



QuarticOn S.A.

QUARTERLY REPORT

3rd Quarter of 2023

Table of contents

1 Management Board’s Commentary	3
2 Financial results	5
3 Key events in 3rd quarter of 2023	6
3.1 Polish market (62%) and foreign markets (38%)	7
3.2 Marketing and customer success	8
3.3 Subscriptions and churn	8
3.4 EU financing project “AI Fashion Stylist”	9
4 Information on the Company’s subsidiaries.....	9
5 Information on the Company’s shareholder structure.....	10
6 Information on the number of persons employed	10
7 Forecasts of financial results.....	10
8 Definition and indicators explanation	11
9 Shortened financial statement	12
9.1 Introduction.....	12
9.2 Balance sheet	13
9.3 Profit and loss statement.....	16
9.4 Cash flow statement.....	17
9.5 Statement of changes in equity	19
9.6 Additional information (3rd quarter of 2023).....	20
9.7 Principles adopted for drawing up of the financial statement.....	21

1 Management Board's Commentary

Ladies and Gentlemen,

The third quarter posed significant challenges for us. On one hand, there were major changes within the Company (strategic, organizational, and personnel), and on the other, an exceptionally weak summer period in terms of sales.

Let's start with the first part – it's undeniable that both historical and current results of the Company are significantly below expectations. Market conditions, intense competition, and rapid product changes are challenges we have long faced. The past months have been a time of implementing changes developed after a thorough analysis of the market and the Company's potential. Perhaps most importantly, we've decided to focus on the broadly defined fashion market (fashion, sports fashion, accessories, and add-ons) and a strong launch of new products, integral to the AI Fashion Stylist. With this in mind, there have been organizational changes within the Company and new individuals responsible for sales and strategic development of this business segment. Seeing the strength and scale of this market, and also following our discussions with potential clients, we believe this will give the necessary dynamism to the Company. This is just the first step in this direction.

The last quarter, in terms of sales, was unsatisfactory. This is the result of three phenomena: exceptionally low sales during the summer vacation period, the end of cooperation with one major client, and the general market situation. Additionally, the aforementioned changes in the Company, which included the transfer of responsibilities among individuals, also slightly slowed down, or rather temporarily disrupted, the sales processes.

While sales issues were disappointing, the developments in the AI Fashion Stylist project give us optimism. More on the project later in the report, but for now, we'll briefly mention that we have three beta version products based on the AI Fashion Stylist technology: an outfit creator, a description generator, and a get-the-look feature. The commercial names

will obviously be more “market-friendly,” but even now, these solutions are being tested with several clients at various stages of advancement. It's worth clarifying that the testing phase is crucial – it's not only an “opportunity” for the algorithms to learn further, but especially for us, a chance to eliminate the so-called "teething troubles" of our solutions early on. Marketing activities were also dedicated to these new solutions.

We are currently in the middle of the fourth quarter, which has always been a good period for us. We see that the scale of new contracts currently being negotiated (both in terms of their quantity and value) is noticeably larger than in the previous quarter. However, considering the busy season in the industry (Black Friday, Christmas), we assume that only part of them will be finalized 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

The financial results achieved in the third quarter of 2023 reflect the challenges the Company faced during this period. A decline in sales, with an almost unchanged cost level, decreased the EBITDA by EUR 42.9k (excluding the “AI Fashion Stylist”) compared to the previous quarter. This indicates that the mentioned sales drop is currently the biggest challenge for the Company in a cash flow context, as it affects the deterioration of the firm's payment capabilities. This situation will persist until an improvement in sales results and the implementation of the cost reduction program (the actions started in recent months will be noticeable in the results of the fourth quarter of this year).

The seasonal quarterly sales variability is annually evident in the Company's results: sales drops in the two middle quarters and an increase in the last quarter reflect, among other things, market trends. The significantly higher quarter-to-quarter sales decline this year results from the end of cooperation with one major client, a consequence of losing a tender for managing their e-store (the Company could not offer conditions below its profitability threshold).

Expenditures on the AI Fashion Stylist project amounted to EUR 145.3k in the third quarter of 2023 and were EUR 14.1k lower than in the previous quarter (due to lower salary and external service costs). Financing of the project is based mainly on advances received from NCBR. If the process of processing applications for advance payments is prolonged or if no advance payments are made, there is a risk that the project will not be completed in full within the set deadline.

Selected data from Profit and loss statement

	'000 Euro				
Profit and loss statement	IIIQ 2022	IIQ 2023	IIIQ 2023	IIIQ 2023 vs IIIQ 2022	IIIQ 2023 vs IIQ 2023
Net revenue from sales	184.0	193.1	143.0	-41.0	-50.1
Operating expenses excl. depreciation & amortization And “AI Fashion Stylist”	-260.4	-245.6	-238.4	22.0	7.2
EBITDA (based on result on sale, excluding “AI Fashion Stylist”)	-76.4	-52.5	-95.4	-19.0	-42.9
“AI Fashion Stylist” expenses (directly in the costs)	-132.3	0.0	0.0	-132.3	0.0
EBITDA (based on result on sales)*	-208.7	-52.5	-95.4	113.3	-42.9
EBIT (operating result)	-282.4	-106.9	-214.4	68.0	-107.5
Net result	-286.0	-114.8	-220.2	65.8	-105.4

* 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

	IIQ 2023	IIIQ 2023	IIIQ 2023 vs IIQ 2023
Operating expenses excl. depreciation & amort. and "AI Fashion Stylist" project	-245.6	-238.4	-7.2
Payroll, Social security and other benefit	-104.3	-93.2	-11.2
External services	-125.0	-134.9	9.9
Others	-16.2	-10.3	-5.9
Operating expenses of "AI Fashion Stylist" project	0.0	0.0	0.0
Payroll, Social security and other benefit *	0.0	0.0	0.0
External services	0.0	0.0	0.0
Others	0.0	0.0	0.0
Amortisation and depreciation	-121.8	-116.9	-4.9
Operating expenses (Item B in profit and loss account)	-367.3	-355.3	-12.0
Total expenses included in current costs and expenditures for AI Fashion Stylist project	-159.4	-145.3	-14.1

* from March 2023, the costs of the "AI Fashion Stylist" project are subject to accruals as part of R&D works

Selected data from the balance sheet and cash flow statement

‘000 Euro

Balance sheet	As of 30.09.2023	As of 30.09.2022
Fixed assets	344.8	730.9
- including intangible and legal assets	342.2	728.1
Current assets	516.0	264.0
- including short-term investments (excl. overdraft)	7.2	8.0
Total Assets	860.7	995.0
Equity	-604.1	51.8
Liabilities and provisions for liabilities	1 464.8	943.2
- including short term liabilities	1 128.6	730.9
Total Liabilities	860.7	995.0

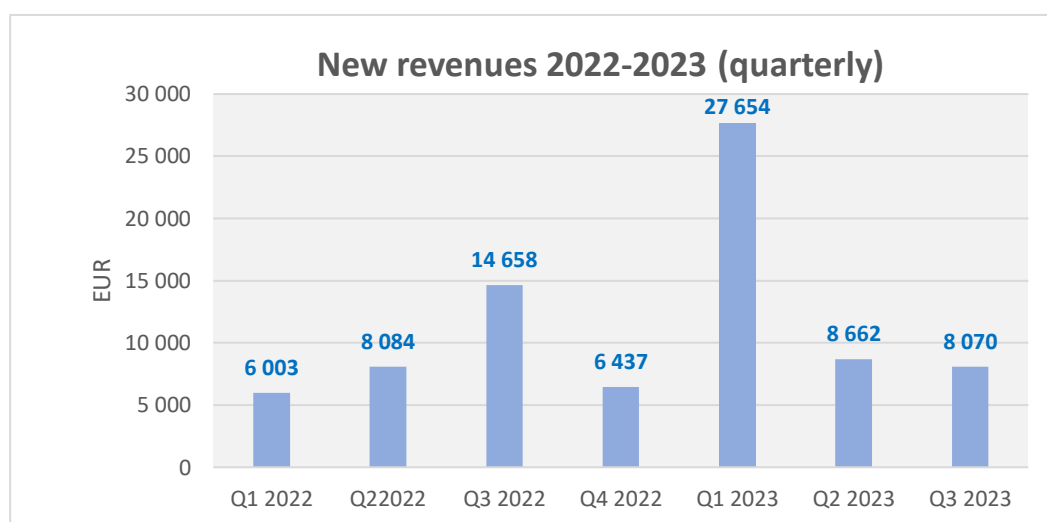
‘000 Euro

Cash Flow	Cum 2023	Cum 2022
Net profit (loss)	-489.1	-720.5
Net cash flow from operating activities	241.8	-134.5
Net cash flow from financial activities	59.3	171.6
Cash closing balance	7.2	8.0

3 Key events in 3rd quarter of 2023

3.1 Polish market (62%) and foreign markets (38%)

In the third quarter of 2023, the Company recorded a decrease in sales revenue compared to the previous quarter. This was the result of several overlapping factors: the state of the eCommerce market in Poland and globally, the termination of cooperation with several clients, and changes occurring within the company. The entire year of 2023 is dedicated to a thorough remodelling of sales processes, customer support, and implementation procedures. Since September, the company has opened a completely new sales front to customers: this is the area of the AI model that has been prepared as part of the AI Fashion Stylist project (GetTheLook, OutfitCreator and AI Product Description). Since September, when the Company started commercial talks, the number of potential sales opportunities has been steadily increasing. However, in the third quarter of this year, new sales remained at the level of the previous quarter.



Due to intense competition in the CDXP segment, QuarticOn is trying to find new niches and a new sales approach to the market in the current situation. The results of research conducted in the last quarters show that there should be a focus on the Fashion industry, in which the Company has been working on new AI algorithms for over two years.

The last quarter was also about setting tactical sales plans in the area of up-selling and the partner channel. It can be risked to say that strong foundations for sales activities, especially in the partner channel, have been built (partners view our new products dedicated to the Fashion industry positively). Since marketing activities are extremely important for new products, the third quarter was a significant period in this area – the Company focused on researching, analysing, and preparing communication related to new AI Fashion Stylist products (including an inventory of the content collected so far to verify whether they meet customer problems and challenges, as well as SEO optimization). More about marketing activities in the paragraph below.

3.2 Marketing and customer success

The third quarter of 2023 for the Marketing Team was focused around laying the groundwork for the Company's website rebranding through the design of content and the structure of new tabs, so-called mock-ups. The Team prepared ready-made designs for product pages dedicated to the AI Fashion Stylist project, as well as organized technical issues (such as the replacement of forms). The implementation of changes on the site will take place in the coming quarters.

In connection with the development of the AI Fashion Stylist product, the Marketing Team also emphasized building the brand's image as an expert in artificial intelligence. To this end, the Company collaborated with the well-known industry portal “Marketing przy Kawie” in publishing an expert article (link to the article: <https://marketingprzykawie.pl/artykuly/sztuczna-inteligencja-w-e-commerce-czy-sklepy-online-staja-sie-bezduszne-a-klienci-przewidywalni>) and organized a webinar dedicated to AI in the context of building a responsible business. The event aimed to build awareness around the topic of AI and educate about the dangers and benefits of its development. The panel of speakers included:

- Anna Figiel, PhD – academic lecturer in the field of social sciences,
- Oktawia Ewa Braniewicz – Data Protection Officer at Woodpecker.co, lawyer, GDPR expert, lecturer at the University of Humanities and Economics in Łódź, PhD candidate in International Law and International Relations at the Faculty of Law and Administration of the University of Łódź,
- Łukasz Zaorski-Sikora, PhD – philosopher and ethicist, assistant professor at the Faculty of Organization and Management of the Łódź University of Technology in the Institute of Marketing and Sustainable Development.

The event was sponsored by: e-commerce agency Media4U, Adam Marszałek Publishing House, University of Humanities and Economics in Łódź, and the Institute of Ethnology and Cultural Anthropology of the University of Łódź. Thanks to the patrons, the event was promoted on a larger scale.

3.3 Subscriptions and churn¹

Churn in the third quarter of 2023 amounted to 8.8% and was exceptionally high. This is mainly the result of the end of cooperation with one large client from the supermarket industry (the previously mentioned lost tender). The loss of this customer increased once this ratio from a base level of 2.9% to over 8.0% as pointed above.

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

Revenues in the third quarter of this year. were generated through the sale of 193 subscriptions (on average per month in the quarter) with an average value of EUR 234.

3.4 EU financing project “AI Fashion Stylist”



We have initiated the first commercial tests with clients of the AI module – Get The Look. An increasing number of individual clothing items are being presented on e-commerce sites in the form of so-called lookbooks, which are images of complete outfits. These are found in virtually every product catalogue, and their potential remains untapped. The innovative technology of the AI stylist allows online stores to use them to create an entirely new, separate space for their customers – GET THE LOOK, for instance, as on Zalando <https://www.zalando.pl/pomysly-na-stylizacje-kobiety/>. Using proprietary AI stylist algorithms, we recognize images of complete outfits from the available product catalog. We then identify the clothing items from the photo and from the store's offering, we select the same products or those most similar to them. Based on the photos, the AI Stylist automatically generates outfit descriptions.

At the same time, the company is also working on creating a ready-to-use AI Stylist mobile application for B2C clients.

4 Information on the Company's subsidiaries

The Company holds 50% of shares in the company, the shares 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 shares 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 third quarter of 2023 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. has not yet started operating activities. In the financial year ending March 31, 2023, the Company reported £0 in revenues, £360 in costs (mandatory

reporting) and liabilities and assets of £160. The Company prepares the report only once, at the end of the financial year.

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 November 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)

6 Information on the number of persons employed

At the end of September 2023, the Company employed or cooperated with 23.6 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 2023.



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 July 1st to 30th September, 2023 and comparative data for the same period of the previous year. The balance sheet data is presented as at September 30, 2023, and the comparative data as at September 30, 2022.

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

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

- 3rd Quarter of 2023: 1 EUR = 4.6356 PLN (zł),
- 2nd Quarter of 2023: 1 EUR = 4.4503 PLN (zł),
- 3rd Quarter of 2022: 1 EUR = 4.8698 PLN (zł),

9.2 Balance sheet

Assets

'000 Euro

Items		As of 30.09.2023	As of 30.09.2022
A.	Fixed assets	344.8	730.9
I.	Intangible and legal assets	342.2	728.1
1.	R&D expenses	342.2	728.1
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	0.6	0.8
1.	Tangible fixed assets in use	0.6	0.8
	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	0.6	0.8
	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	1.0
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 30.09.2023	As of 30.09.2022
3.	Long-term financial assets	1.1	1.0
	a) in related parties	1.1	1.0
	b) in other parties, in which the company holds capital commitment	0.0	0.0
	c) in other parties	0.0	0.0
4.	Other long-term investments	0.0	0.0
V.	Long-term prepayments	0.9	1.0
1.	Deferred tax assets	0.9	1.0
2.	Other prepayments	0.0	0.0
B.	Current assets	516.0	264.0
I.	Inventory	0.0	0.0
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.0	0.0
II.	Short-term receivables	170.1	171.9
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	170.1	171.9
	a) trade receivables, maturing:	63.2	78.1
	- up to 12 months	63.2	78.1
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	97.8	62.2
	c) other	9.1	31.6
	d) claimed at court	0.0	0.0
III.	Short-term investments	7.2	8.0
1.	Short-term financial assets	7.2	8.0
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	7.2	8.0
2.	Other short-term investments	0.0	0.0
IV.	Short-term prepayments	338.7	83.3
C.	Called up share capital not paid	0.0	0.0
D.	Own shares (stocks)	0.0	0.0
Total Assets		860.7	995.0

Equity and liabilities

‘000 Euro

Items		As of 30.09.2023	As of 30.09.2022
A.	EQUITY	-604.1	51.8
I.	Share capital	54.4	51.8
II.	Supplementary capital, including	4 895.9	4 668.5
	- share (stock) premium	4 895.9	4 668.5
III.	Revaluation reserve, including:	0.0	0.0
IV.	Other reserve capitals	65.0	61.8
V.	Profit (loss) from previous years	-5 130.3	-4 009.9
VI.	Nett profit (loss)	-489.1	-720.5
VII.	Write-off on net profit during the financial year (negative value)	0.0	0.0
B.	Liabilities and provisions for liabilities	1 464.8	943.2
I.	Provisions for liabilities	23.0	114.1
1.	Provision for deferred income tax	0.9	1.0
2.	Provision for retirement and similar benefits	22.1	12.0
	- long-term	0.0	0.0
	- short-term	22.1	12.0
3.	Other provisions	0.0	101.1
	- long-term	0.0	0.0
	- short-term	0.0	101.1
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	1 128.6	730.9
1.	To related parties	1.1	1.0
	a) trade liabilities, maturing:	0.0	0.0
	b) other	1.1	1.0
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	1 127.5	729.9
	a) credits and loans	214.3	134.2
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	656.5	460.3
	- up to 12 months	656.5	460.3
	- 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	215.4	78.2
	h) payroll liabilities	40.9	24.2

Items		As of 30.09.2023	As of 30.09.2022
	i) other	0.4	32.9
4.	Special funds	0.0	0.0
IV.	Accruals	313.3	98.1
1.	Negative goodwill	0.0	0.0
2.	Other accruals	313.3	98.1
	- long-term	0.0	0.0
	- short-term	313.3	98.1
Total Liabilities		860.7	995.0

9.3 Profit and loss statement

'000 Euro

Items		YTD 2023	Only IIIQ 2023	YTD 2022	Only IIIQ 2022
A.	Net revenue from sales	548.6	143.0	579.3	184.0
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	548.6	143.0	579.3	184.0
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	1 166.3	355.3	1 398.5	501.7
I.	Amortisation and depreciation	350.7	116.9	327.0	108.9
II.	Consumption of materials and energy	13.8	1.8	5.7	2.3
III.	External services	426.2	134.9	606.5	225.3
IV.	Taxes and charges, including:	8.5	4.2	4.9	1.0
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	306.5	83.1	385.5	137.4
VI.	Social security and other benefits, including:	47.1	10.1	59.3	23.3
	- retirement benefits	36.4	11.3	27.7	10.5
VII.	Other prime costs	13.4	4.4	9.7	3.4
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
C.	Profit (loss) on sales (A - B)	-617.7	-212.3	-819.7	-317.6
D.	Other operating revenues	153.4	0.0	113.9	36.7
I.	Gain on disposal of non-financial fixed assets	0.0	0.0	0.3	0.1
II.	Subsidies	153.3	0.0	113.6	36.6
III.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
IV.	Other operating revenues	0.1	0.0	0.0	0.0
E.	Other operating expenses	6.1	2.1	2.9	1.4
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	6.1	2.1	2.9	1.4
F.	Profit (loss) on operating activities (C+D-E)	-470.4	-214.4	-708.2	-282.4
G.	Financial revenues	0.0	0.0	0.9	0.0

Items		YTD 2023	Only IIIQ 2023	YTD 2022	Only IIIQ 2022
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	0.0	0.0	0.9	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	18.7	5.9	13.2	3.6
I.	Interest, including:	9.8	3.3	5.3	1.8
	- 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	8.9	2.5	7.9	1.9
I.	Gross profit (loss) (F+G-H)	-489.1	-220.2	-720.5	-286.0
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)	-489.1	-220.2	-720.5	-286.0

9.4 Cash flow statement

‘000 Euro

Items		YTD 2023	Only IIIQ 2023	YTD 2022	Only IIIQ 2022
A.	A. Cash flow from operating activities - indirect method				
I.	I. Net profit (loss)	-489.1	-220.2	-720.5	-286.0
II.	II. Total adjustments	730.9	221.4	586.0	275.2
1.	Amortisation and depreciation	350.7	116.9	327.0	108.9
2.	Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
3.	Interest and profit sharing (dividend)	14.2	8.2	9.2	3.6
4.	Profit (loss) on investment activities	0.0	0.0	-0.3	0.0
5.	Change in provisions	0.0	0.0	38.9	8.8
6.	Changes in inventory	0.0	0.0	-0.8	-0.8
7.	Change in the balance of receivables	19.2	64.4	-37.6	-19.5
8.	Change in short-term liabilities excluding credits and loans	140.1	46.3	189.2	182.6
9.	Change in prepayments and accruals	207.6	-14.5	60.4	-8.5
10.	Other adjustments	-1.0	0.0	0.0	0.0
III.	III. Net cash flow from operating activities (I+/-II)	241.8	1.2	-134.5	-10.8
B.	B. Cash flows from investment activities	0.0	0.0	0.0	0.0
I.	I. Inflows	0.0	0.0	0.3	0.0
1.	Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0	0.3	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 2023	Only IIIQ 2023	YTD 2022	Only IIIQ 2022
	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	335.3	145.3	44.5	0.0
1.	Purchase of intangible and legal assets, tangible fixed assets	335.3	145.3	44.5	0.0
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)	-335.3	-145.3	-44.2	0.0
C.	C. Cash flows from financial activities	0.0	0.0	0.0	0.0
I.	I. Inflows	70.3	69.3	218.6	0.7
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0.0	0.0	210.6	0.0
2.	Credits and loans	70.3	69.3	8.0	0.7
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	11.0	3.0	47.0	2.9
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	0.0	0.0	40.1	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	11.0	3.0	6.9	2.9
9.	Other outflows from financial activities	0.0	0.0	0.0	0.0
III.	III. Net cash flow from financial activities (I-II)	59.3	66.3	171.6	-2.1
D.	D. Total net cash flows (A.III+/-B.III+/-C.III)	-34.2	-77.7	-7.0	-13.0
E.	E. Balance sheet change in cash, including:	-34.2	-77.7	-7.0	-13.0
-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
F.	F. Cash opening balance	41.4	84.9	15.0	21.0
G.	G. Cash closing balance (F+/- D), including: *	7.2	7.2	8.0	8.0
-	of limited disposability	1.5	1.5	0.0	0.0

9.5 Statement of changes in equity

‘000 Euro

Items		As of 30.09.2023	As of 30.09.2022
I.	Opening balance of equity (OB)	-114.6	561.9
	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	-114.6	561.9
1.	Opening balance of share capital	54.4	28.8
	1.2. Closing balance of share capital	54.4	51.8
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	4 895.9	3 845.6
	4.1. Changes in supplementary capital	0.0	822.9
	4.2. Closing balance of supplementary capital	4 895.9	4 668.5
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	65.4	697.4
	6.1. Changes in other reserve capitals	-0.4	-635.5
	6.2. Closing balance of other reserve capitals	65.0	61.8
7.	Opening balance of previous years' profit (loss)	-5 130.3	-4 009.9
	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	-5 130.3	-4 009.9
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-5 130.3	-4 009.9
	7.6. Closing balance of previous years' loss	-5 130.3	-4 009.9
	7.7. Closing balance of previous years' profit (loss)	-5 130.3	-4 009.9
8.	Net result	-489.1	-720.5
	a) net profit	0.0	0.0
	b) net loss	-489.1	-720.5
	c) write-offs on profit	0.0	0.0
II.	Closing balance of equity (CB)	-604.1	51.8
III.	Equity including proposed profit distribution (loss coverage)	-604.1	51.8

9.6 Additional information (3rd quarter of 2023)

Sales structure:

'000 Euro

Items	01.07.2023 - 30.09.2023	01.07.2022 - 30.09.2022
Revenue from sales of products	143.0	184.1
- in Poland	89.1	130.5
- Other countries	53.9	53.6

R&D expenditures (accruals):

The Company's capital expenditures in Q3 2023 were still directed to the development of the "AI Fashion Stylist" project. The Development Works phase of the project is underway. The value of expenditure incurred in Q3 2023 - recognized as accruals is EUR 145.3k (PLN 673.4k).



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

