

Current report ESPI No. 2/2023

Date of Preparation: 2023-03-01

Short Name of Issuer: QUARTICON S.A.

Subject: Update of information on the implementation of research and development works in the AI Stylista Modowy project.

Content of report:

Management Board of QuarticOn S.A. ["Company", "Issuer"] informs that due to the completion of scientific and research works [industrial research] at the end of February 2023 under the project "AI Fashion Stylist" [Project], co-financed from EU funds, on March 1st, 2023, the Company started the implementation of the next stage of work under this Project, i.e. development work of the project.

One of the main tasks in the development phase of the "AI Fashion Stylist" are:

- Integration with the current solution of the recommendation system for online stores;
- Creation of new AI merchandising functionalities for fashion stores, using the new AI algorithms of the Fashion Stylist;
- Conducting pilot projects with selected online stores from the fashion industry;
- Commencement of work on a mobile application for the B2C mass market, the purpose of which will be to support the user in finding clothes in the online stores' offer and help in choosing them as if it were done by a professional fashion stylist.

The effect of the completion of the industrial research stage mentioned above is:

- Building and training AI models and algorithms based on millions of photos of fashion styling in a laboratory environment;
- Preparation of prototypes of the Fashion Stylist's AI system for online stores;
- Simulation of the operation of algorithms based on thousands of examples of clothing from online stores and verification of the quality of the results by professional fashion stylist.

The start of the development phase is strongly related to the industry market itself, the first commercial tasks in the Project and the creation of applications for the B2C sector. In the Company's opinion, the start of the development work stage and its subsequent successful completion, brings the Issuer closer to finalizing the implementation of the Project, and consequently to widely offering this solution to the fashion industry as a tool for personalizing the e-shop offer. The company expects that within two years from the launch of the Fashion Stylist AI marketplace and the related application, it will become one of the company's key sources of revenue.

According to the Project schedule, the Company plans to complete development works after 6 months. Already during the current stage of the project implementation [development works], QuarticOn plans to carry out the first pilot implementations and tests with selected online stores.

The Company anticipates that the Project will be completed in December 2023 [the last, 4-month stage of the project is pre-implementation work]. The Company started the realization of the Project in November 2021.

The company reminds that the goal of the Project is to build an innovative solution based on the latest methods of artificial intelligence, dedicated to online stores operating in the fashion industry. Thanks to it, the store will be able to automatically manage e-shop marketing [the effect is the same as if the products on virtual store shelves were laid out by a professional stylist and each e-shelf was tailored to the needs of an individual customer visiting the e-shop]. The developed solution is a completely new generation of product recommendation engines [technologies commonly used for this purpose in e-shops]. Unlike currently available solutions, the Fashion Stylist's AI algorithms do not need historical data [in-store purchase history] to build "their knowledge", because they have been trained on millions of photos, e.g. from fashion websites, how to combine clothes to create a coherent styling. This is especially important for the fashion market, as it will allow for faster and more precise sales of new collections and short series, for which historical sales data is not yet available.

The Company will inform about subsequent important stages related to the implementation of the Project in the form of appropriate reports.

Signatures of persons representing the Company:

Paweł Wyborski - CEO

Michał Giergielewicz - CFO