



**QuarticOn Spółka Akcyjna**

**2022**

**Annual Report**

**Warsaw, May 31, 2023**

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### **Important FX rates notice:**

All currency values were converted to EUR using National Bank of Poland exchange rates for the last working day of each year:

Year 2022:        1 EUR = 4,6899 PLN

Year 2021:        1 EUR = 4,5994 PLN

As a result, some figures regarding the dynamics or periodic changes are different than those presented in PLN in the Polish edition of the Report.



**1**

**Annual Report of the  
Management Board of  
QuarticOn S.A. for the year 2022**

# 1.1 Letter to the Shareholders

## *Ladies and Gentlemen,*

2022 was a year **with two faces**: on the one hand, it saw the implementation of the full CDXP offering, pro-sales changes and advanced work on the Fashion Stylist AI project; on the other, it brought a fall in revenues and temporary disturbances in the process of concluding new contracts. The consequences of this duality can be seen in our performance: two weak quarters, Q2 and Q3, strongly affected the Company's overall result. As for **the positive aspects** of that situation, it is worth remarking that, having analysed the circumstances, we decided to seek assistance from external advisers and sales experts. We would like to once again stress what we already mentioned in Q4 2022 – this is an extremely important project for us, contributing to our overall ability to generate sales.

But this was not the only thing that compromised our performance. Work on our innovative solution, the **AI Fashion Stylist**, was very intensive in 2022, generating substantial costs of **EUR 499k** throughout the year. In the same period, the Company settled (i.e., entered in its accounting books) advance payments of EUR 265k, but the difference between these two amounts equalling EUR 233k **further reduced the net result** for the whole year. Therefore, when seen from the year-on-year perspective, this item does not look satisfyingly. It has also exerted a negative impact on the Company's equity level and the resulting formalities at the forthcoming General Meeting of Shareholders.

All things considered, we are sometimes asked if it was worth engaging in such an undertaking, knowing what its effect on the net result would be. And our answer remains unchanged: **“Of course, it was”**. The AI Fashion Stylist is a product which, as we believe, will let the Company gain a strong competitive edge in the fashion e-commerce segment. Paweł Wyborski, President of the Company, elaborates on this issue later in the report, but the conviction that this was a very good decision is based, among other things, on the outcomes of the initial tests of new algorithms, the strong interest in AI, and the expanding fashion e-commerce segment.

*At this point, it is also worth clarifying another important issue: the current tests focus on the algorithms prepared for the Fashion Stylist AI, and not on the final product as it is still under development, and so is the entire marketing and sales concept. The work is planned to be completed in December 2023.*

*While 2022 was definitely below our expectations, the changes we introduced in sales processes and further developments of the AI Fashion Stylist have laid the foundation for definitely better results in the near future.*

*Best regards,*



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**Paweł Wyborski**  
**Founder & CEO QuarticOn SA**



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**Michał Giergielewicz**  
**CFO QuarticOn SA**

## 1.2 Company background

The QuarticOn S.A. company (“QuarticOn”, “the Company”) emerged from the conversion of Quartic Sp. z o.o. (a limited-liability company), and was officially established after its entry into the National Court Register in February 2018. Its legal predecessor was registered in June 2011, and until 2015 the Company engaged in a different kind of business within that predecessor’s framework, using e-commerce data to improve the effectiveness of online advertising. Following an in-depth market analysis, in 2015 the Company decided to focus on developing a tool based on artificial intelligence (AI) and a sales process and online marketing support and personalisation system.

The Company’s authorised representatives are:



**Paweł Wyborski**

Founder and President of the Board QuarticOn SA



**Michał Giergielewicz**

Member of the Board QuarticOn SA





## 1.3 Corporate matters

### 1.3.1 Management Board composition in 2022

In 2022, the Company's Management Board was composed of:

- Paweł Wyborski – President of the Board (CEO)
- Michał Giergielewicz – Member of the Board (CFO)

As at the date of this Report there have been no changes in the composition of the Company's Management Board.

### 1.3.2 Supervisory Board composition in 2022

At the end of 2022, Supervisory Board was composed of:

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

### 1.3.3 Corporate governance

In its EBI Report No 4/2019 of 30 January 2019 the Company outlined its policies to follow the “Code of Best Practice of NewConnect Listed Companies”. According to this regulations, last year the Company followed the large majority of these practices, although the one described below was used to a limited extent:

- Section 11 (An issuer, in co-operation with the Authorized Adviser, should organize meetings with investors, analysts and the media open to the public at least two times per year) – in 2022 the Company did not hold any public meetings with investors or the media. But the Company is keeping the market updated about any key events in the Company via current reports.

## 1.4 Subsidiaries and affiliates (no obligation to issue consolidated financial statements)

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

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

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

QuarticOn Ltd. ended the financial year on March 31, 2023 and as at the balance sheet date, the Company showed GBP 0 revenues and GBP 360 costs (virtual office), and the balance sheet total amounted to GBP 160. As at the date of this report, QuarticOn Ltd. has not yet started operating activities.

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

## 1.5 The Company's business

### 1.5.1 Core business

**Our mission is to deliver smart technology to engage clients in convenient purchases in the omnichannel world.**

QuarticOn S.A. is a technology company developing cloud-based SaaS applications. Under the SaaS model the application is stored and executed on the service provider's computers, and made

available to users online. Consequently, the program does not have to be installed and started on customer computers. In other words, installation, administration, updates and technical support responsibilities shift from the customer to the service provider, with the former agreeing for the latter to take control of the software and ensure its continued functionality. Due to the fact that the QuarticOn technology is a cloud solution offered in the SaaS model, it is possible to quickly implement it and use it anywhere in the world.

As at the date of this Report QuarticOn offers its services both in the traditional sales format (a network of distributors and partners) and under the new, modern model, as apps (plug-ins) for e-commerce platforms. This way our offering is available for the smallest e-stores operating on platforms, as well as for the largest business groups dealing with omnichannel commerce. Clients pay a monthly subscription fee for using the services, which depends on the functional scope and the degree of technology they use.



QuarticOn's primary markets are in Central Europe (Poland, the Czech Republic, Slovakia, Baltic states), but it also has customers in Serbia, the UK and Croatia.

## 1.5.2 Products

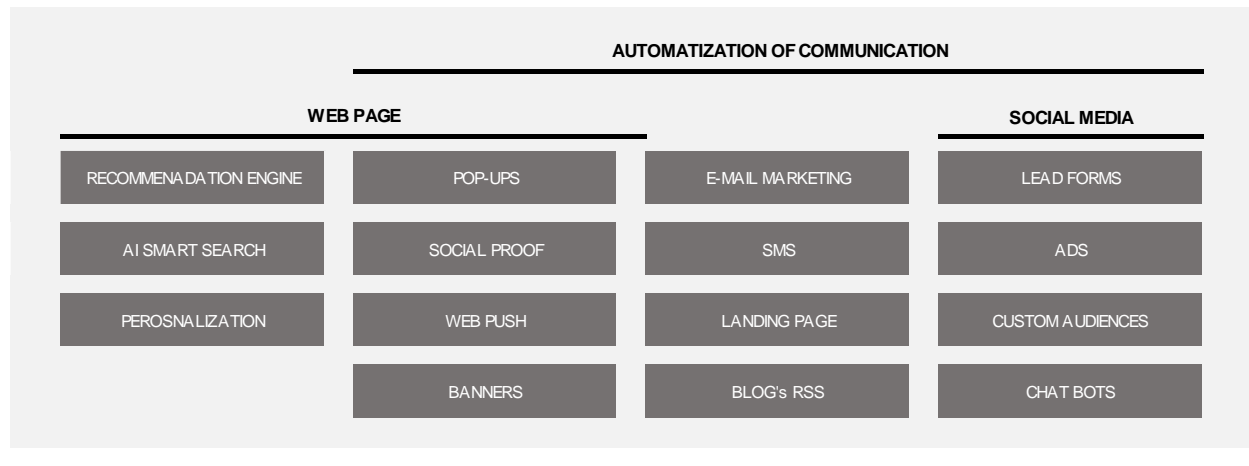
The development of QuarticOn is based on two business segments: **Customer Data & Experience Platform (CDXP)** and **"AI Fashion Stylist"**.

**CDXP** is a comprehensive proposal for e-commerce, supporting the sale of goods and services in online stores thanks to such tools as product recommendations engine, omnichannel marketing automation or smart search engine for e-shops with a wide range of additional services. The CDXP is a solution which is a class higher than other stand-alone solutions, as it exploits the full potential of client data thanks to additional new functionalities belonging to the categories of CRM, Account Management and sales automation. The tool aligns very well with current market trends, allowing the construction of a 360° customer profile based on first party data, personalization

and automation of activities (also those within a sales team) to explore and understand customers' needs, build relations and positive customer experience.

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

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



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

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

engine, search engine). This technology will be integrated with the company's current products, creating a coherent product platform.

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

## 1.5.3 Market and Development strategy

### 1.5.3.1 Market environment

Based on the “E-Commerce in Poland 2022” report by PMR, the value of e-commerce in Poland in 2022 is expected to reach PLN 92 billion, with online stores accounting for 61% of that value. The past two years (the pandemic) were very favourable for e-commerce, with a sales growth of around 26% year-on-year [same report, the average annual value for 2018-2021]. While some experts predicted that boom to continue, last year data and the most recent predictions seem to suggest a deceleration in the growth rate in the coming years. This is likely to increase competition among online stores, the number of which has also increased recently, and this should also encourage companies to invest in new innovative solutions to increase sales.

The popularity of e-commerce also entails the development of several related industries (logistics, deferred payments, e-commerce services, etc.) and since the entire “e-commerce environment” is open to new ideas (or, more accurately, it needs to be open to new ideas), any such ideas tend to evolve quite quickly. Voice commerce, chat-bots, shopping deliveries using drones, and the increasing popularity of m-commerce or life-commerce are among the numerous interesting market trends. Recently, anything with AI has enjoyed popularity, starting from simple universal tools to advanced solutions for business.

Fashion e-commerce is an important segment from the perspective of the Company's operations, constituting the target market for the AI Stylista Modowy (AI Fashion Stylist) product. As estimated by experts representing the Admitad partner network, in 2022, the number of online purchases in the segment in question increased by more than 30% globally and by more than 12% in Poland. Importantly, the amount Polish consumers were ready to spend on fashion purchases increased by 19%. In global terms, these results are even more promising. The fashion e-commerce segment is open to new solutions and quickly adopts them to its specific needs.

According to Mayple and a report titled “An Essential Guide to Fashion eCommerce: Top Trends and Strategies for 2023” (which forecasts the annual growth in this segment to reach 23.1%), the major trends that will play a substantial role in the development of this segment include those related to ecology (re-commerce as well as sustainable and ethical development), solutions for deferred payments, technological concepts of VR (virtual reality) and those based on artificial intelligence (AI). The authors estimate that the global spending on AI-based tools will have reached USD 12 billion by 2023. Among the most important marketing strategies for the industry, the report mentions delivering highly personalized sales processes and visual search options.

The impact of macro-economic factors on e-commerce is also worth noting, and inflation seems to be the “go-to” word in this context. Undoubtedly, the continuing price rise, hardly matched by the growth in wages and salaries, influences consumers’ shopping decisions. Based on the survey results presented in the “E-Commerce in Poland 2022” report (Gemius, IAB Poland and PBI), 38% of respondents stated that they would buy less than before due to inflation. The fact that consumers save money is also evident from the data presented by Polityka Insight (<http://www.indekskonsumpcji.pl>) and the analysis of consumption indicators, directly stating that “in Q1 2023, spending on most consumer goods and services decreased. Poles were saving on clothes, food and durable goods. Therefore, we can expect a lower dynamics of online sales growth in the coming months.

### **1.5.3.2 Development strategy**

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

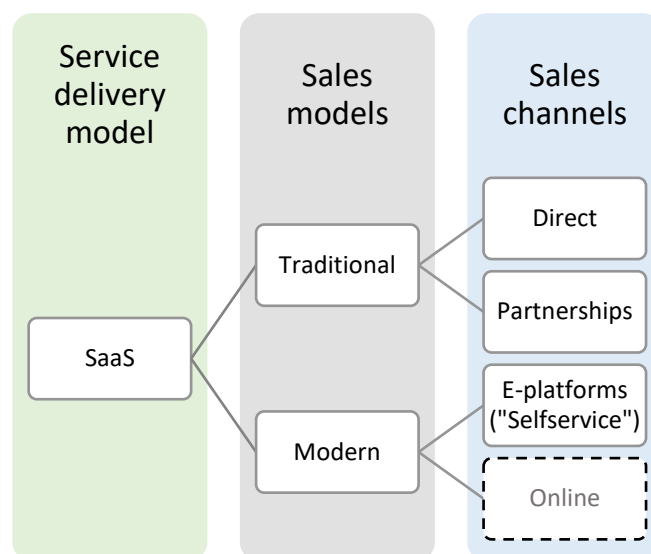
In addition, the 2024 development concept also envisages potential acquisitions on the CEE market (Central and Eastern Europe), and further development in this region. The Company does not rule out a wider entrance to one of the Western European markets.

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

## 1.6 Summary of 2022 highlights

### 1.6.1 Sales models

The Company provides all its services using the SaaS model (Software as a Service) where our software is delivered electronically based on cloud computing, and our customers can use these services without having to install the software on their machines. But our sales process takes place over two channels, traditional, through our own sales frameworks and partner networks, and modern, currently through e-commerce platforms, where services (apps) are sold as plug-ins to e-shops operating on the platform.



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

### 1.6.2 Key sales events

In 2022, from the perspective of the Company's operations and sales performance, there were three key events, i.e., consolidating the product portfolio, redirecting the underlying sales prospecting activities to the enterprise sector, and facing the geopolitical situation in the East (the war in Ukraine). Foreign sales were affected the most, their share dropping below 30%. The fact that some people responsible for this segment left the team, making customer support less effective, resulted in a visible decline in international sales.

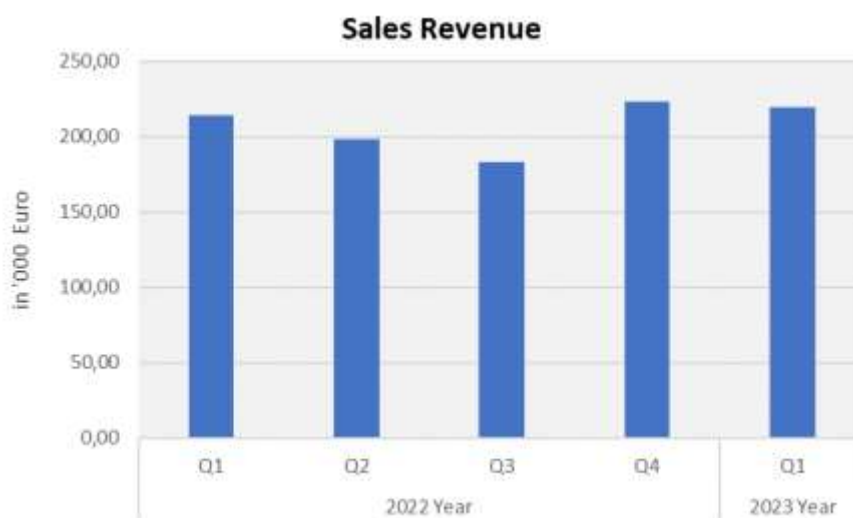
*in '000 EUR*

	2021	2022	Change
Revenue from the sale of services	918.9	<b>824.4</b>	-10.2 %
- In Poland	611.9	<b>580.6</b>	-5.1 %
‘-Foreign sale	306.9	<b>243.8</b>	-20.6 %
Foreign share in total Revenue	33.4%	<b>29,5%</b>	-3.9 pp

Following a significant consolidation and update of our product portfolio by the end of 2021, the CDXP system offered by QuarticOn became one of the most comprehensive solutions of its kind on the market. Our new portfolio received positive feedback from customers, which was evident in the first few months of 2022, enabling us to promptly commence talks with more than 40 new customers. While the Q1 2022 results were quite optimistic, the outbreak of the war in Ukraine in February had a very negative effect, visible in the subsequent months. Business talks and contract negotiations were practically suspended until June 2022. This must have had negative consequences in quarterly sales.

Finally, Q3 brought some positive changes, with a noticeable increase in the number of contracts signed and over EUR 15,138k in new sales. This trend was visible despite a persistently higher churn rate (2.5%). In that period, we commenced work on our 2023 sales strategy, identifying a number of areas requiring improvement and development. One of the most important tasks commenced in Q3 2022 was the launch of a project aimed at increasing the efficiency of sales processes, implemented with the support of SellWise experts – recognised sales and marketing consultants. A detailed audit and analysis of the current activities in the commercial area were performed, followed by a roadmap towards increasing the efficiency of sales and marketing activities.

In Q4 2022, the company continued to recover its sales momentum, achieving a quarterly sales growth of 17% (quarter-to-quarter). Although the sales figures had not returned to the previous year's level, this period was very intensive in terms of sales (not only because of the seasonal events such as Black Friday and the Christmas season).





In Q4 2022, the Company began working intensively on the communication and promotional aspects of the AI Fashion Stylist solution aimed at fashion segment customers. The ultimate version of the product will be ready at the end of 2023, while much earlier there will be an opportunity to prepare some new selected services dedicated to the fashion industry (based on new AI algorithms), which the Company perceives as an extension of its existing portfolio aimed at the most demanding customers.

The main areas of action for 2023 include the concentration of activities in the enterprise sector, with a particular focus on the fashion industry, supported by newly developed AI-based solutions as part of the ongoing AI Fashion Stylist project. The biggest challenges are the duration of the sales processes in the large organisation segment and the substantial degree of adjusting (personalising) the offering to the needs of customers representing that segment. At the same time, these customers express much interest in innovative AI solutions, which makes the Company believe that the combination of these two areas will provide a solid stimulus to drive its business in 2023.

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



*Summing up, 2022 brought numerous challenges and changes for our company. It was a period of intensive development with a mixture of pessimism (in the middle of the year) and slight optimism (in the end). Despite the unstable geopolitical situation and not very favorable macro-economic data (inflation!), the new CDXP offering attracted new customers, and measures aimed at increasing the efficiency of sales processes started to produce the first outcomes (but the ultimate outcomes of these changes can probably be expected in Q2 and Q3 2023).*

*Looking ahead to 2023, I am convinced that focusing on the enterprise sector, with particular emphasis on the fashion industry, is a good choice. This part of e-commerce is very dynamic. It needs a full range of products and is open to new ideas. We can talk to customers about multiple solutions for the whole omni-channel and every aspect of online sales. And this is also a challenge for us – to be even more competitive in that market.*

### **1.6.3 Marketing and promotional activities**

Year 2022 can definitely be seen as marking the start of long-term projects, which naturally divided the year according to the Company's development stages. It was a time of targeted activities, which ultimately contributed, among other things, to expanding the media presence of the QuarticOn brand, its product portfolio acquiring the ultimate shape, and reorganizing marketing processes.

The first line of activities, centered around the AI Fashion Stylist project, resulted in increasing the awareness across the industry of the upcoming innovative tool, highlighting the benefits it provides to both the B2B and B2C segments. The Company released 11 publications in total with an average reach of 9,000 UU, consolidating media cooperation with popular business/technology e-commerce portals.

The second line of activities focused on the marketing and development of a comprehensive CDXP platform. The Company released 80 know-how and instructive articles as well as took part in numerous projects in cooperation with external parties, including market toolkits and webinars.

Definitely one of the most important issues in 2022 (in the sales area) was the sales processes reorganization program implemented jointly with Sellwise. Guided by experts, the Company developed values unique to business customers, redefined its target group and developed a prospecting communication plan. The expertise so built made it possible to identify process blockers, to analyse the buying processes employed by customers, and to adjust marketing operations. The program was launched at the end of Q3/early Q4 2022, and 2023 saw the preparation and implementation of all related changes. These include the redesign of the Company's website structure and content, comprehensive work on marketing funnels and content plan, as well as account-based marketing activities. The Company is expecting that the already-performed as well as planned activities will significantly increase QuarticOn's market competitiveness and allow it to achieve better financial results in the following periods.

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



*The activities carried out during the year bore fruit, but they also made us realise that, without a long-term plan, their effects are sometimes fairly short-lived. As in life, the best way to go about business is to proceed without haste. We operate in a very dynamic environment where frequent changes in habits, behaviour and trends are our bread and butter.*

*Therefore, we need to strike a balance between the desire to meet market needs ASAP and the establishing of working standards and the appropriate long-term strategies. We want to act in a more conscious and effective way. I am convinced that the actions we have initiated at the end of 2022 will enable us to achieve sustainable success in the near future.*

## 1.6.4 AI Fashion Stylist project

On 27 December 2021, the Company entered into an agreement with the National Centre for Research and Development for the funding of an innovative project entitled “Development of advanced artificial intelligence algorithms and methods for the analysis and modelling of outfit styles in the form of a self-learning system recommending and composing outfits from individual pieces of clothing based on pre-defined style patterns” (working name: “AI Fashion Stylist”). This is co-financed from the European Regional Development Fund as part of the Smart Growth Operational Program 2014-2020, Sub-measure 1.1.1 “Industrial research and development work implemented by enterprises” (Fast Track). Under the agreement, the project is to be implemented for 26 months (starting from 1 November 2021).

The AI Fashion Stylist project is the Company’s strategic undertaking aimed at bringing AI-based technology to online fashion stores. The principal objective of the AI Fashion Stylist will be to automate sales activities and to replace repetitive marketing work, thus helping to increase profitability. From a commercial point of view, the project will be available in both B2B (stores) and B2C (consumer) models.

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



*Our main products for B2B as part of the project is the new-generation autonomous AI Fashion Discovery platform. It features a personalised fashion product recommendation engine, an automated product description generator, an in-store product search engine and an automated fashion stylist service. The whole solution will be integrated with our current CDXP platform and will be available both in a SaaS model and through an API. This is our response to the needs expressed by e-commerce managers who run fashion stores on a daily basis and face the challenges connected with maximising margins from product sales.*

*Sales in the fashion industry increasingly involve high discount campaigns and the need to deal with a growing number of product returns. This is caused by frequent launching new collections in short series (so-called fast fashion), which creates the pressure of selling out the current collection before the next one arrives. The key to success is to sell new products at full prices as quickly as possible before the next collection is bound to appear. Current machine learning algorithms, used by most of the competing marketing technologies and shop engines, are no longer fit for purpose due to time*

*constraints and a lack of adequate data to learn the new collection. By the time the commonly used solutions have learnt how to handle a new collection, another one appears, making these technologies unable to serve their roles and accomplish their goals.*

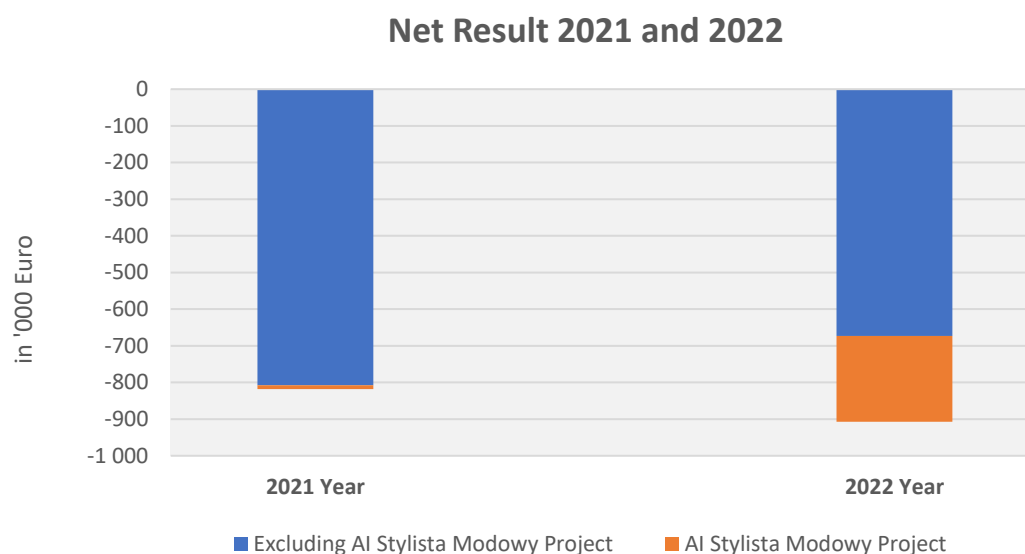
*In addition, consumers expect their shopping experience to be increasingly personalised. They want the store to help them find products tailored to their needs and to build a wardrobe without having to search through hundreds of products. As part of this project, we have established and continue to develop AI algorithms which have been trained on millions of fashion images available online. In consequence, our algorithms display the competences of a professional fashion stylist. They can create sets of clothes, search for products according to different styles, describe the photos in an understandable way and provide a personalised shopping experience for each customer. These AI algorithm competences will also be used to create the Fashion Stylist mobile app for smartphones. It will be a kind of shopping assistant providing personalised recommendations based on the customer's established preferences and available offerings of online stores.*

*The online clothing sales market accounts for around 24% of the overall e-commerce value, and this category is expected to grow by around 30% over the next three years (sources: <https://www.statista.com/statistics/1298198/market-value-fashion-ecommerce-global/>, <https://www.shopify.com/blog/top-online-shopping-categories>). It is one of the fastest growing product categories sold by online stores. Each category has its own specific problems and challenges, so for us this is a strategic segment where the AI Fashion Stylist project will let us deliver unique value to the market and build a strong competitive advantage.*

## 1.7 Financial results

### 1.7.1 Introduction to financial results

The financial results for 2022 should be approached both as a whole and by excluding the AI Fashion Stylist project. This is important as the aforementioned project (the largest in the Company's history) has a significant impact on the level of costs, and thus also on the net result.



#### 1.7.1.1 Results excluding the AI Fashion Stylist project

The poor performance in the two middle months of 2022, as already mentioned at the beginning of the report, contributed to a sales drop of 10% relative to the previous year. This was due to some external factors (the political situation), including the prolonged negotiations over new contracts and increased customer defection. This difficult situation continued for several months but, starting from August, we could already see an upward trend resulting in several major deals and a sales increase recorded in Q4 2022. being reduced, and the high growth rate of the remaining two main products will result in further revenue diversification.

Operating costs (excluding amortisation and depreciation, and AI Fashion Stylist costs), were lower EUR 103.4k (-9.3%) than in 2021. This resulted, on the one hand, from the optimisation of personnel costs (staff changes, fewer tasks) and, on the other, from reduced spending (savings) on additional services.

At the EBITDA level (based on the operating result, excluding the AI Fashion Stylist), the Company achieved result slightly better than in 2021, EUR +17.4k and similarly, the net result (loss) was better by EUR 134k (decrease in loss) e.g. thanks to lower financial costs (lower loans).

At the end of 2022, an analysis of amortized development works was also performed (new products included in intangible assets) and in the case of one of them (VOD tools), the Management Board decided to partially write off their value.

<i>in '000 Euro</i>		2021	2022	'22 vs 21
Result excluding „AI Stylista Modowy Project	Sales Revenue	918.9	824.4	-94.5
	Operating expenses without depreciation	-1,113.9	-1,010.4	-103.4
	<b>EBITDA (based on profit (loss) on sales)</b>	<b>-195.0</b>	<b>-186.1</b>	<b>+8.9</b>
	Amortisation and depreciation	-499.7	-432.8	-66.9
	<b>Profit (loss) on sales</b>	<b>-694.7</b>	<b>-618.9</b>	<b>+75.8</b>
	Other operating revenues and expenses	-48.2	-39.8	+8.4
	<b>EBIT (operating result)</b>	<b>-742.9</b>	<b>-658.6</b>	<b>+84.3</b>
	<b>EBITDA (based on operating result)</b>	<b>-243.2</b>	<b>-225.8</b>	<b>+17.4</b>
	Financial revenues and expenses	-64.6	-14.9	+49.7
<b>Net result (excluding AI Stylista Modowy Project)</b>	<b>-807.5</b>	<b>-673.5</b>	<b>+134.0</b>	
AI Stylista Modowy Project	Operating expenses without depreciation	-10.4	-498.7	+488.4
	Other operating revenues and expenses	0.0	265.0	+265.0
	<b>Net result AI Stylista Modowy Project</b>	<b>-10.4</b>	<b>-233.7</b>	<b>-223.4</b>
<b>Net Result (Total Company)</b>		<b>-817.6</b>	<b>-907.2</b>	<b>-89.4</b>

### 1.7.1.2 Impact of the AI Fashion Stylist project

The project in question, which was launched in November 2021, entered the dynamic implementation phase already in Q1 2022 (the project schedule is relatively fixed and the Company needs to meet to set deadlines). This triggered the need to hire AI/ML experts and fashion e-commerce experts, along with entailing higher investments in technology infrastructure which directly translated into increased project implementation costs. Throughout 2022, the implementation of the AI Fashion Stylist project cost EUR 499k, of which more than EUR 214k was spent to cover the costs of wages and salaries (including benefits). As the first stage of work (the longest, from November 2021 to February 2023) included industrial research, the project costs were directly expensed when incurred and had a direct impact on the overall Company's net result. In the period under discussion, the Company also settled EUR 265.0k of



subsidies received for the project. Ultimately, the net loss reflecting, in accounting terms, the outcome of the AI Fashion Stylist project, was EUR 233.7k higher in 2022. This also influenced the Company's equity status at the end of the year.

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



*Companies such as ours are assessed from the sales volume perspective, and in this respect 2022 was a bad year. There were obviously many reasons for this (as also described in this report), but we had to focus on those issues that were within our control. Therefore, we performed an in-depth analysis of our commercial processes together with an external consultant. And we did so objectively and honestly. Having learnt what needs improving, we are now acting on that knowledge.*

*We have already seen some progress but there is still a long way to go. As regards costs, there are no surprises – we already optimised expenditure in previous years and now we are making adjustments on an ongoing basis. Our key project, the AI Fashion Stylist, was our biggest expense in 2022: the investment consumed EUR 499k, the vast part of which was financed from the advance payments we had received for the project. Unfortunately, sales disruptions in mid-2022, along with the cost effect of the project implementation, badly affected our net result and led to negative equity at the end of the year and this has had its consequences (the need to pass certain resolutions at the forthcoming GMS).*

## 1.8.2 Selected financial statement data

### Selected balance sheet data:

	in '000 €		in '000 PLN	
	As of 31.12.2022	As of 31.12.2021	As of 31.12.2022	As of 31.12.2021
Fixed assets	687.4	1,120.1	3,224.1	5,151.7
- including intangible and legal assets	684.7	1,116.7	3,211.3	5,136.1
Current assets	255.7	196.7	1,199.3	904.7
- including short-term investments	40.9	15.9	191.9	73.2
<b>Total Assets</b>	<b>943.2</b>	<b>1,316.8</b>	<b>4,423.4</b>	<b>6,056.4</b>
Equity	-113.3	594.9	-531.3	2,736.4
Liabilities and provisions for liabilities	1 056.5	721.8	4,954.7	3,320.1
- including short term liabilities	904.9	604.8	4,244.0	2,781.6
<b>Total Liabilities</b>	<b>943.2</b>	<b>1,316.8</b>	<b>4,423.4</b>	<b>6,056.4</b>

**Selected profit and loss account data:**

	in '000 €		in '000 PLN	
	2022	2021	2022	2021
Net revenue from sales	824.4	918.9	3,866.2	4,226.3
Operating expenses excl. depreciation & amort.	1,509.2	1,124.2	7,077.8	5,170.8
<b>EBITDA (based on profit (loss) operating result)</b>	<b>-459.5</b>	<b>-253.6</b>	<b>-2,155.2</b>	<b>-1,166.2</b>
Amortisation and depreciation	432.8	499.7	2,029.8	2,298.2
Gross profit (loss)	-907.2	-817.8	-4,254.8	-3,761.6
Net profit (loss)	-907.2	-817.8	-4,254.8	-3,761.6

**Selected cash flow statement data:**

		in '000 €		in '000 PLN	
		Year 2022	Year 2021	Year 2022	Year 2021
Net profit (loss)		-907.2	-817.8	-4,254.8	-3,761.6
Net cash flow from operating activities		-95.4	-31.1	-447.5	-143.1
Net cash flows from investment activities		-45.9	-167.6	-215.1	-770.9
Net cash flow from financial activities		166.6	201.7	781.2	927.7
Cash closing balance		40.9	15.9	191.9	73.2

## 1.8 Financial standing

### 1.8.1 Predicted financial situation

Both Q4 2022 and Q1 2023 show some improvements in the revenue standing (in contrast to the downward trends observed in Q2 and Q3 2022). The Company is optimising its sales processes with the support of external experts. It has been developing a new partnership model and testing the first algorithms developed under the AI Fashion Stylist project. The activities conducted are expected to contribute to growing sales volumes, both in the short- and long-term perspectives, following the launch of new products (the AI Fashion Stylist). The Company is also gradually returning to international markets, which should have a further positive impact on sales performance in the mid-term perspective.

In January 2023, the General Meeting of Shareholders of QuarticOn passed a resolution on capital increase. The Company has been also conducting investor talks with entities interested in shares subscription but, as of now, it is unable to state the date for this process to complete (probably Q3 2023).



## 1.8.2 Financial forecasts

The Company did not issue any financial projections for 2021.

# 1.9 Operating risks

## 1.9.1 Risks associated with personal data processing

From the personal data processing point of view, the basic service we provide to our customers can rely on three models. In the first, we do not process any personal data of anyone using our customers' websites, as such websites only use cookies, including a cookie to collect information about user behavior (and this cookie file only identifies a browser, not its specific user). In the second, we might process personal data as the service we provide to our customers might associate cookies with e-mail addresses of persons using our customers' websites, and use this information to link shopping history and preferences to specific users. Data gathered this way, and processed by our proprietary software, is used to offer tailored shopping recommendations to specific users. In the third, which works similarly to the second, personal data is also processed, but shopping recommendations are submitted to the e-mail addresses of the end users of our customers' websites. These stores are solely responsible for the processing of their customers' personal data, hence our risk is negligible here.

Nevertheless, we are required to ensure legal compliance as we process other personal data, and especially the personal data of our employees, associates, and business partners.

As a company, we need to fulfil the requirements provided for, e.g. in Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), and the Personal Data Protection Act, which impose a number of requirements on personal data controllers and specify conditions for personal data processing. Our customers are subject to the requirements defined in the GDPR, which is directly applicable across the EU and in relation to data processing within the EU. The GDPR defines such rules for personal data processing as legitimacy, fairness, transparency, limitation of data processing, data minimization, correctness, limited time of data processing, integrity, confidentiality, and accountability. Moreover, the GDPR introduces a number of rights for persons whose data is being processed. The GDPR places more responsibility on personal data controllers and entities processing data on behalf of such controllers, as well as laying out how data can be transferred to third countries, such as the USA, and imposing fines on controllers and data processing

entities for violations of GDPR provisions. Furthermore, under the GDPR, supervisory authorities in EU Member States are authorized to introduce temporary or permanent limitations on such processing, or even forbidding such processing. Data controllers are also required to report any data breach to supervisory authorities within 72 hours of becoming aware of such breach. And entities processing data on behalf of controllers are required to immediately report any data breach to controllers. Any violation of GDPR regulations is punishable by fines up to EUR 20 million or up to 4% of annual revenue (whichever amount is higher). In addition, GDPR regulations strengthens the rights of people who have suffered some damage as a result of GDPR violation to claim compensation. It is possible that this might increase the number of civil-law claims against data controllers or processing entities. We believe that this might pose the risk of incurring costs related to court actions, including the payment of compensation to people who have suffered damage due to such violation. In the event of a GDPR violation, the Company can, in particular, be required to pay high fines or compensations, which could adversely affect our financial situation, growth prospects, performance, or the market price of our shares.

Since the GDPR and the Personal Data Protection Act have become effective only recently, and personal data protection regulations are EU laws that directly apply within the Republic of Poland, there is a risk as to how these laws will be interpreted, and what court and administrative practices will be adopted and followed here. Consequently, there is a risk that the steps that are now being taken by the Company to protect personal data might be considered wrong or inadequate in the light of future administrative or court decisions, which, in turn, might result in the above-mentioned fines or compensation liability towards natural persons.

## 1.9.2 Macroeconomic risk

Our business operations are dependent on the macroeconomic situation on the markets, where we provide or will provide our services, including especially in Poland and the Czech Republic. Our financial performance is affected by such external factors in those countries as economic growth rate, consumption level, fiscal and monetary policy, and inflation. The efficiency of our operations depends on how large a part of retail the e-commerce market is, and on how much is being spent on IT solutions to support sales and marketing. All these factors indirectly influence our revenue and financial performance, and also determine how successful we are in implementing our strategy, and what our growth prospects are.

### **1.9.3 Risks of diminishing market attractiveness of our products and growing competition**

The Company operates on its markets alongside its competitors. Services provided by QuarticOn can be categorized as innovative, state-of-the-art technologies, and this market is likely to experience unpredictable, major, and dynamic developments, also in relation to competition. Such developments, however, can take the form of new technological or marketing solutions, including those related to the business model adopted to provide and sell services to make them seem more attractive.

While our services continue to be competitive, the ongoing mergers, acquisitions, and other investment processes in these sectors can lead to some major changes, both in terms of our market position, measured as our market share, and our competitive edge, based on the terms and conditions, and prices, of our services. It is possible that a change in business models adopted by our competitors, or some new market developments, will affect our market share, which, in turn, can adversely affect our business operations, growth prospects, financial situation and/or financial performance.

### **1.9.4 Risks associated with the development of new products and unsuccessful strategy**

The market QuarticOn operates on is a relatively young one, and its emergence followed up the rapid development of technology and customers' needs. There is a risk that despite previous analyses and estimations related to our potential and market expectations, the launching of new products will not be met with sufficient enthusiasm from our customers, and new products will attract less users than we hope for. Therefore, the money we have spent on the development of new products might produce less profit than we expect and negatively affect our financial standing.

In addition, as a market, advanced technologies are characterized by a large degree of unpredictability and volatility. So, given the aforementioned rapid technological advancement, the Company is facing the risks associated with the need to be able to quickly adapt our strategy to changing market conditions, and to modify, or adjust, our products to better meet the needs of our customers and make the Company as profitable as possible at the same time.

QuarticOn regularly reviews its development strategy to adapt it to any changing internal or external conditions. Nevertheless, there is a risk that this strategy might not be fully successful, which could affect our operations, financial situation, growth prospects, performance, or the market price of our shares.

## 1.9.5 Technological and market-change-related risks

We operate in an industry that undergoes many, frequent, and major changes in relation to the available and applied technologies, designed either to upgrade the existing products or to launch new ones. Even though we continuously and regularly monitor the market for any possible technological developments, it is possible that the technologies on which we rely in our operations will become obsolete for us and/or our customers.

In order to be able to operate successfully on this market, we need to incur considerable R&D costs. But despite such costs, the Company is unable to guarantee that our product and software development strategy will be successful. This is due to such reasons as:

- in order to adapt to rapid technological advancements, we might need to incur higher costs than those we are able to bear,
- as new technologies appear alongside the existing ones, we might need to spread our funds more thinly across different projects.

Industry standards on our market are changing constantly, as services transform and product availability fluctuates. Should we find ourselves unable to quickly accommodate to these changes, our competitive position, as well as financial situation and growth prospects, will suffer.

## 1.9.6 Risks related to a lower profitability of projects developed by the company as part of its R&D

The market QuarticOn operates in is a relatively young one, and its emergence followed up the rapid development of technology and customers' needs. New products that we are now developing (such as smart search, new mailing modules, and plug-ins for new e-commerce platforms) are based on our analysis of market needs. There is a risk that despite previous analyses and estimations related to our potential and market expectations, the launching of new products will not be met with sufficient enthusiasm from our customers, and new products will attract less users than we hope for. Therefore, the money we have spent on the development of new products might produce less profit than we expect and negatively affect our financial standing.

In addition, as a market, advanced technologies are characterized by a large degree of unpredictability and volatility. So, given the aforementioned rapid technological advancement, the Company is facing the risks associated with the need to be able to quickly adapt our strategy to changing market conditions, and to modify, or adjust, our products to better meet the needs of our customers and make the Company as profitable as possible at the same time.

But there is a risk that the Company will not see the expected return on those projects, which might force it to make further write-offs in the future.

In recent years, the Company has developed, produced and put into use 20 tools, both supporting implementation and ready-made products for sale. The economic efficiency analysis performed at the end of 2022 for one of them (VOD 2.0) showed a lower than expected development potential, therefore the Management Board of the Company decided to update their value by making revaluation write-offs.

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

### **1.9.7 Risks of serious cash-flow interruptions and loss of financial liquidity**

The risks described above might affect our financial situation, and especially financial liquidity. The Company's liquidity is affected especially by its revenue, debt collection efficiency, and expenditure level. Risks associated with technological developments on the market, increase in competition, and lower revenue from provided services, can all lead to reduced revenue. The Company assumes efficient management of expenditures, which, in the event of lower revenue, can be reduced, but there is also a limit to such reduction. The Company believes that one of the ways to balance the burden of funding its development is to secure external funding from investors, banks or EU funds.

## 1.9.8 Going concern risk

The financial statements for 2022 have been prepared on a going concern basis. Given the negative equity value, and also in line with the auditor's suggestion, the Management Board outlined the potential going concern risks in the financial statements, which are once again presented below. As stressed by the Management Board, one of the main reasons for the negative equity value at the end of the year was the substantial cost (outlays expensed directly when incurred) of the AI Fashion Stylist project co-financed from EU resources.

The Company's negative capital level obliges the Management Board to identify the most significant going concern risks. These include:

- the Shareholders Meeting adopting a resolution under Article 397 of the CCPC on the continuation of the Company's activities,
- implementing the objectives related to substantially driving sales revenues, especially through the AI Fashion Stylist project,
- obtaining/extending short-term financing sources as well as obtaining financing from new issues of shares.

The implementation of the AI Fashion Stylist project had a significant impact on the negative net result in 2022. In 2021, the Company concluded an agreement with NCBR for the project co-funding under the Smart Growth Operational Programme. The project was launched in November 2021 and will continue through December 2023. The total project value is EUR 1,343k and the funding is EUR 959k. The implementation process is divided into three stages – industrial research (by the end of February 2023), development work (by the end of August 2023), and pre-implementation work (by the end of 2023). Throughout 2022, the Company conducted work related to industrial research, which cost EUR 499k in total and had a direct bearing on the Company's profit. At the same time, the Company settled advance payments made for the project, amounting to EUR 265k, recognised as "other operating income". In accounting terms, the project implementation increased the net loss by more than EUR 233.7k, resulting in a negative equity level at the end of 2022.

Items in '000 Euro	QuarticOn SA	AI Stylista Modowy Project"	Core part of the QuarticOn' business
Sales Revenue	824.4	0.0	824.4
Operating Costs	-1,941.9	-498.7	-1.443.2
<b>Profit (loss) on sales</b>	<b>-1,117.6</b>	<b>-498.7</b>	<b>-618.9</b>
Other operating revenues and expenses	225.3	265.0	-39.7
Financial revenues and expenses	-14.9	0.0	-14.9
<b>Net profit (loss)</b>	<b>-907.2</b>	<b>-233.7</b>	<b>-673.5</b>
<b>Equity</b>	<b>-113.3</b>	<b>-233.7</b>	<b>120.4</b>

In line with the applicable regulations, the General Meeting of Shareholders is required in that event to adopt a resolution, under Article 397 of the CCPC, on the continuation of the Company's activities, which should be done at the General Meeting of Shareholders in June 2023.

The Management Board would like to stress that the current project is a strategic element of the Company's development and, once completed, QuarticOn S.A. will have a technology that is unique on the market. The results of the first tests of new algorithms in real-life settings, as presented in the Q1 2023 report (EBI report 5/2023), prove that the new solutions (even at an early stage) are effective.

Other elements necessary for the Company's further development include the acquisition of financing through the issue of new shares (as resolved in January 2023 by the Extraordinary Meeting of Shareholders) and the implementation of objectives to drive sales revenues in 2023 (more information on pro-sales projects can be found in the aforementioned report). It should be emphasised that the AI Fashion Stylist project, given its potential, is particularly important in terms of generating new sales.

## 1.10 Shareholders at the end of 2022

To the best of Company's knowledge, at the end of 2022, QuarticOn has the following shareholders:

Shareholders	Number of shares *	Share percentage
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%
<b>Total</b>	<b>2,522,300</b>	<b>100.0%</b>

\*\* All Class A, B, C, D, E, F, G, H and J shares

\*\* Including key employees (ESOP)

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

On May 27, 2022, the Company learned, that on the same day the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, of registration of the increase in the Company's share capital by 106,700 series H shares made by the Extraordinary General Meeting on December 13, 2021.

As at the date of publication of this report, to the best of the Company's knowledge, the shareholding structure of QuarticOn is shaped by is as follows:

Shareholders	Number of shares *	Share percentage
Venture FIZ	1,249,300	49.5%
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%
<b>Total</b>	<b>2,522,300</b>	<b>100.0%</b>

\* \* All Class A, B, C, D, E, F, G, H and J shares

\*\* Including key employees (ESOP)

## 1.11 Other information

### 1.11.1 Employment

At the end of December 2022, the employment in the Company - converted into full-time equivalents - amounted to 25.4 FTEs (employment contract, contract of mandate, cooperation with self-employed people) and was 5.4 FTE more than in 2021.

In 2022, the average number of persons employed on the basis of employment contracts or appointment to the Management Board was 17.37 persons and 2 Members of the Board, respectively. In total 19.37 persons.



## 1.11.2 Salaries for the Management Board and Supervisory Board

In 2022, the sum of salaries for the Members of the Management Board was EUR 70.7k. In 2022, Supervisory Board members did not receive any salary.

## 1.11.3 Financial auditor fee

The expert auditor's fee for the 2022 audit was EUR 3.6k.

## 1.11.4 Authorized advisor fee

In 2022, the Authorized Adviser's (Dom Maklerski BDM S.A.) fee for its services was EUR 2.6k. The agreement for the provision of authorized advisor services was completed on July 31, 2022.

## 1.11.5 Basis for the financial statement

This **2022 Annual Report by QuarticOn** was prepared pursuant to § 5 Sections 6.1. – 6.3. Appendix 3 to the Alternative Trading System Rules: Current and periodic information communicated through the alternative trading system on the NewConnect market.

The financial statement was prepared pursuant to the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2019, item 351), hereinafter “the Act”, and secondary legislation thereto, which specifies, e.g., accounting standards for businesses based in, or managed from, the Republic of Poland.

Accounting records are kept according to the historical cost principle (items in the balance-sheet and financial result were valued pursuant to the Accounting Act), so the effect of inflation is not accounted for. The Company aggregates its costs by type and prepares its Profit and Loss Account using a single-step/comparative version. The figures in our financial statement in its original version are in PLN and for the English issue were recalculated on EUR using foreign exchange rates presented at the beginning of the Report . For reference purposes, we provided financial data for the previous financial year from 1 January 2021 to 31 December 2021.

## 1.11.6 Indicators and definitions

Wskaźnik	Źródło danych	Sposób obliczania	Użyteczność
EBITDA (based on result on sales)	Accounting system	Profit on sales plus depreciation	This indicator is used by QuarticOn for quarterly reporting – it is an approximate figure for profit from the Company’s direct current business, which excludes any one-off accounting events (e.g. write-offs, revaluations of some reserves, typically made once a year at the end of December and covering an entire year, or past periods). Consequently, monthly or quarterly results are more comparable in the short term
EBITDA (based on operating profit)	Accounting system	Operating profit plus depreciation (reduced by interest charges and taxes)	QuarticOn uses this indicator for annual reporting. It reflects the Company’s profit from its direct business, including any write-offs and revaluations of reserves for other operating revenues and costs over a given year
Churn	Accounting and invoicing system	Total latest-month revenue from customers who stopped using the Company's services in the previous month relative to the previous month's total sales	This indicator provides an approximate figure for sales lost due to customers’ leaving the Company. While there is no single benchmark, the lower the rate, the better
Result on operating activities	Accounting system	Result on sales plus other operating revenues less other operating costs	The company unifies the terms used: result on operating activities (in short: operating result or EBIT)

## 1.12 Management Board’ declarations

### 1.12.1 Declaration by the management board about the integrity and compliance of the financial statement and reference data

The Management Board of QuarticOn S.A hereby declares that, to the best of its knowledge, the financial statement and reference data comply with the regulations applicable to the Company and provide a true, reliable and clear account of the economic and financial situation of the Company and its financial result, and the Operating Report of the Company provides a true picture of the situation in the Company, including major risks.

## 1.12.2 Declaration by the management board about the audit company being legally selected to audit its annual financial statement

The Management Board of QuarticOn S.A hereby declares that it selected the audit company to audit its financial statements in compliance with the applicable law, and that the audit company and the audit team were in a position to prepare a fair and unbiased report from the audit of the annual financial statement in line with the applicable law, professional standards, and integrity.

**Management Board of QuarticOn S.A.**

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**Paweł Wyborski**  
CEO

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**Michał Giergielewicz**  
CFO

# 2

**Financial statement  
for January 1st 2022  
to December 31, 2022**

## 2.1 Introduction to the financial statement

### 2.1.1 Entity data

<b>Name</b>	QuarticOn Spółka Akcyjna
<b>Registered office</b>	02-017 Warszawa, Al. Jerozolimskie 123A
<b>NACE codes describing the entity's core activities</b>	62001Z
<b>Tax identification number:</b>	NIP 5213608082
<b>Number in the relevant court register</b>	KRS 0000715276

### 2.1.2 Duration of the entity, if not perpetual

Not applicable.

### 2.1.3 Period covered by the financial statements

Financial statements drawn up for the period from 01.01.2022 to 31.12.2022

### 2.1.4 Indication whether the financial statements contain combined data

These financial statements contain no combined data.

### 2.1.5 Assumption of going concern

These financial statements have been drawn up assuming that the entity will continue to operate as a going concern in the foreseeable future.

There are circumstances indicating a threat to going concern: The financial statements have been prepared on the going concern basis. Nevertheless, the Company's negative equity capitals oblige the Company's Management Board to highlight the most important risks related to further operations of the Company, i.e.:

- adoption of a resolution by The General Meeting of Shareholders pursuant to Article 397 of the Code of Commercial Companies on the continued existence of the entity,
- implementation of assumptions regarding a significant increase in sales revenues, in particular implementation of assumptions regarding a significant increase in sales revenues, especially through the implementation of the AI Fashion Stylist project,
- obtaining/extending short-term sources of financing as well as obtaining financing from new share issues.

Detailed information was included by the Management Board in the relevant section of the additional information.

## 2.1.6 Information on mergers

Not applicable.

## 2.1.7 Accounting policy

### **Overview of the adopted methods of valuation of assets and liabilities (including amortization and depreciation):**

The accounting rules applicable to the respective balance sheet items and the profit and loss account are presented below.

#### **Tangible fixed assets and intangible assets**

Tangible fixed assets and intangible assets are recognized according to purchase prices less amortization write-offs and impairment losses.

The purchase price of fixed assets also includes the cost of servicing debt incurred to finance them for the period of assembly and adaptation and the related exchange rate differences less any revenues generated in this way. The purchase price of a fixed asset is increased by its improvement costs, involving reconstruction, modernization and development, resulting in the value in use of that fixed asset after improvement being higher than its value at the time of putting into service.

Foreign tangible fixed assets in use brought into use on the basis of a lease contract are recognized as fixed assets if the contract meets the conditions specified in Art. 3 par. 4 of the Accounting Act.

If a tangible fixed asset or intangible asset in use is put into liquidation, withdrawn from use or other reasons cause its impairment, a revaluation write-down is charged to other operating expenses. If the reason for which impairment losses are recognized for tangible fixed assets in use and intangible assets is no longer applicable, the equivalent of all or the relevant part of the already made impairment write-down increases the value of a given asset and is recognized accordingly under other operating revenues.

The straight-line method is used for depreciation. In determining the period of depreciation and the annual depreciation rate, the useful economic life of a tangible fixed asset in use and intangible asset is taken into account. The correctness of the

assumed periods and amortization rates shall be periodically verified. The values presented below define the standard depreciation rates, but in justified cases, taking into account the useful life, the Management Board may decide to use an individualized depreciation rate.

The Management Board determines the depreciation period and rate for intangible assets pursuant to Art. 33 of the Accounting Act, taking into account their useful economic life:

- R&D expenses 20%
- other 50%

The Company uses the following depreciation rates for the basic groups of tangible fixed assets in use:

- buildings, premises, civil and water engineering structures 2.5%
- technical equipment and machines 10% – 30%
- vehicles 20%
- other tangible fixed assets in use 2.5% – 30%

Tangible fixed assets in use include tangible fixed assets with the expected useful economic life longer than a year and purchase price exceeding EUR 2,132.24 (PLN 10,000).

Tangible fixed assets in use in group 491 (computers and computer hardware) with a value higher than EUR 319.84 (PLN 1,500) and lower than EUR 2,132.24 (PLN 10,000) are depreciated on a one-off basis (write-off of 100% of the initial value) in the month in which they are put into use.

Tangible fixed assets under construction are recognized at the amount of total costs directly related to their purchase, less impairment losses.

Tangible fixed assets under construction are not depreciated until their construction is completed and they are put into use.

### **Investments**

Investments include assets acquired to achieve economic gain arising from the increase in value of these assets, obtaining revenues on them in the form of interest, dividends (shares in revenues) or other benefits, including from commercial transactions and, in particular, financial assets and those real property assets and intangible assets, which are not used by the Company, but were acquired to achieve such gain.

Real property and intangible assets included under investments are recognized according to the principles applied for tangible fixed assets in use and intangible assets.

Shares in other subsidiary entities are recognized at their purchase price, taking into account potential depreciation.

### **Receivables**

Receivables are recognized as the amount due, applying the principle of prudent valuation, and provided as net values (less any write-downs).

The value of receivables is subject to periodic revaluation, taking into account the probability of their being paid by making a write-down. Uncollectible receivables are receivables overdue by more than 1 year, where the debtor has suspended its activities, declared bankruptcy or has been put into liquidation. Write-downs are also made on receivables claimed in court. Write-downs are recognized accordingly under other operating or financial expenses, depending on the type of receivable subject to a given write-down. Redeemed, overdue or uncollectible receivables reduce the previously made write-downs. As for redeemed, overdue or uncollectible receivables for which no write-downs have been made, the write-down is charged directly to other operating expenses.

### **Inventory**

The value of inventory is determined on the basis of the purchase price, while inventory issue is recognized using the first-in first-out method.

Inventory is recognized in the balance sheet as a net value, i.e. less the value of write-downs from their valuation according to net sales prices.

### **Cash and cash equivalents**

Cash in hand and at bank is recognized according to its nominal value.

### **Deferred and accrued expenses**

Deferred expenses are recognized in relation to the costs incurred relating to future reporting periods. This item also includes R&D expenses, which will constitute intangible assets after completion.

Accrued expenses are recognized in the amount of probable liabilities for the current reporting period, arising in particular from:

- services provided to the entity by the entity's contracting parties, where the amount of the receivable can be reliably estimated,
- the obligation to perform future services connected with current activities, the amount of which can be estimated even though the date of incurring the liability is not yet known, including due to guarantee repairs and warranty for the long-term use products sold.

### **Equity**

The share capital is expressed as the amount specified in the agreement and entered in the court register. The stated outstanding share capital contributions are recognized as outstanding share capital contributions.

Supplementary capital is made up of additional payments made by shareholders.

Reserve capital is made up of the distribution of previous years' profit.

### **Provisions for liabilities**

Provisions for liabilities are expressed at a justified, reliably estimated value.



Provisions are created for:

- certain or highly probable future liabilities, the amount of which can be estimated in a reliable manner and, in particular, for losses on ongoing business transactions, including due to provided guarantees, sureties, lending operations, and results of ongoing judicial proceedings.
- unused employees' holiday entitlements

### **Liabilities**

Liabilities are recognized at the amount due.

### **Deferred and accrued revenues**

Deferred and accrued revenues are recognized taking into account the principle of prudent valuation and cover the equivalent of the funds received or due from contracting parties for services to be performed in future reporting periods.

### **Deferred income tax**

The Company has decided not to determine the assets and provisions for deferred income tax, as there is a tax loss for previous years, which will be settled with the tax office under corporate income tax.

### **Financial result determinations:**

#### **Recognizing revenue**

Revenues on sales are recognized at the time of supplying goods or providing services. Sales are expressed as net values, i.e. excluding goods and services tax and all discounts.

#### **Cost**

The incurred costs are recognized in the profit and loss account for comparison with revenue in the period to which they refer.

#### **Management Board estimates**

Drawing up financial statements requires the Management Board of the Company to make certain estimates and assumptions, which are reflected in the financial statements and in the notes and explanations. Actual results may differ from estimates. The Management Boards' estimates relate to, i.a., write-downs, provisions, prepayments and accruals and the adopted amortization and depreciation rates and deferred taxes.

#### **Transactions in foreign currencies**

Transactions expressed in foreign currencies other than the Polish zloty are converted into Polish zloty using:

- the exchange rate actually applied on that day, arising from the nature of the operation – for the sale or purchase of currencies or the payment of amounts due or liabilities;

- the average exchange rate announced for a given currency by the National Bank of Poland for the day preceding that day – in the case of payment of amounts due or liabilities, if it is not justified to use the exchange rate provided for in 1, as well as for other operations.

As at the balance sheet date, the assets and liabilities expressed in currencies other than the Polish zloty are converted into Polish zloty according to the average exchange rate determined for a given currency by the National Bank of Poland for that day. The exchange rate differences from conversion are recognized in the item of revenues or financial expenses, respectively, or, in cases specified by law, capitalized in the value of assets.

Disposals of currencies are recognized using the first-in first-out method.

The following exchange rates were adopted in the financial statements for the purposes of valuation:

31.12.2022

- EUR 1 = 4.6899 (NBP exchange rate table No. 252/A/NBP/2022 of 30.12.2022)
- USD 1 = 4.4018 (NBP exchange rate table No. 252/A/NBP/2022 of 30.12.2022)
- CZK 1 = 0.1942 (NBP exchange rate table No. 252/A/NBP/2022 of 30.12.2022)
- GBP 1 = 5.2957 (NBP exchange rate table No. 252/A/NBP/2022 of 30.12.2022)

31.12.2021

- EUR 1 = 4.5994 (NBP exchange rate table No. 254/A/NBP/2021 of 31.12.2021)
- USD 1 = 4.0600 (NBP exchange rate table No. 254/A/NBP/2021 of 31.12.2021)
- CZK 1 = 0.1850 (NBP exchange rate table No. 254/A/NBP/2021 of 31.12.2021)
- GBP 1 = 5.4846 (NBP exchange rate table No. 254/A/NBP/2021 of 31.12.2021)

### Financial result

The financial result is composed of:

- result on operating activities, including on other operating revenues and costs,
- net financial result,
- obligatory encumbrance of financial result due to income tax whose payer is the Entity.

### Drawing up the financial statements:

These financial statements were drawn up in accordance with the Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2019, item 351), hereinafter referred to as “the Act” and the secondary legislation issued on its basis, which defined, inter alia, the accounting principles for entities having their registered offices or places of management on the territory of the Republic of Poland.

Accounting entries are made according to historical cost accounting, due to which the impact of inflation is not taken into account.

The company recognizes costs by type and draws up its profit and loss account in the single-step variant.

Numerical data in the financial statements are presented in Polish zloty. For English edition of the Annual Report the mentioned above exchange rates were used.

Financial data for the previous financial year, covering the period from 01.01.2021 to 31.12.2021 are presented as comparative data.

#### **The Management Board:**

The Members of the Board of the Company, during the financial year and after its end until the day of drawing up these statements, were:

- Paweł Wyborski - President of the Management Board
- Michał Giergielewicz - Member of the Management Board – CFO

#### **2.1.8 Additional information**

Not applicable.

## 2.2 Balance sheet

### 2.2.1 Assets

Items in Euro		As of 31.12.2022	As of 31.12.2021
<b>A.</b>	<b>Fixed assets</b>	<b>687,446.3</b>	<b>1,120,091.3</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>684,728.4</b>	<b>1,116,694.2</b>
1.	R&D expenses	684,723.4	1,116,689.1
2.	Goodwill	0.0	0.0
3.	Other intangible assets	5.0	5.1
4.	Advances for intangible assets	0.0	0.0
<b>II.</b>	<b>Tangible fixed assets</b>	<b>769.3</b>	<b>1,200.4</b>
1.	Tangible fixed assets in use	769.3	1,200.4
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	769.3	1,200.4
d)	means of transport	0.0	0.0
e)	other tangible fixed assets	0.0	0.0
2.	Tangible fixed assets under construction	0.0	0.0
3.	Advances for tangible fixed assets under construction	0.0	0.0
<b>III.</b>	<b>Long-term receivables</b>	<b>0.0</b>	<b>0.0</b>
1.	From related parties	0.0	0.0
2.	From other parties, in which the company holds capital commitment	0.0	0.0
3.	From other parties	0.0	0.0
<b>IV.</b>	<b>Long-term investments</b>	<b>1,070.4</b>	<b>1,091.4</b>
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0
3.	Long-term financial assets	1,070.4	1,091.4
a)	in related parties	1,070.4	1,091.4
b)	in other parties, in which the company holds capital commitment	0.0	0.0
c)	in other parties	0.0	0.0
4.	Other long-term investments	0.0	0.0
<b>V.</b>	<b>Long-term prepayments</b>	<b>873.3</b>	<b>1,105.4</b>
1.	Deferred tax assets	873.3	1,105.4
2.	Other prepayments	0.0	0.0
<b>B.</b>	<b>Current assets</b>	<b>255,719.0</b>	<b>196,702.5</b>
<b>I.</b>	<b>Inventory</b>	<b>0.0</b>	<b>0.0</b>
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.0	0.0
<b>II.</b>	<b>Short-term receivables</b>	<b>187,111.4</b>	<b>142,190.1</b>
1.	Receivables from related parties	0.0	0.0
a)	trade receivables, maturing:	0.0	0.0

Items in Euro		As of 31.12.2022	As of 31.12.2021
	- up to 12 months	0.0	0,0
	- over 12 months	0.0	0.0
b)	other	0.0	0.0
2.	Receivables from other entities in which the company holds capital commitment	0.0	0.0
a)	trade receivables. maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
b)	other	0.0	0.0
3.	Receivables from other ent	187,111.4	142,190.1
a)	trade receivables. maturing:	89,225.0	71,081.9
	- up to 12 months	89 225.0	71 081.9
	- over 12 months	0.0	0.0
b)	receivables from tax. subsidies. customs. social security and other benefits	66,144.0	39,344.8
c)	other	31,742.4	31,763.4
d)	claimed at court	0.0	0.0
<b>III.</b>	<b>Short-term investments</b>	<b>40,918.6</b>	<b>15,916.1</b>
1.	Short-term financial assets	40,918.6	15,916.1
a)	in related parties	0.0	0.0
b)	in other parties	0.0	0.0
c)	cash and other pecuniary assets	40,918.6	15,916.1
2.	Other short-term investments	0.0	0.0
<b>IV.</b>	<b>Short-term prepayments</b>	<b>27,689.0</b>	<b>38,596.3</b>
<b>C.</b>	<b>Called up share capital not paid</b>	<b>0.0</b>	<b>0.0</b>
<b>D.</b>	<b>Own shares (stocks)</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Assets</b>		<b>943,165.3</b>	<b>1,316,793.8</b>

## 2.2.2 Liabilities

Items in Euro		As of 31.12.2022	As of 31.12.2021
<b>A.</b>	<b>EQUITY</b>	<b>-113,288.8</b>	<b>594,944.3</b>
<b>I.</b>	<b>Share capital</b>	<b>53,781.5</b>	<b>30,532.2</b>
<b>II.</b>	<b>Supplementary capital, including</b>	<b>4,839,214.5</b>	<b>4,071,637.6</b>
	- share (stock) premium	0.0	4,071,637.6
<b>III.</b>	<b>Revaluation reserve, including:</b>	<b>0.0</b>	<b>0.0</b>
	- from fair value adjustment	0.0	0.0
<b>IV.</b>	<b>Other reserve capitals</b>	<b>64,644.8</b>	<b>738,397.8</b>
	- created in accordance to articles of incorpor. of the Company	0.0	0.0
	- on own shares (stocks)	0.0	0.0
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-4,163,696.5</b>	<b>-3,427,787.5</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-907,233.2</b>	<b>-817,835.8</b>
<b>VII.</b>	<b>Write-off on net profit during the financial year (negative value)</b>	<b>0.0</b>	<b>0.0</b>
<b>B.</b>	<b>Liabilities and provisions for liabilities</b>	<b>1,056,454.0</b>	<b>721,849.5</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>22,705.4</b>	<b>79,716.0</b>

Items in Euro		As of 31.12.2022	As of 31.12.2021
1.	Provision for deferred income tax	878.3	1,097.5
2.	Provision for retirement and similar benefits	21,827.2	12,723.8
	- long-term	0.0	0.0
	- short-term	21,827.2	12,723.8
3.	Other provisions	0.0	65,886.9
	- long-term	0.0	0.0
	- short-term	0.0	65,886.9
<b>II.</b>	<b>Long-term liabilities</b>	<b>0.0</b>	<b>0.0</b>
1.	To related parties	0.0	0.0
2.	To other parties in which the company holds capital commitment	0.0	0.0
3.	To other parties	0.0	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
e)	Other	0.0	0.0
<b>III.</b>	<b>Short-term liabilities</b>	<b>904,917.1</b>	<b>604,766.1</b>
1.	To related parties	1,070.4	1,091.4
a)	trade liabilities maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
b)	Other	1,070.4	1,091.4
2.	To other parties in which the company holds capital commitment	0.0	0.0
a)	trade liabilities maturing	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
b)	other	0.0	0.0
3.	To other parties	903,846.8	603,674.7
a)	credits and loans	139,727.6	173,339.0
b)	arising from issuance of debt securities	0.0	0.0
c)	other financial liabilities	0.0	0.0
d)	trade liabilities maturing:	595,568.9	357,220.4
	- up to 12 months	595,568.9	357,220.4
	- 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	97,274.2	41,677.9
h)	payroll liabilities	33,052.7	15,818.6
i)	other	38,264.9	15,618.6
4.	Special funds	0.0	0.0
<b>IV.</b>	<b>Accruals</b>	<b>128,831.5</b>	<b>37,367.4</b>
1.	Negative goodwill	0.0	0.0
2.	Other accruals	128,831.5	37,367.4
	- long-term	0.0	0.0
	- short-term	128,831.5	37,367.4
<b>Total Liabilities</b>		<b>943,165.3</b>	<b>1,316,793.8</b>

## 2.2.3 Profit and loss account

Items in Euro		YTD 2022	YTD 2021
<b>A.</b>	<b>Net revenue from sales</b>	<b>824,370.3</b>	<b>918,878.2</b>
	from related parties	0.0	0.0
I.	Net revenue from sales of products	824,370.3	918,878.2
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0.0	0.0
III.	Costs of manufacturing products for internal purposes	0.0	0.0
IV.	Net revenue from sales of goods and materials	0.0	0.0
<b>B.</b>	<b>Operating expenses</b>	<b>1,941,976.9</b>	<b>1,623,924.4</b>
I.	Amortisation and depreciation	432,811.7	499,682.9
II.	Consumption of materials and energy	8,212.5	4,358.3
III.	External services	821,239.5	667,300.4
IV.	Taxes and charges, including:	6,256.5	12,341.4
	- excise duty	0.0	0.0
V.	Payroll	572,475.8	377,805.1
VI.	Social security and other benefits, including:	86,810.9	48,457.4
	- retirement benefits	40,476.5	26,221.2
VII.	Other prime costs	14,170.0	13,978.8
VIII.	Value of goods and materials sold	0.0	0.0
<b>C.</b>	<b>Profit (loss) on sales (A - B)</b>	<b>-1,117,606.5</b>	<b>-705,046.2</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>265,380.9</b>	<b>59,178.7</b>
I.	Gain on disposal of non-financial fixed assets	317.1	110.1
II.	Subsidies	265,000.0	0.0
III.	Other operating revenues	0.0	0.0
IV.	Other operating revenues	63.8	59,068.6
<b>E.</b>	<b>Other operating expenses</b>	<b>40,134.2</b>	<b>107,369.7</b>
I.	Loss on disposal of non-financial fixed assets	0.0	0.0
II.	Revaluation of non-financial assets	27,308.8	101,286.5
III.	Other operating expenses	12,825.5	6,083.3
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-892,359.9</b>	<b>-753,237.2</b>
<b>G.</b>	<b>Financial revenues</b>	<b>979.2</b>	<b>111.0</b>
I.	Dividend and profit sharing, including:	0.0	0.0
	a) from related parties, including:	0.0	0.0
	- those in which the company holds capital commitment	0.0	0.0
	b) from other parties, including:	0.0	0.0
	'- those in which the company holds capital commitment	0.0	0.0
II.	Interest, including:	979.2	111.0
	- from related parties	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0
	- in related parties	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0
V.	Other	0.0	0.0

Items in Euro		YTD 2022	YTD 2021
<b>H.</b>	<b>Financial expenses</b>	<b>15,852.5</b>	<b>64,709.5</b>
I.	Interest, including:	8,099.8	42,508.3
	- for related parties	0.0	0.0
II.	Loss on disposal of financial assets, including:	0.0	0.0
	- for related parties	0.0	0.0
III.	Revaluation of financial assets	0.0	0.0
IV.	Other	7,752.7	22,201.2
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-907,233.2</b>	<b>-817,835.8</b>
<b>J.</b>	<b>Income tax</b>	<b>0.0</b>	<b>0.0</b>
<b>K.</b>	<b>Other statutory reductions in profit (increases in loss)</b>	<b>0.0</b>	<b>0.0</b>
<b>L.</b>	<b>Net profit (loss) (I-J-K)</b>	<b>-907,233.2</b>	<b>-817,835.8</b>

## 2.2.4 Statement of changes in equity

Items in Euro		As of 31.12.2022	As of 31.12.2021
<b>I.</b>	<b>Opening balance of equity (OB)</b>	<b>583,463.8</b>	<b>674,382.3</b>
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
<b>I.a.</b>	<b>Opening balance of equity (OB) after adjustments</b>	<b>583,463.8</b>	<b>674,382.3</b>
<b>1.</b>	<b>Opening balance of share capital</b>	<b>29,943.1</b>	<b>30,532.2</b>
	1.2. Closing balance of share capital	53,781.5	30,532.2
<b>2.</b>	<b>Opening balance of called up share capital</b>	<b>0.0</b>	<b>0.0</b>
	2.1. Changes in called up share capital	0.0	0.0
	a) increase (due to)	0.0	0.0
	- called up share capital not paid	0.0	0.0
	b) decrease (due to)	0.0	0.0
	2.2. Closing balance of called up share capital	0.0	0.0
<b>3.</b>	<b>Opening balance of own shares</b>	<b>0.0</b>	<b>0.0</b>
	3.1. Increase in own shares	0.0	0.0
	3.2. Closing balance of own shares	0.0	0.0
<b>4.</b>	<b>Opening balance of supplementary capital</b>	<b>3,993,068.1</b>	<b>4,071,637.6</b>
	4.1. Changes in supplementary capital	846,146.5	0.0
	4.2. Closing balance of supplementary capital	4,839,214.5	4,071,637.6
<b>5.</b>	<b>Opening balance of revaluation reserve</b>	<b>0.0</b>	<b>0.0</b>
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
<b>6.</b>	<b>Opening balance of other reserve capitals</b>	<b>724,149.1</b>	<b>0.0</b>
	6.1. Changes in other reserve capitals	-659,504.3	738,397.8
	6.2. Closing balance of other reserve capitals	64,644.8	738,397.8



Items in Euro		As of 31.12.2022	As of 31.12.2021
<b>7.</b>	<b>Opening balance of previous years' profit (loss)</b>	<b>-4,163,696.5</b>	<b>-3,427,787.5</b>
	7.1. Opening balance of previous years' profit	0.0	0.0
	a) changes of adopted accounting principles	0.0	0.0
	b) adjustments of fundamental errors	0.0	0.0
	7.2. Opening balance of previous years' profit after reconciliation to comparable data	0.0	0.0
	7.3. Closing balance of previous years' profit	0.0	0.0
	7.4. Opening balance of previous years' loss	-4,163,696.5	-3,427,787.5
	a) changes of adopted accounting principles	0.0	0.0
	b) adjustments of fundamental errors	0.0	0.0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-4,163,696.5	-3,427,787.5
	7.6. Closing balance of previous years' loss	-4,163,696.5	-3,427,787.5
	7.7. Closing balance of previous years' profit (loss)	-4,163,696.5	-3,427,787.5
<b>8.</b>	<b>Net result</b>	<b>-907,233.2</b>	<b>-817,835.8</b>
	a) net profit	0.0	0.0
	b) net loss	-907,233.2	-817,835.8
	c) write-offs on profit	0.0	0.0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>-113,288,8</b>	<b>594,944,3</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>-113,288,8</b>	<b>594,944,3</b>

## 2.2.5 Cash flow statement

Items in Euro		2022	2021
<b>A.</b>	<b>A. Cash flow from operating activities - indirect method</b>		
<b>I.</b>	<b>I. Net profit (loss)</b>	<b>-907,233.2</b>	<b>-817,835.8</b>
<b>II.</b>	<b>II. Total adjustments</b>	<b>811,825.5</b>	<b>786,719.2</b>
	1. Amortisation and depreciation	432,735.0	499,682.9
	2. Profit (loss) from differences of exchange rates	424.5	0.0
	3. Interest and profit sharing (dividend)	13,214.3	44,834.8
	4. Profit (loss) on investment activities	26,991.7	100,769.1
	5. Change in provisions	-55,266.6	33,943.2
	6. Changes in inventory	0.0	0.0
	7. Change in the balance of receivables	-47,665.1	-21,874.3
	8. Change in short-term liabilities excluding credits and loans	342,087.6	132,609.9
	9. Change in prepayments and accruals	99,227.4	-3,246.6
	10. Other adjustments	0.0	0.0
<b>III.</b>	<b>III. Net cash flow from operating activities (I+/-II)</b>	<b>-95,407.7</b>	<b>-31,116.6</b>
<b>B.</b>	<b>B. Cash flows from investment activities</b>	<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>I. Inflows</b>	<b>317.1</b>	<b>110.1</b>
	1. Disposal of intangible and legal assets, tangible fixed assets	317.1	110.1
	2. Disposal of investments in real property and in intangible and legal assets	0.0	0.0
	3. From financial assets, including:	0.0	0.0
	a) in related parties	0.0	0.0

Items in Euro		2022	2021
	- disposal of financial assets	0.0	0.0
	- dividends and profit sharing	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0
	- interest	0.0	0.0
	- other inflows from financial assets	0.0	0.0
	b) in other parties	0.0	0.0
	- disposal of financial assets	0.0	0.0
	- dividends and profit sharing	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0
	- interest	0.0	0.0
	- other inflows from financial assets	0.0	0.0
4.	Other inflow from investment activities	0.0	0.0
<b>II.</b>	<b>II. Outflows</b>	<b>46,175.0</b>	<b>167,616.6</b>
	1. Purchase of intangible and legal assets, tangible fixed assets	46,175.0	167,616.6
	2. Investment in real property, intangible and legal assets	0.0	0.0
	3. For financial assets, including:	0.0	0.0
	a) in related parties	0.0	0.0
	- purchase of financial assets	0.0	0.0
	- long-term loans granted	0.0	0.0
	b) in other entities	0.0	0.0
	- purchase of financial assets	0.0	0.0
	- long-term loans granted	0.0	0.0
4.	Other outflows from investment activities	0.0	0.0
<b>III.</b>	<b>III. Net cash flows from investment activities (I-II)</b>	<b>-45,857.9</b>	<b>-167,616.6</b>
<b>C.</b>	<b>C. Cash flows from financial activities</b>	<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>I. Inflows</b>	<b>226,623.9</b>	<b>241,570.4</b>
	1. Net inflows from issuance of shares and other capital instruments and from capital contributions	218,409.8	87,247.6
	2. Credits and loans	8,214.1	154,322.8
	3. Issuance of debt securities	0.0	0.0
	4. Other inflows from financial activities	0.0	0.0
<b>II.</b>	<b>II. Outflows</b>	<b>60,048.5</b>	<b>39,861.9</b>
	1. Purchase of own shares (stocks)	0.0	0.0
	2. Dividend and payments to stockholders	0.0	0.0
	3. Profit distribution liabilities other than profit distribution payments to stockholders	0.0	0.0
	4. Repayment of credits and loans	41,578.7	32,612.9
	5. Redemption of debt securities	0.0	0.0
	6. Payment of other financial liabilities	0.0	0.0
	7. Payment of liabilities arising from financial leases	0.0	0.0
	8. Interest	10,047.1	7,249.0
	9. Other outflows from financial activities	8,422.7	0.0
<b>III.</b>	<b>III. Net cash flow from financial activities (I-II)</b>	<b>166,575.3</b>	<b>201,708.4</b>
<b>D.</b>	<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>25,309.7</b>	<b>3,085.3</b>
<b>E.</b>	<b>E. Balance sheet change in cash, including:</b>	<b>25,309.7</b>	<b>3,085.3</b>
-	change in cash due to exchange differences	0.0	0.0
<b>F.</b>	<b>F. Cash opening balance</b>	<b>15,608.9</b>	<b>12,830.8</b>
<b>G.</b>	<b>G. Cash closing balance (F+/- D), including:</b>	<b>40,918.6</b>	<b>15,916.0</b>
-	of limited disposability	1,854.9	10,068.8

## 2.2.6 Income tax calculation

Items in Euro		TOTAL 2022	TOTAL 2021
<b>A</b>	<b>Gross profit (loss) for a given year</b>	<b>-907,233.24</b>	<b>-817,835.80</b>
<b>B</b>	<b>Tax-exempt income (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes) including:</b>	<b>269,622.96</b>	<b>-1,961.86</b>
	Others	0.00	14,02
	Positive exchange rate differences on the balance sheet valuation (Article 12 par. 2)	265,000.05	0.0
	Revaluation of non-financial assets (Article.16, par. 1, point 26, letter a)	4,622.91	-1,976.53
	- remitted ZUS contributions under the Anti-Crisis Shield	0.00	0.00
<b>C</b>	<b>Non-taxable income in the current year, including:</b>	<b>0.00</b>	<b>0.00</b>
	Others	0.0	0.0
	Reversal of the provision (Article 12 par. 1 point 4 letter e)	0.00	0.00
	Reversal of write-downs (Article 16 par. 1 point 26 a)	0.0	0.0
<b>D</b>	<b>Revenues subject to taxation in the current year, included in the accounting books of previous years, including:</b>	<b>0.0</b>	<b>0.0</b>
	Interest on deposits accrued in 2017 paid in 2018 (Article 16 par. 1 point 11)	0.0	0.0
<b>E</b>	<b>Costs that are not tax-deductible costs (permanent differences between profit / loss for accounting purposes and income / loss for tax purposes), including:</b>	<b>-1,023.86</b>	<b>17,275.39</b>
	Negative exchange differences on balance sheet valuation (Article 15a)	-1,280.81	5,818.12
	Representation (Article 16 par. 1 point 28)	0.00	670.22
	Budget interest (Article 16 par. 1 point 21)	256.95	5,950.13
	Write-downs of outdated balances (Article 16 par. 1 point 25)	0.00	4,836.92
<b>F</b>	<b>Costs not recognized as tax deductible expenses in the current year, including:</b>	<b>515,033.08</b>	<b>709,062.28</b>
	Others	14,504.41	1,631.81
	Interest on loans and bonds (Article 16 par 1 item 11)	3,656.53	35,299.15
	Provisions for paid cost (Article 16, par. 1, point 27)	-21,276.87	34,244.94
	Write-downs on receivables and intangible assets. (Article 16g, par. 13)	27,308.77	101,286.45
	Accounting depreciation (Article 16d, par. 1)	0.00	499,682.90
	Salary, social security contributions (Article 16 par. 1 point 57 a)	14,620.60	19,128.51
	Medical packages not used by employees (Article 16)	0.00	0.00
	Commission for loan extension (Article 16)	0.00	0.00
	Insurance policy of management board members (Article 16 par. 1 point 38a)	0.00	4,169.44
	Commission for loan (Article 16)	0.00	3,261.29
	Expenditure financed by NCBiR (Article 16 par. 1 point 48a)	476,219.64	10,357,00
<b>G</b>	<b>Costs recognized as tax deductible expenses in the current year recognized in previous years' books including:</b>	<b>18,698.01</b>	<b>22,264.73</b>
	Interest paid on loans and bonds (Article 16 par.. 1 point 11)	0.00	976.58
	Salaries, social security contributions (Article 15, par. 4g)	18,698.01	7,761.63
	Writing down receivables with probable irrecoverability covered by a write-down in previous years (Article 16 par. 1 point 26a)	0.00	13,526.52
<b>H</b>	<b>Loss from previous years, including:</b>	<b>0.0</b>	<b>0.0</b>
<b>I</b>	<b>Other changes in the tax base, including:</b>	<b>9,833.79</b>	<b>479,897.85</b>
	Tax depreciation in the current year (Article 16d)	0.00	498,343.19
	Prepayments of deferred income (Article 12 par.. 3a)	9,833.79	-18,445.34
<b>J</b>	<b>Income tax base</b>	<b>-629,213.83</b>	<b>-591,698.85</b>
<b>K</b>	<b>Income tax</b>	<b>0.0</b>	<b>0.0</b>

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

- Monika Śpiewła - May 30, 2023
- Michał Giergielewicz- May 30, 2023
- Paweł Wyborski - May 30, 2023

## 2.3 Note And Explanations

### Explanations to the Balance Sheet

#### 1.1 Intangible assets

##### 1.1.1 Movements in intangible assets

(in 000 Euro)	Costs of implemented development work	Goodwill	Other intangible assets	Advances on intangible assets	Total
<b>Gross value</b>					
<b>Balance at the beginning of the period</b>	<b>3,644.7</b>	<b>0.0</b>	<b>12.5</b>	<b>0.0</b>	<b>3,657.2</b>
<b>Increase</b>	<b>49.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>49.3</b>
- purchases	0.0	0.0	0.0	0.0	0.0
- other	49.3	0.0	0.0	0.0	49.3
<b>Decrease</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
- Liquidation	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	<b>3,694.0</b>	<b>0.0</b>	<b>12.5</b>	<b>0.0</b>	<b>3,706.5</b>
<b>Redemption</b>					
<b>Balance at the beginning of the period</b>	<b>2,450.6</b>	<b>0.0</b>	<b>12.5</b>	<b>0.0</b>	<b>2,463.1</b>
<b>Increase</b>	<b>432.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>432.4</b>
- depreciation	432.4	0.0	0.0	0.0	432.4
- other	0.0	0.0	0.0	0.0	0.0
<b>Decrease</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
- liquidation	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	<b>2,883.0</b>	<b>0.0</b>	<b>12.5</b>	<b>0.0</b>	<b>2,895.5</b>
<b>Write-downs</b>					
<b>Balance at the beginning of the period</b>	<b>98.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>98.9</b>
<b>Increase</b>	<b>27.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>27.3</b>
- other	27.3	0.0	0.0	0.0	27.3
<b>Decrease</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
- other	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	<b>126.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>126.2</b>
<b>Net value</b>					
<b>As at 01/01/2022</b>	<b>1,095.1</b>	<b>0.0</b>	<b>1.3</b>	<b>0.0</b>	<b>1,095.1</b>
<b>As at 31/12/2022</b>	<b>684.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>684.7</b>

In 2022 QuarticOn completed development work as part of two projects totalling EUR 49,295.4:

- SMART SEARCH 3.0 Project – original cost EUR 16,380.5; date commissioned 31/12/2022
- MARKETING AUTOMATION Project – original cost EUR 32,915; date commissioned 31/12/2022.

Completed development work will be amortised over a 5-year period, starting from the month following the commissioning date.

The Company values its development works while they continue, on the basis of the amount of work time put in by each individual involved in the projects. Work time and pay are used to calculate expenditures.

## 1.2 Tangible fixed assets

### 1.2.1 Movements in tangible fixed assets

(in 000 Euro)	Buildings, premises, rights to premises and civil engineering facilities	Technical devices and machines	Means of transport	Other Fixed assets	Fixed assets under construction	Advances on fixed assets under construction	Total
<b>Gross value</b>							
<b>Balance at the beginning of the period</b>	0.0	26.2	0.0	3.7	0.0	0.0	29.9
<b>Increase:</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- purchase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Decrease:</b>	0.0	2.0	0.0	0.0	0.0	0.0	2.0
- sale	0.0	2.0	0.0	0.0	0.0	0.0	2.0
- liquidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	24.2	0.0	3.7	0.0	0.0	28.0
<b>Redemption</b>							
<b>Balance at the beginning of the period</b>	0.0	25.0	0.0	3.7	0.0	0.0	28.8
<b>Increase:</b>	0.0	0.4	0.0	0.0	0.0	0.0	0.4
- depreciation	0.0	0.4	0.0	0.0	0.0	0.0	0.4
- other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Decrease:</b>	0.0	2.0	0.0	0.0	0.0	0.0	2.0
- sale	0.0	2.0	0.0	0.0	0.0	0.0	2.0
- liquidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	23.5	0.0	3.7	0.0	0.0	27.2
<b>Write-downs</b>							
<b>Balance at the beginning of the period</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Increase</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Decrease</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net value</b>							
<b>As at 01/01/2022</b>	0.0	1.2	0.0	0.0	0.0	0.0	1.2
<b>As at 31/12/2022</b>	0.0	0.8	0.0	0.0	0.0	0.0	0.8

### 1.2.2 Value of land in perpetual usufruct

The Company does not hold any land in perpetual usufruct.

### 1.2.3 Value of non-depreciated or non-depreciated fixed assets used on the basis of rental, lease and other agreements, including lease agreements

In the financial year, the Company used the following means of transport on the basis of leasing contracts:

- Volkswagen Tiguan Allspace under the 2018 lease agreement, the monthly fee in 2022 was EUR 604.5 net.

## 1.3 Long term receivables

### 1.3.1 Receivables breakdown

The Company does not have any long-term receivables.

### 1.3.2 Write-downs of receivables

None.

## 1.4 Long-term investments

### 1.4.1 Movements in long-term investments

None.

### 1.4.2 Movements in long-term financial assets in related parties

(in 000 Euro)	Shares or stocks	Other securities	Granted loans	Other long term financial assets	Total
<b>Gross value</b>					
<b>Balance at the beginning of the period</b>	0.0	0.0	56.7	0.0	56.7
<b>Increase:</b>	0.0	0.0	0.0	0.0	0.0
- purchase	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
<b>Decrease:</b>	0.0	0.0	0.0	0.0	0.0
- sale	0.0	0.0	0.0	0.0	0.0
- liquidation	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	0.0	56.7	0.0	56.7
<b>Redemption</b>					
<b>Balance at the beginning of the period</b>	0.0	0.0	0.0	0.0	0.0
<b>Increase:</b>	0.0	0.0	0.0	0.0	0.0
<b>Decrease:</b>	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	0.0	0.0	0.0	0.0
<b>Redemption</b>					
<b>Balance at the beginning of the period</b>	0.0	0.0	0.0	0.0	0.0
<b>Increase:</b>	0.0	0.0	0.0	0.0	0.0
<b>Decrease:</b>	0.0	0.0	0.0	0.0	0.0
<b>Write-downs</b>					
<b>Balance at the beginning of the period</b>	0.0	0.0	55.7	0.0	55.7
<b>Increase</b>	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
<b>Decrease</b>	0.0	0.0	0.0	0.0	0.0
- other	0.0	0.0	0.0	0.0	0.0
<b>Balance at the end of the period</b>	0.0	0.0	55.7	0.0	55.7
<b>Net value</b>					
<b>As at 01.01.2022</b>	0.0	0.0	1.1	0.0	1.1
<b>As at 31.12.2022</b>	0.0	0.0	1.1	0.0	1.1

### 1.4.3 Movements in long-term financial assets in other entities in which Company has a shareholding

None

### 1.4.4 Movements in long-term financial assets in other entities

None

## 1.5 Other long-term prepayments

### 1.5.1 Deferred tax assets

(in EUR)	31.12.2022	31.12.2021
Deferred tax assets	878.27	1,105.36
<b>Total</b>	<b>878.27</b>	<b>1,105.36</b>

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

### 1.5.2 Other long-term prepayments

None.

## 1.6 Inventory

None.

## 1.7 Short-term receivables

### 1.7.1 Receivables from related parties

The Company has no receivables from related parties.

### 1.7.2 Receivables from other parties in which the Company has a shareholding

The Company has no receivables from other parties in which the Company has a shareholding.

### 1.7.3 Receivables from other entities

(in 000 Euro)	31/12/2022	31/12/2021
- up to 12 months	89.6	71.5
- over 12 months	0.0	0.0
<b>Trade receivables</b>	<b>89.6</b>	<b>71.5</b>
- VAT receivables	65.9	39.1
- others	0.2	0.2
<b>Receivables from taxes, subsidies, customs</b>	<b>66.1</b>	<b>39.3</b>
<b>Other receivables</b>	<b>31.7</b>	<b>31.8</b>
<b>Receivables under court proceedings</b>	<b>0.0</b>	<b>0.0</b>
<b>Net receivables</b>	<b>187.5</b>	<b>142.6</b>
Write-downs on receivables	-0.4	-0.4
<b>Gross receivables</b>	<b>187.1</b>	<b>142.2</b>



### 1.7.4 Write-downs of short-term receivables

None.

## 1.8 Short-term financial assets

### 1.8.1 Short-term financial assets in related parties

None.

### 1.8.2 Short-term financial assets in other entities

None.

### 1.8.3 Cash and other pecuniary assets

(in 000 Euro)	31/12/2022	31/12/2021
- cash on bank accounts	39.0	5.7
- cash on the VAT account	1.9	10.1
- cash on hand	0.1	0.1
<b>Total cash on hand and on bank accounts</b>	<b>40.9</b>	<b>15.9</b>
<b>Other cash</b>	<b>0.0</b>	<b>0.0</b>
<b>Other cash assets</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>40.9</b>	<b>15.9</b>

## 1.9 Prepayments

(in 000 Euro)	31/12/2022	31/12/2021
- Expenses between accounting periods	0.0	0.0
- R&D	0.0	3.2
- Settlement of project Stylista costs	13.1	14.1
- Insurance policy	14.0	10.8
- Costs of attracting new investors	0.0	8.5
- Others	0.6	2.0
	<b>27.7</b>	<b>38.6</b>

## 1.10 Share capital

Shareholders	Number of shares	Nominal value of shares (in Euro)	%
Venture FIZ	1,249,300	26,638.1	49.5%
CBNC Capital Solutions Ltd.	180,000	3,838.0	7.1%
Paweł Wyborski	179,853	3,834.9	7.1%
Q Free Trading Limited	123,500	2,633.3	4.9%
ACATIS Investment KVG mbH	240,800	5,134.4	9.5%
Others <sup>1</sup>	548,847	11,702.7	21.8%
<b>Total</b>	<b>2,522,300</b>	<b>53,781.5</b>	<b>100.0%</b>

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

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

(in 000 Euro)	Supplementary capital	Reserve capital
<b>Balance at the beginning of the period</b>	<b>3,993.1</b>	<b>724.1</b>
<b>Increase</b>	<b>854.5</b>	<b>218.4</b>
- from profit	0.0	0.0
- capital contributions	0.0	0.0
- capital increase during registration	854.5	218.4
<b>Decrease</b>	<b>8.4</b>	<b>877.9</b>
- capital registration	0.0	877.9
- dividend payments	0.0	0.0
- refunds of capital contributions	0.0	0.0
- others	8.4	0.0
<b>Balance at the end of the period</b>	<b>4,839.2</b>	<b>64.6</b>

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

- EUR 21,286.17 as part of the issue of series G share,
- EUR 277.19 as part of the issue of series J shares,

On May 27, 2022, an increase in the Company's equity in the amount of EUR 2,275.10 as part of the issue of series H shares was registered.

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

## 1.12 Suggested profit distribution/loss coverage

The Company's Management Board suggests that future profits to be used to cover the loss.

## 1.13 Provisions for liabilities

### 1.13.1 Provision for deferred income tax

(in EUR)	31.12.2022	31.12.2021
Provision for deferred tax	878.27	1,105.36
<b>Total</b>	<b>878.27</b>	<b>1,105.36</b>

### 1.13.2 Provision for retirement and similar benefits

(in 000 Euro)	Retirement severance pay	Reserve for unused holiday entitlement	Other provisions	Total
<b>Balance at the beginning of the period</b>	<b>0.0</b>	<b>12.5</b>	<b>0.0</b>	<b>12.5</b>
Increase	0.0	21.8	0.0	21.8
Utilization	0.0	0.0	0.0	0.0
Reversal	0.0	12.5	0.0	12.5
<b>Balance at the end of the period</b>	<b>0.0</b>	<b>21.8</b>	<b>0.0</b>	<b>21.8</b>
including:				
- long term	0.0	0.0	0.0	0.0
- short terms	0.0	21.8	0.0	21.8

### 1.13.3 Other provisions for long-term liabilities

None

### 1.13.4 Other provisions for short-term liabilities

(in 000 Euro)	Other Provisions	Total
<b>Balance at the beginning of the period</b>	<b>64.6</b>	<b>64.6</b>
Increase	59.8	59.8
Use	7.7	7.7
Reversal	35.1	35.1
<b>Balance at the end of the period</b>	<b>81.6</b>	<b>81.6</b>

Other provisions are provisions for expenses that relate to 2022 but will be invoiced in the next months.

## 1.14 Long-term liabilities

### 1.14.1 Ageing of long-term liabilities towards related parties

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

### 1.14.2 Ageing of long-term liabilities towards other entities in which the Company has a shareholding

The Company has no long-term liabilities towards other entities in which the Company has a shareholding.

### 1.14.3 Ageing of long-term liabilities towards other entities

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

### 1.14.4 Liabilities towards the state budget or local/regional government units arising from the acquisition of ownership titles to buildings or constructions.

As at the balance sheet date, the Company has no liabilities towards the state budget or local/regional government units arising from the acquisition of ownership titles to buildings or constructions.

## 1.15 Short-term liabilities

### 1.15.1 Breakdown of short-term liabilities to related parties

(in 000 Euro)	31/12/2022	31/12/2021
- up to 12 months	0,0	0,0
- over 12 months	0,0	0,0
<b>Trade liabilities</b>	<b>0,0</b>	<b>0,0</b>
- loans	0,0	0,0
- purchase if QuarticON(Shanghai) Company Ltd. shares	0,0	0,0
- purchase if QuarticON(England) Ltd. shares	1,1	1,1
<b>Other liabilities</b>	<b>1,1</b>	<b>1,1</b>
	<b>1,1</b>	<b>1,1</b>

### 1.15.2 Breakdown of short-term liabilities towards other entities in which the Company has a shareholding

The Company has no short-term liabilities towards other entities in which the Company has a shareholding.

### 1.15.3 Ageing of short-term liabilities towards other entities

(in 000 Euro)	31/12/2022	31/12/2021
<b>Credits and loans</b>	<b>139.7</b>	<b>173.3</b>
<b>from the issue of the debt securities</b>	<b>0.0</b>	<b>0.0</b>
<b>Other financial liabilities</b>	<b>0.0</b>	<b>0.0</b>
- up to 12 months	514.0	357.2
- over 12 months	0.0	0.0
- uninvoiced deliveries and services	81.6	0.0
<b>Trade liabilities</b>	<b>595.6</b>	<b>357.2</b>
<b>Received advances for deliveries</b>	<b>0.0</b>	<b>0.0</b>
<b>Bill of exchange liabilities</b>	<b>0.0</b>	<b>0.0</b>
- VAT liabilities	0.0	0.0
- Corporate income tax liabilities	0.0	0.0
- Personal income tax liabilities	21.2	11.9
- social and health insurance liabilities	76.0	29.8
- PFRON liabilities	0.0	0.0
- other benefit liabilities	0.0	0.0
<b>Liabilities from taxes, customs, social and health insurance and benefits and other public and legal liabilities</b>	<b>97.2</b>	<b>41.7</b>
<b>Salary liabilities</b>	<b>33.1</b>	<b>15.8</b>
- deposits	15.7	0.0
- other settlements with employees	0.0	0.0
- other settlements with partners	22.5	0.0
<b>Other liabilities</b>	<b>38.3</b>	<b>15.6</b>
<b>State of liabilities</b>	<b>903.8</b>	<b>603.7</b>

## 1.16 Other accruals

### 1.16.1 Other long-term accruals

None.

### 1.16.2 Other short-term accruals

(in 000 Euro)	31/12/2022	31/12/2021
- deferred income	128.8	36.5
- accrued expenses	0.0	0.9
<b>Total</b>	<b>128.8</b>	<b>37.4</b>

## 1.17 Liabilities secured against Company assets

Lender	Method of securing the loan	Loan amount (in EUR)
- Kamil Ciso	collateral agreement / bill in blank	16,482.23
- Przemysław Wyborski	collateral agreement / bill in blank	15,458.75
- CNBC	collateral agreement / bill in blank	66,634.68
- Q-Free	collateral agreement / bill in blank	7,676.07

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

As at 31 December 2022 and 31 December 2021, the Company had no substantial contingent liabilities, including substantial guarantees and pledges, except for the securities listed in point 1.17.

## 1.19 Explanation of the relationship between liabilities and assets shown in two or more balance sheet items

1.19.1 Liabilities towards loans, borrowings and financial lease.

(in 000 Euro)	31/12/2022	31/12/2021
- long-term credits	0.0	0.0
- short-term credits	34.3	27.2
<b>Credits</b>	<b>34.3</b>	<b>27.2</b>
- long-term loans	0.0	0.0
- short-term loans	105.4	146.1
<b>Loans</b>	<b>105.4</b>	<b>146.1</b>
<b>Total</b>	<b>139.7</b>	<b>173.3</b>

## Explanations to the Profit and Loss Statement

### 1.20 Net revenue from sales of products, goods and materials

1.20.1 Revenues from sales of products and services by territory

(in 000 Euro)	2022	2021
<b>Revenues from the sale of services</b>	<b>824.4</b>	<b>918.9</b>
- in Poland	589.0	611.9
- export	235.3	306.9
<b>Revenues from the sale of goods and materials</b>	<b>0.0</b>	<b>0.0</b>
<b>Total revenue from the sale of products, goods and materials</b>	<b>824.4</b>	<b>918.9</b>

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

(in 000 Euro)	2022	2021
<b>Revenues from the sale of services</b>	<b>824.4</b>	<b>919.0</b>
Recommendation Engine	480.6	613.8
Marketing Automation	128.2	91.7
Packages	47.8	84.8
Implementations services	15.8	30.7
AI Smart Search	98.3	93.0
Other	53.8	5.0
<b>Revenues from the sale of goods and materials</b>	<b>0.0</b>	<b>0.0</b>
<b>Total revenue from the sale of products, goods and materials</b>	<b>824.4</b>	<b>919.0</b>

## 1.21 Other operating revenue

(in 000 Euro)	2022	2021
- profit from the sale of fixed assets	0.3	0.1
<b>Profit from the outflow of non-financial fixed assets</b>	<b>0.3</b>	<b>0.1</b>
- received subsidies	265.0	0.0
<b>Subsidies</b>	<b>265.0</b>	<b>0.0</b>
<b>Revaluation of non-financial assets</b>	<b>0.0</b>	<b>0.0</b>
- writing off capital liabilities	0.0	56.8
- reimbursement of the court fee	0.0	0.0
- VAT rounding	0.0	0.1
- commission for affiliations	0.0	0.2
- write-down of outdated settlements	0.0	1.9
- currency exchange revenue	0.0	0.0
- recovery costs	0.0	0.0
- cancelled ZUS contributions under the Anti-Crisis Shield	0.0	0.0
- other (less than 10% of the total value)	0.1	0.1
<b>Other operating income</b>	<b>0.1</b>	<b>59.1</b>
	<b>265.4</b>	<b>59.2</b>

## 1.22 Other operating costs

(in 000 Euro)	2022	2021
- loss on the sale of fixed assets	0.0	0.0
<b>Loss on the outflow of non-financial fixed assets</b>	<b>0.0</b>	<b>0.0</b>
- write-down of receivables	0.0	0.4
write-down of R&D (development works)	27.3	100.9
<b>- Write-down of the investment costs</b>	<b>27.3</b>	<b>101.3</b>
- correction of social benefits (ZUS)	0.0	0.0
- redemption of receivables	0.0	0.0
- write-down of outdated settlements	0.0	4.8
- Other	12.8	1.2
<b>Other operating costs</b>	<b>12.8</b>	<b>6.1</b>

40.1 107.4

## 1.23 Financial revenues

(in 000 Euro)	2022	2021
<b>Dividends and shares in profits</b>	<b>0.0</b>	<b>0.0</b>
<b>Interest, including:</b>	<b>1.0</b>	<b>0.1</b>
- interest on loans granted	0.0	0.0
- on assets on bank accounts	1.0	0.1
- other interest	0.0	0.0
<b>Profit from the outflow of financial assets</b>	<b>0.0</b>	<b>0.0</b>
<b>Revaluation of financial assets</b>	<b>0.0</b>	<b>0.0</b>
<b>Other, including:</b>	<b>0.0</b>	<b>0.0</b>
- realised foreign exchange gains	0.0	0.0
- unrealised foreign exchange gains	0.0	0.0
- realised foreign exchange losses	0.0	0.0
- unrealised foreign exchange gains	0.0	0.0
<b>Total</b>	<b>1.0</b>	<b>0.1</b>

## 1.24 Financial costs

(in 000 Euro)	2022	2021
<b>Interest, including:</b>	<b>8.1</b>	<b>42.5</b>
- on received loans and credits	6.6	36.5
- budget interest	0.3	6.0
- other interests	0.0	0.0
- interest on contractors	1.2	0.0
<b>Loss on the outflow of financial assets</b>	<b>0.0</b>	<b>0.0</b>
<b>evaluation of financial assets</b>	<b>0.0</b>	<b>0.0</b>
<b>Other, including:</b>	<b>7.8</b>	<b>22.2</b>
- realised negative differences on exchange	10.6	11.0
- not realised negative differences on exchange	-1.3	5.8
- realised positive differences on exchange	-4.4	-5.7
- not realised positive differences on exchange	-4.6	2.0
- commission for the extension and granting loans	0.0	3.3
- factoring costs	7.4	5.6
- other (less than 10% of the total value)	0.0	0.3
<b>Total</b>	<b>15.9</b>	<b>64.7</b>

## 1.25 Discontinued operations

The Company did not discontinue its operations in the financial year, and it is not planning to discontinue any type of its activities in the next year.

## 1.26 Non-financial expenditures on fixed assets (including on environmental protection)

Expenditures on non-financial fixed assets amounted to EUR 46,175 in the reported financial year and EUR 164,382 in the previous financial year. The most important development project implemented in 2023 is "AI Fashion Stylist". The company estimates that in 2023, the full

expenditure on this project will amount to EUR 0.65 - 0.75 million. The project is co-financed from POIR 1.1.1 funds.

The Company has not, does not and will not incur any expenditures on environmental protection.

## **Explanations on contracts and significant transactions entered into by the Company, and on HR matters**

### **1.27 Information on the nature and economic purpose of contracts entered into by the Company and not included in the balance sheet to the extent necessary for assessing their impact on the Company's financial situation and assets**

On December 28, 2021, the Company received confirmation of the signing by the National Center for Research and Development of an agreement for co-financing the Company's project "Development of advanced algorithms and artificial intelligence methods in the field of analysis and modelling of fashion styles in the form of a self-learning system of recommendations and compositions of fashion styling from individual garments. on the basis of given style patterns ". The total budget of the project is EUR 1.3 million, and the co-financing from EU funds has been set at EUR 1.0 million. The company started the project at the beginning of November this year. The cost eligibility period for the project started on November 1, 2021 and will end on December 31, 2023. The Company undertook to ensure the durability of the project for a period of 3 years from the date of its completion.

### **1.28 Significant non-arm's length transactions entered into by the Company with related parties**

None.

### **1.29 Average employment by occupational group**

Average employment in individual occupational groups:

Headcount	2022	2021
Management Board	2.0	2.0
Employees	17.4	11.8
<b>Total</b>	<b>19.4</b>	<b>13.8</b>

### **1.30 Payroll, including profit-sharing compensation, paid or payable to members of governing, supervisory or administrative bodies**

In the reported financial year Members of the Management Board received a total pay of EUR 70,711, previous year: EUR 99,072.

In the reported financial year Members of the Supervisory Board received a total pay of EUR 0 (previous year: EUR 0).



### **1.31 Loans and other debt extended to members of governing, supervisory or administrative bodies**

As at the balance-sheet date members of governing and supervisory bodies had no loan-related liabilities towards the Company.

### **1.32 Chartered accountant or audit firm fees**

The chartered accountant's fee was EUR 2,826.

## **Other information**

### **1.33 Significant past events included in the financial statements**

As at the date of the financial statements no significant past events had taken place which would need to be included therein.

### **1.34 Information on significant events that took place after the balance sheet date but were not included in the financial statements**

None.

### **1.35 Changes in accounting rules in the financial year**

The Company's Management Board made no changes in the Company's Accounting Policies in the reported year.

### **1.36 Comparability of previous year's financial data with the reported year's financial statements**

The financial statements for the reported and previous periods are based on the same accounting rules.

### **1.37 Differences between movements in some balance-sheet items and movements in the same items shown in the cash flow statement**

There are differences in the presentation of expenditure on intangible assets made by the company. In the balance sheet, they are shown in accruals due to the uncertainty as to the results achieved after the completion of works, in the cash flow statement they appear as investing activities, because they are undertaken for this purpose. The research and development works started in 2021 and continued in 2022 transferred to intangible assets due to their completion as at December 31, 2022.

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

### **1.38 Transactions with related parties**

The Company did not enter in any transactions with related parties in the financial year in question.

### **1.39 Information on subsidiaries and reasons for the lack of consolidated financial statements**

The Company has a 50% shareholding in QuarticOn (Shanghai) Company Ltd., which, however, is not operational yet, and as such does not have any significant impact on the Company's business. The remaining 50% of the capital share in the above-mentioned the company is vested in Wan Sheng Asia Ltd based in Road Town in the British Virgin Islands. The company's initial capital was set at 118 thousand Euro. The value of liabilities and assets is also EUR 118k. Neither party paid the relevant shares and the Company did not start its activities. Therefore, the revenues and costs of the above-mentioned the companies at the end of 2021 amounted to EUR 0.

On March 19, 2019, QuarticOn Ltd. with its seat in London was registered. QuarticOn S.A. is a 100% shareholder in the share capital of this and has the same share of votes. As at the date of the report, QuarticOn Ltd. did not increase its operating activities. As at March 31, 2023 (end of the reporting year), revenues were GBP 0.00, costs GBP 360 (Virtual Office) and a balance sheet total of GBP 160.

Consequently, QuarticOn is exempt from the obligation to issue a consolidated report incorporating the above-mentioned related parties under Article 58 (1) of the Accounting Act.

### **1.40 Consolidated financial statements**

The Company is not required to produce consolidated financial statements, since it has no related parties.

### **1.41 Going concern uncertainty**

The financial statements have been prepared on the going concern basis. Nevertheless, the Company's negative equity capitals oblige the Company's Management Board to highlight the most important risks related to further operations of the Company, i.e.:

- adoption of a resolution by The General Meeting of Shareholders pursuant to Article 397 of the Code of Commercial Companies on the continued existence of the entity,
- implementation of assumptions regarding a significant increase in sales revenues, in particular implementation of assumptions regarding a significant increase in sales revenues, especially through the implementation of the AI Fashion Stylist project,

- obtaining/extending short-term sources of financing as well as obtaining financing from new share issues.

The negative net result in 2022 was significantly affected by the implementation of the "AI Stylista Modowy" project. In 2021, the Company signed an agreement with the National Center for Research and Development to co-finance this project under the Smart Growth Operational Programme. The project started in November 2021 and will end in December 2023. The total value of the project is EUR 1.3 million, and the co-financing is EUR 959k. The implementation is divided into three phases: industrial research (until the end of February 2023), development works (until the end of August 2023) and pre-implementation works (until the end of 2023). Throughout 2022, the Company carried out works related to industrial research, which in total amounted to EUR 499k and direct charges to the Company's result. At the same time, in the same period, the Company settled advance payments towards the implementation of the project in the amount of EUR 265k, recognized in the item 'other operating income'. On balance, in accounting terms, the implementation of the project increased the net loss by over EUR 234k, **resulting in negative equity at the end of 2022.**

Items (in '000 EUR)	QuarticOn SA	„AI Stylista Modowy” Project	Core part of the QuarticOn' Business
Net Revenues From Sales	824.4	0.0	824.4
Operating Costs	-1,941.9	-498.7	-1.443.2
<b>Profit (loss) on sales</b>	<b>-1,117.6</b>	<b>-498.7</b>	<b>-618.9</b>
Other operating revenues and expenses	225.3	265.0	-39.7
Financial revenues and expenses	-14.9	0.0	-14.9
<b>Net profit (loss)</b>	<b>-907.2</b>	<b>-233.7</b>	<b>-673.5</b>
<b>Equity</b>	<b>-113.3</b>	<b>-233.7</b>	<b>120.4</b>

In accordance with the applicable regulations, in such a case, the General Meeting of Shareholders is obliged to adopt a resolution pursuant to Article 397 of the KSH on the further existence of the Company, which should take place at the Ordinary Meeting of Shareholders in June 2023.

The Management Board of the Company would like to emphasize that the implemented project is a strategic element of the Company's development and after its completion, QuarticOn S.A. will have a unique technology on the market. The results of testing the first new algorithms in a real environment, presented in the periodic report for the first quarter of 2023 (EBI report 5/2023), confirm the effectiveness of the new solutions (even at this early stage).

Other elements necessary for further development of the Company include obtaining financing through the issue of new shares (issues adopted in January 2023 at the Extraordinary General Meeting of the Company) and implementation of the plan to increase sales revenues in 2023 (so information on pro-sales projects can be found in the aforementioned earlier in the periodic report). It should be emphasized that the AI Stylista Modowy project, due to its potential, is particularly important from the perspective of generating new sales.

## 1.42 Other information relevant to the Company's assessment

All the information relevant to the assessment of the Company's financial situation, its assets and financial result are provided in the financial statements.

On January 10, 2022, the Extraordinary General Meeting of Shareholders resolved:

- increase in the share capital through an issue of up to 700,000 Series L shares,
- authorizing the Management Board to increase the share capital of the Company by way of one or several increases by issuing no more than 1 million shares of the Company in successive series.

## 1.43 Information regarding financial instruments

I. The entity holds the following financial instruments:

1) Loans and receivables category.

Under this category, the entity recognises trade and other receivables with the value of EUR 89,225. The entity believes that the credit risk associated with this item is not significant. Its amount results from, i.a. the sales invoices issued in the last weeks of 2022, while the large diversification of recipients reduces the risk. In addition, in 2022 the company covered some of its receivables by factoring, which improved the company's financial liquidity.

2) Available for trading (a) and available for sales (b) category

Under this category, the entity recognises:

- a) Cash at bank and in hand of EUR 40,908 (including the Company Social Benefit Fund, EUR 0.00). The entity recognises the said items according to their nominal values increased by potential interest.
- b) Shares in QuarticOn (Shanghai) Company Ltd., which is a related entity. QuarticOn holds a 50% share in this company. The Company does not intend to sell these shares in the short term. Due to the fact that the company has not commenced operations, the value of the shares is EUR 55,564 was covered by a 100% write-down in the amount of EUR 55,564. Shares in the entity QuarticOn Ltd (United Kingdom), which is a related party. QuarticOn holds 100% of the shares in the Company. It is not the Company's intention to sell these shares in the short term.

The Company recognises the said items according to their nominal values, taking into account impairment write-offs.

3) Financial liabilities category:

As at balance sheet date, the Company has a few loans for the total amount of EUR 139,727.

The entity recognises the above items according to their nominal values increased by potential interest.

Due to the nature of the financial instruments held, the Company indicates that their carrying amount does not differ from their fair value.

The Company does not hold derivative financial instruments.

No other issues which are required to be disclosed in accordance with the Regulation of the Ministry of Finance of 12 December 2001 on specific rules concerning the recognition, valuation, disclosure and presentation of financial instruments, are present in the Company.





**QuarticOn S.A.**



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