Company’s shareholder structure.....	11
6 Information on the number of persons employed	11
7 Forecasts of financial results	11
8 Definition and indicators explanation	12
9 Shortened financial statement.....	13
9.1 Introduction.....	13
9.2 Balance sheet	14
9.3 Profit and loss statement.....	17
9.4 Cash flow statement.....	18
9.5 Statement of changes in equity	20
9.6 Additional information (4th quarter of 2022).....	21
9.7 Principles adopted for drawing up of the financial statement.....	22

1 Management Board's Commentary

Ladies and Gentlemen,

The fourth quarter of the year is traditionally the period with the highest sales throughout the year. In 2022, we ended the last quarter with a **+17% increase¹ in sales on a quarter-on-quarter basis**. It is a satisfactory result but we were expecting better revenue growth rates. The growth was interrupted by longer than expected procedures for making certain contracts which were ultimately signed at the end of the year, and will contribute to the results for Q1 2023. This also contributed to a lower than expected level of new sales (EUR 6.4k) in the previous quarter.

Nonetheless, significant changes to our sales processes have become a fact: the support from external consultants – Sellwise company – allowed us to define areas for improvement, discuss our strong points and things that we do wrong, and prepare a full range of necessary corrections and actions. Surely, it will take some time to implement the changes, but we can already observe the first positive outcomes of our efforts, for example during negotiations with our customers.

Our **AI Fashion Stylist** team members are also in a positive mood. Just to remind you that they are responsible for the development of an innovative solution based on **cutting-edge AI methods** and dedicated to online retailers operating in the fashion sector. Thanks to the solution, stores will be able to automatically manage their merchandising activities, as if a professional stylist was displaying their products on virtual shelves, and each e-shelf was tailored to the individual needs of every customer. It is a completely new generation of product recommendations engines (technologies which are widely used for the purpose in online stores). Unlike currently available solutions, the sophisticated algorithms of the AI Fashion Stylist do not need historical data (shopping history in a given store) to develop “their

¹ Based on amounts in PLN currency; for amounts converted on EUR the growth was +21,8%

knowledge” because they have been **trained on millions of photographs** from, i.a., fashion websites, to find out how individual items of clothing should be put together to form a proper outfit. It is particularly important to the fashion market, because it will allow a faster and more accurate sale of new collections and short series, for which no sufficient data has been collected yet.

AI algorithm training is a complex and time-consuming process. Although our fashion and Artificial Intelligence experts need to face new challenges (at times totally surprising ones, for example how to identify a shoe type by its ... sole), the current stage of research works is coming to an end, and we believe that all the set project objectives having been fulfilled.

As for the results, EBIDTA (excluding the AI Fashion Stylist) **was better in Q4 2022 than in the preceding quarters** and in the preceding whole year. It is similar in the case of the net result, which was better in Q4 2022 than in few consecutive previous quarters.

The beginning of 2023 marked the continued works on the comprehensive “modernisation” of commercial processes, and we are expecting to achieve positive outcomes at a wider scale in the coming months. Moreover, in Q1 2023 the works on the AI Fashion Stylist are bound to reach a further stage (development works) which will be closely related to the industry market itself, the first commercial tasks and the development of an application for the B2C sector.

Management Board of QuarticOn S.A.

Paweł Wyborski

Founder
President of the Management Board

Michał Giergielewicz

Member of the Board

2 Financial results

The increase in sales in relation to Q3 2022 and the reduction of operating costs (excluding depreciation and the AI Fashion Stylist project), allowed us to improve the EBITDA performance (from EUR -77k to EUR -2k) for our core business. Decreased costs are the effect of further optimisation of infrastructure costs and administration costs which were lower than in previous periods. In December 2022, cost provisions were reviewed: some of them were released, and new probable events were set up. On balance, the impact of operations on annual provisions improved the result by EUR 17k.

AI Fashion Stylist project itself was closed with costs at the level of EUR 169k in Q4 2022. The increase of the costs in relation to the preceding quarter mainly resulted from extending the team by an additional members (fashion, marketing and big data experts) and a one-off set-up of a provision for unused holidays and costs in the amount of EUR 12.3k.

In the last quarter of the year, the Company settled two advance payments for research works worth a total of EUR 147k (the “subsidies” item in “Other operating revenues” in P&L statement).

In the fourth quarter of 2022, the Company achieved an operating result of EUR -138k and closed the quarter with a net loss of EUR -140k (lower losses than in the previous quarter by EUR 145k and EUR 147k respectively).

Selected data from Profit and loss statement

	'000 Euro				
Profit and loss statement	IVQ 2021	IIIQ 2022	IVQ 2022	IVQ 2022 vs IVQ 2021	IV 2022 vs IIIQ 2022
Net revenue from sales	235.1	183.6	223.6	-11.6	40.0
Operating expenses excl. depreciation & amortization And “AI Fashion Stylist”	-276.9	-260.4	-225.2	51.7	35.2
EBITDA (based on result on sale, excluding “AI Fashion Stylist”)	-41.8	-76.8	-1.6	40.2	75.2
“AI Fashion Stylist” expenses	-10.4	-132.3	-168.6	-158.3	-36.3
EBITDA (based on result on sales)*	-52.2	-209.2	-170.3	-118.1	38.9
EBIT (operating result)	-213.7	-282.9	-137.8	-75.9	145.0
Net result	-240.9	-286.5	-139.8	-101.1	146.7

* 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

	IIIQ 2022	IVQ 2022	IVQ 2022 vs IIIQ 2022
Operating expenses excl. depreciation & amort. and "AI Fashion Stylist" project	-260.4	-225.2	-35.2
Payroll, Social security and other benefit	-83.8	-88.7	4.9
External services	-169.9	-128.9	41.0
Others	-6.8	-7.6	0.8
Operating expenses of "AI Fashion Stylist" project	-132.3	-168.6	36.3
Payroll, Social security and other benefit *	-76.9	-108.7	31.8
External services	-55.4	-59.9	4.4
Others	0.0	0.0	0.0
Amortisation and depreciation	-108.9	-113.1	4.2
Operating expenses (Item B in profit and loss account)	-501.7	-506.9	5.2

* including unused holiday provision in amount of EUR 9.6k

Selected data from the balance sheet and cash flow statement

‘000 Euro

Balance sheet	As of 31.12.2022	As of 31.12.2021
Fixed assets	695.2	1 120.1
- including intangible and legal assets	692.3	1 116.7
Current assets	275.1	196.7
- including short-term investments (excl. overdraft)	40.9	15.9
Total Assets	970.3	1 316.8
Equity	-94.5	594.9
Liabilities and provisions for liabilities	1 064.7	721.8
- including short term liabilities	831.4	604.8
Total Liabilities	970.3	1 316.8

‘000 Euro

Cash Flow	Cum 2022	Cum 2021
Net profit (loss)	-888.4	-817.8
Net cash flow from operating activities	-95.4	-31.1
Net cash flow from financial activities	166.7	201.7
Cash closing balance	40.9	15.9

3 Key events in 4th quarter of 2022

3.1 Corporate matters

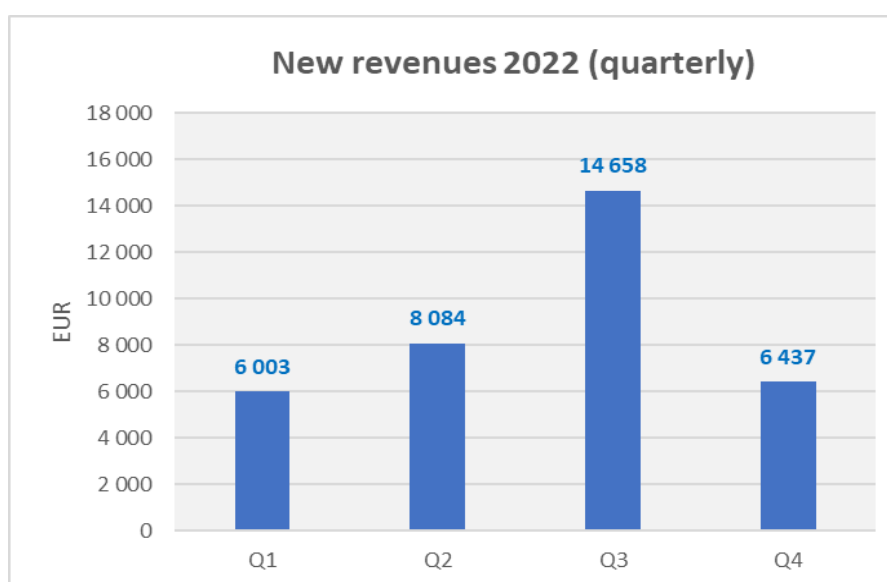
On December 14, 2022, the Extraordinary General Meeting of Shareholders of QuarticOn S.A. was held. At the request of one shareholder, a break was ordered until January 10, 2023. After the break, the general meeting of shareholders resolved to issue 700,000 L-series shares and authorized the company's management board to increase the capital within the authorized capital by an amount not exceeding PLN 100,000 (1,000,000 shares). The company intends to carry out the aforementioned issues in the first half of 2023.

3.2 Polish market (76%) and foreign markets (24%)

Q4 2022 saw the recovery of sales after a very difficult initial six month of the year, and the Company recorded sales increase of +17%¹ quarter-on-quarter.

To be more precise, it should be noted that the sales results year-on-year have not returned to their previous level yet, but it was a quarter when we got significantly closer to last year's results. This can be attributed to specific tasks we are systematically implementing and fulfilling in line with the strategy adopted in 2022.

As mentioned at the beginning of this Report, due to the longer than expected process of signing contracts, new sales in Q4 2022 amounted to EUR 6.4k. Contracts in the amount of approx. EUR 14.3k will be completed in the first quarter of 2023.



¹ Based on amounts in PLN currency; for amounts converted on EUR the growth is +21,8%

The product portfolio, namely the CDXP platform with its multitude of features and integration capabilities, able to cater for the expectations of even the most demanding customers, has played a major part here. Thanks to this tool we are able to deliver projects which other suppliers find difficult to implement in such an effective way.

The second element is our know-how which facilitates an individualised deployment of services, perfectly aligned with the requirements of our customers (such flexibility is impossible to reach in ready-made systems). It is particularly important to customers from the enterprise segment (major omnichannel companies).

In our view, these two elements are critical for the continued sales growth in the future. The knowledge is also the result of our cooperation with Sellwise company which supports us in the reorganisation of our sale processes. The enterprise segment includes the most demanding customers to whom we need to devote a lot of time, yet the average monthly revenue from such a customer is much higher than in other groups.

In Q4 2022 the Company prepared a plan of further changes to sale processes and modified its target groups. It is particularly vital from the perspective of new products which will be added to the Company's portfolio in 2023. The AI Fashion Stylist project plays a major part in these assumptions. Our artificial intelligence has learned to precisely identify clothes and combine them in collections in a way which is unattainable for other recommendation systems available on the market. It is particularly important when it comes to new collections and short series. The speed with which a clothes store can sell a new collection is a decisive factor determining margin values and the costs of further storage. As our algorithms already know how to put together various items of clothing, trained on millions of examples of fashion images, they are able to automate their merchandising activities on the basis of photographs showing new collection items, create outfits and provide personalised recommendations for the end customer.

Given the above, in Q4 2022 the Company commenced intense works on the assumptions behind the activities aimed at communicating and promoting the solution among fashion sector customers. This does not change the main sector of the company's target groups including major e-commerce companies. The Company treats new services for the fashion sector (B2B AI Fashion Stylist module) as an extension of the existing proposal for the most demanding customers.

The greatest challenge of sales targeted at the enterprise segment is the duration of the negotiation process, its complexity and the need to approach such customers in a flexible way. Unfortunately, it is practically not possible to significantly speed up the process in which a lot of stages depend on the customer (e.g. contract analysis by a few client's departments).

3.3 Marketing and customer success

For the Marketing Department, Q4 2022 was for the Marketing Department a period of intense efforts as part of the Sellwise project, aimed at advising QuarticOn in the spheres of sales and marketing development. The tasks completed as part of the first stage of the project included, most of all:

- the development of an internal document describing QuarticOn's values with the issues it addresses to a selected segment of customers and the benefits derived from the solutions being offered,
- the development of a communication plan in relation to external company, i.e., contents of prospecting scenarios addresses to selected personas as part of a given segment.

The marketing department also continued marketing and promotional activities around the AI Fashion Stylist project. In October, another sponsored article was published, this time on Interaktywnie.com, a website reaching over 100 000 unique users each month. Link to the article: <https://interaktywnie.com/biznes/newsy/biznes/przelomowa-technologie-dla-branzy-modowej-e-commerce-w-dobie-kryzysu-czyli-czym-jest-ai-stylista-modowy-262666>.

Moreover, further ten articles were prepared about the CDXP platform for the Help Center zone. The total number of articles as part of the CDXP **was 80** as at 31 December 2022.

In the last quarter of 2022, a number of marketing automation measures were prepared and launched, including those related to contact scoring and a campaign aimed at acquiring reviews on Capterra. As a result, the number of reviews from customers increased to **24**.

3.4 IT and products

As in the last quarter, due to considerable workloads associated with deployments at new clients and works in the AI Fashion Stylist project, the Company limited its development efforts to working on a new, self-service version of SmartSearch. Development costs were relatively low and as such charged directly to current (operating) expenses.

Modifications and changes made to the IT infrastructure do not yet allow to provide verified data on the number of operations. As soon as the new tool is verified and checked, the Company will return to their publication.

3.5 Subscriptions and churn¹

In the fourth quarter of 2022, the Company generated sales thanks to 245 subscriptions (monthly average), with an average price of EUR 282.5 per subscription (+30% growth versus previous quarter). The churn rate in the fourth quarter of 2022 was 1.2% and was half lower than in previous

¹ Churn - indicator showing loss of revenues as a result of customers churn (as monthly average in the quarter)

quarter. This is an exceptionally low level of the indicator, which was achieved, among others, by thanks to negotiations with customers considering a change of service provider. However, in the Company's opinion, maintaining this level in the long term is unlikely.

3.6 EU financing project “AI Fashion Stylist”



In the quarter in question, a concept for the prototype of a recommendation system for fashion outfits based on the product range of a given online store was developed - i.e. it will select clothes from which outfits will be created using a limited group of items. Supplementary methods (algorithms) were also prepared, and based on the available data about the history of interaction between a customer and a store, such as viewed or bought clothing, the algorithms create a preference model which will be used to construct personalised proposals of full ready-made outfits. We commenced works on enriching the set of user preferences with information about the user's figure. The data and information will allow the extension of the recommendation models which will not only suggest clothes and outfits in terms of matching styles, but they will be selected (suited) to a body figure, taking into account the related styling rules.

Q4 2022 marked the stage of industrial research. As of 1 March 2023, the project is due to enter the **development works stage**, and thus the creation of functional solutions from the commercial perspective will be started.

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 fourth 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 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 February 14, 2023, 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 ***	179 853	7.1%
Q Free Trading Limited	123 500	4.9%
ACATIS Investment KVG mbH	240 800	9.5%
Others **	548 847	21.8%
Total	2 522 300	100.0%

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

** including key employees (ESOP)

*** as a result of the former employee's failure to exercise the call option, 5,680 Series D shares were not registered on Paweł Wyborski's account. The company is considering going to court to resolve this situation.

6 Information on the number of persons employed

At the end of December 2022, the Company employed or cooperated with 25.4 FTE (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".
New revenues (new sales)	CRM and invoicing system	Revenues from set-up fees, additional services, first month recurring revenues for new clients or new products	The indicator reflects the scale (in revenues) of acquiring new orders for the Company, both those related to implementations and recurring services; the higher the better; is susceptible to seasonality or external factors (e.g. long sales process with the largest customers)

* 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 October 1st to December 31, 2022 and comparative data for the same period of the previous year. The balance sheet data is presented as at December 31, 2022, and the comparative data as at December 31, 2021.

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

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

- 4th Quarter of 2022: 1 EUR = 4.6899 PLN (zł),
- 4th Quarter of 2021: 1 EUR = 4.5994 PLN (zł),
- 3rd Quarter of 2022: 1 EUR = 4.8698 PLN (zł),

9.2 Balance sheet

Assets

'000 Euro

Items		As of 31.12.2022	As of 31.12.2021
A.	Fixed assets	695.2	1 120.1
I.	Intangible and legal assets	692.2	1 116.7
1.	R&D expenses	692.2	1 116.7
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	0.8	1.2
1.	Tangible fixed assets in use	0.8	1.2
	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	0.8	1.2
	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 31.12.2022	As of 31.12.2021
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	1.1
1.	Deferred tax assets	1.0	0.0
2.	Other prepayments	0.0	0.0
B.	Current assets	275.1	196.7
I.	Inventory	0.8	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	0.8	0.0
II.	Short-term receivables	197.4	142.2
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	197.4	142.2
	a) trade receivables, maturing:	99.9	71.1
	- up to 12 months	99.9	71.1
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	65.7	39.3
	c) other	31.7	31.8
	d) claimed at court	0.0	0.0
III.	Short-term investments	40.9	15.9
1.	Short-term financial assets	40.9	15.9
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	40.9	15.9
2.	Other short-term investments	0.0	0.0
IV.	Short-term prepayments	36.0	38.6
C.	Called up share capital not paid	0.0	0.0
D.	Own shares (stocks)	0.0	0.0
Total Assets		970.3	1 316.8

Equity and liabilities

‘000 Euro

Items		As of 31.12.2022	As of 31.12.2021
A.	EQUITY	-94.5	594.9
I.	Share capital	53.8	30.5
II.	Supplementary capital, including	4 839.2	4 071.6
	- share (stock) premium	4 839.2	4 071.6
III.	Revaluation reserve, including:	0.0	0.0
IV.	Other reserve capitals	64.6	738.4
V.	Profit (loss) from previous years	-4 163.7	-3 427.8
VI.	Nett profit (loss)	-888.4	-817.8
VII.	Write-off on net profit during the financial year (negative value)	0.0	0.0
B.	Liabilities and provisions for liabilities	1 064.7	721.8
I.	Provisions for liabilities	104.5	79.7
1.	Provision for deferred income tax	1.10	1.1
2.	Provision for retirement and similar benefits	21.8	12.7
	- long-term	0.0	0.0
	- short-term	21.8	12.7
3.	Other provisions	81.6	65.9
	- long-term	0.0	0.0
	- short-term	81.6	65.9
II.	Long-term liabilities	0.0	0.0
1.	To related parties	0.0	0.0
2.	To other parties, in which the company holds capital commitment	0.0	0.0
3.	To other parties	0.0	0.0
	a) credits and loans	0.0	0.0
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) liabilities on bills of exchange	0.0	0.0
III.	Short-term liabilities	831.4	604.8
1.	To related parties	1.1	1.1
	a) trade liabilities, maturing:	0.0	0.0
	b) other	1.1	1.1
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	830.3	603.7
	a) credits and loans	139.7	173.3
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	522.5	357.2
	- up to 12 months	522.5	357.2
	- 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	97.3	41.7
	h) payroll liabilities	33.1	15.8

Items		As of 31.12.2022	As of 31.12.2021
	i) other	37.8	15.6
4.	Special funds	0.0	0.0
IV.	Accruals	128.8	37.4
1.	Negative goodwill	0.0	0.0
2.	Other accruals	128.8	37.4
	- long-term	0.0	0.0
	- short-term	128.8	37.4
Total Liabilities		970.3	1 316.8

9.3 Profit and loss statement

'000 Euro

Items		YTD 2022	Only IVQ 2022	YTD 2021	Only IVQ 2021
A.	Net revenue from sales	824.6	223.6	918.9	235.1
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	824.3	223.6	918.9	235.1
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	1 959.1	506.9	1 623.9	401.2
I.	Amortisation and depreciation	452.6	113.1	499.7	113.9
II.	Consumption of materials and energy	8.2	2.3	4.4	1.0
III.	External services	818.6	188.8	667.3	165.2
IV.	Taxes and charges, including:	6.3	1.2	12.3	3.3
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	572.5	172.2	377.8	103.5
VI.	Social security and other benefits, including:	86.8	25.3	48.5	10.9
	- retirement benefits	40.5	11.7	26.2	4.9
VII.	Other prime costs	14.2	4.1	14.0	3.4
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
C.	Profit (loss) on sales (A - B)	-1 134.5	-283.4	-705.0	-166.0
D.	Other operating revenues	265.4	147.1	59.2	58.8
I.	Gain on disposal of non-financial fixed assets	0.3	0.0	0.1	0.1
II.	Subsidies	265.0	147.1	0.0	0.0
III.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
IV.	Other operating revenues	0.1	0.0	59.1	58.7
E.	Other operating expenses	4.5	1.5	107.4	106.5
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	101.3	101.3
III.	Other operating expenses	4.5	1.5	6.1	5.2
F.	Profit (loss) on operating activities (C+D-E)	-873.6	-137.8	-753.2	-213.7
G.	Financial revenues	1.0	0.0	0.1	0.0

Items		YTD 2022	Only IVQ 2022	YTD 2021	Only IVQ 2021
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	1.0	0.0	0.1	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	15.7	2.0	64.7	27.2
I.	Interest, including:	8.1	2.6	42.5	13.0
	- 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	7.6	-0.6	22.2	14.2
I.	Gross profit (loss) (F+G-H)	-888.4	-139.8	-817.8	-240.9
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)	-888.4	-139.8	-817.8	-240.9

9.4 Cash flow statement

‘000 Euro

Items		YTD 2022	Only IVQ 2022	YTD 2021	Only IVQ 2021
A.	A. Cash flow from operating activities - indirect method				
I.	I. Net profit (loss)	-888.4	-139.8	-817.8	-240.9
II.	II. Total adjustments	793.0	184.0	786.7	106.9
	1. Amortisation and depreciation	452.6	113.1	499.7	113.9
	2. Profit (loss) from differences of exchange rates	0.4	0.4	0.0	0.0
	3. Interest and profit sharing (dividend)	13.2	3.6	44.8	12.1
	4. Profit (loss) on investment activities	-0.3	0.0	100.8	100.8
	5. Change in provisions	26.3	-14.0	33.9	11.4
	6. Changes in inventory	-0.8	-0.0	0.0	0.0
	7. Change in the balance of receivables	-57.9	-18.9	-21.9	10.5
	8. Change in short-term liabilities excluding credits and loans	268.6	71.6	132.6	-113.9
	9. Change in prepayments and accruals	90.9	28.2	-3.2	-27.8
	10. Other adjustments	0.0	0.0	0.0	0.0
III.	III. Net cash flow from operating activities (I+/-II)	-95.4	44.2	-31.1	-134.0
B.	B. Cash flows from investment activities	0.0	0.0	0.0	0.0
I.	I. Inflows	0.3	0.0	0.1	0.1
	1. Disposal of intangible and legal assets, tangible fixed assets	0.3	0.0	0.1	0.1
	2. Disposal of investments in real property and in intangible and legal assets	0.0	0.0	0.0	0.0
	3. From financial assets, including:	0.0	0.0	0.0	0.0
	a) in related parties	0.0	0.0	0.0	0.0

Items		YTD 2022	Only IVQ 2022	YTD 2021	Only IVQ 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	46.2	0.0	167.6	32.7
1.	Purchase of intangible and legal assets, tangible fixed assets	46.2	0.0	167.6	32.7
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	0.0	-167.6	-32.6
C.	C. Cash flows from financial activities	0.0	0.0	0.0	0.0
I.	I. Inflows	226.6	0.0	241.6	175.9
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	218.4	0.0	87.2	87.2
2.	Credits and loans	8.2	0.0	154.3	88.7
3.	Issuance of debt securities	0.0	0.0	0.0	0.0
4.	Other inflows from financial activities	0.0	0.0	0.0	0.0
II.	II. Outflows	60.0	11.7	39.9	1.5
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	41.6	0.4	32.6	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	10.0	2.9	7.2	1.5
9.	Other outflows from financial activities	8.4	8.4	0.0	0.0
III.	III. Net cash flow from financial activities (I-II)	166.7	-11.7	201.7	174.4
D.	D. Total net cash flows (A.III+/-B.III+/-C.III)	25.3	32.6	3.1	7.8
E.	E. Balance sheet change in cash, including:	25.3	32.6	3.1	7.8
-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
F.	F. Cash opening balance	15.6	8.3	12.8	8.1
G.	G. Cash closing balance (F+/- D), including: *	40.9	40.9	15.9	15.9
-	of limited disposability	1.9	0.0	10.1	0.0

9.5 Statement of changes in equity

‘000 Euro

Items		As of 31.12.2022	As of 31.12.2021
I.	Opening balance of equity (OB)	583.5	674.4
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
I.a.	Opening balance of equity (OB) after adjustments	583.5	674.4
1.	Opening balance of share capital	29.9	30.5
	1.2. Closing balance of share capital	53.8	30.5
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	3 993.1	4 071.6
	4.1. Changes in supplementary capital	846.1	0.0
	4.2. Closing balance of supplementary capital	4 839.2	4 071.6
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	724.1	0.0
	6.1. Changes in other reserve capitals	-659.5	738.4
	6.2. Closing balance of other reserve capitals	64.6	738.4
7.	Opening balance of previous years' profit (loss)	-4 163.7	-3 427.8
	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	-4 163.7	-3 427.8
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-4 163.7	-3 427.8
	7.6. Closing balance of previous years' loss	-4 163.7	-3 427.8
	7.7. Closing balance of previous years' profit (loss)	-4 163.7	-3 427.8
8.	Net result	-888.4	-817.8
	a) net profit	0.0	0.0
	b) net loss	-884.4	-817.8
	c) write-offs on profit	0.0	0.0
II.	Closing balance of equity (CB)	-94.5	594.9
III.	Equity including proposed profit distribution (loss coverage)	-94.5	594.9

9.6 Additional information (4th quarter of 2022)

Sales structure:

'000 Euro

Items	01.10.2022 - 31.12.2022	01.10.2021 - 31.12.2021
Revenue from sales of products	223.6	235.1
- in Poland	170.3	158.4
- Other countries	53.3	76.7

Investments:

The Company's capital expenditure was concentrated in the fourth quarter of 2022 on the development of the project "AI Fashion Stylist". As part of this project, expenses worth EUR 159k (PLN 746k) were incurred (due to the nature of the works, the expenditures are charged directly to operating costs). Thus this value is not strictly comparable to the expenditure incurred on the Company's R&D on previous year. For information reason only: in the fourth quarter of 2021, the R&D expenditure amounted to EUR 33k (PLN 150k).



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



QuarticOn S.A.



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

