



QuarticOn S.A.

# **QUARTERLY REPORT**

## **2nd Quarter of 2023**

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# 1 Management Board's Commentary

## Ladies and Gentlemen,

Like most years, our second quarter's sales performance was lower than in the first quarter. This is attributable to the seasonal effect (lower sales to clients paying on a sales commission basis instead of a fixed subscription amount.), as well as the broader changes in our sales process. Admittedly, talks with major clients are much more time-consuming. This directly impacts our potential to drive new revenues. Nevertheless, our client portfolio is growing as we continue the talks, and we hope to secure contracts with most of them soon.

It is also important to note that we are at a critical stage of implementing the new rules for our sales and marketing processes. QuarticOn's ongoing organisational changes (both personal and process-related), the launch of the modified partner programme and tests of "easy-to-implement" products are the last elements of our overhaul of commercial operations. We have now entered the most difficult stage of implementing all the arrangements, objectives and plans. These kinds of tasks are never easy and always take time. However, we believe that the effort is worth it and it will soon deliver tangible outcomes.

One thing that continues to be an issue is the churn rate. We realise that the scale of QuarticOn's overhaul entails the risk of a higher churn (with a small organisation like ours, it is difficult to handle everything all at once), and it is one of the key tasks of our new commerce team to reduce it.

We try to keep operating costs in check. Over the last few months (excluding depreciation and the AI Fashion Stylist project), they have remained at a similar level. What is more, we are working on several optimisations that should further reduce these costs in the third quarter. This should have an additional positive effect on our EBITDA.

The AI Fashion Stylist project currently has two separate strands of work – one aims to conceptualise and develop a beta version for our mobile app, the other focuses on integrating new algorithms with our existing products. During our meetings with fashion stores, we are also looking for new and niche solutions for the project. One possible solution would be to automate descriptions of clothing items by integrating the Stylist with, for instance, ChatGPT. We are currently running tests to see if this would work.

The second quarter was highly challenging for us. The holiday and vacation period is always a bit calmer (unfortunately, also in trade). Nevertheless, we want to use this period to focus on fine-tuning our newly launched solutions to make sure they can effectively support our sales from September.

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



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**Paweł Wyborski**

Founder  
President of the Management Board



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**Michał Giergielewicz**

Member of the Board

## 2 Financial results

QuarticOn's EBITDA generated in Q2 2023 (excluding the AI Fashion Stylist project) was lower than in the previous quarter by EUR 42.9k. This is primarily attributable to lower sales, which decreased by EUR 25.3k Q/Q (due to the seasonal effect, among other factors). The slight increase in costs by EUR 17.6k relative to Q1 2023 is due to payroll adjustments on the one hand, and lower IT infrastructure and commission costs on the other.

Conversely, the last quarter's EBITDA was slightly higher up by EUR 0.9k in year-over-year terms (Q2 2023 relative to Q2 2022). This can be explained with a greater decrease in costs by EUR 6.1k compared to the decrease in sales EUR 5.2k.

In the period in question, QuarticOn's expenditures on the AI Fashion Stylist project amounted to EUR 159.4k (PLN 709k). This is EUR 12.1k more than in the previous quarter (attributable to payroll adjustments).

QuarticOn's net profit in Q2 was EUR -114.8k, a marked improvement over Q2 2022 and Q1 2023. This is mainly the result of the new method of recognising AI Fashion Project expenditures, adopted to reflect the changing nature of work at individual project stages (industrial tests were recognised directly under costs, while the current development work is accounted for on a straight-line basis).

### Selected data from Profit and loss statement

	'000 Euro				
Profit and loss statement	IIQ 2022	IQ 2023	IIQ 2023	IIQ 2023 vs IIQ 2022	IIQ 2023 vs IQ 2023
Net revenue from sales	198.3	218.4	193.1	-5.2	-25.3
Operating expenses excl. depreciation & amortization And "AI Fashion Stylist"	-251.6	-227.9	-245.6	6.1	-17.6
<b>EBITDA (based on result on sale, excluding "AI Fashion Stylist")</b>	<b>-53.3</b>	<b>-9.6</b>	<b>-52.5</b>	<b>0.9</b>	<b>-42.9</b>
"AI Fashion Stylist" expenses (directly in the costs)	-129.4	-110.6	0.0	-129.4	110.6
<b>EBITDA (based on result on sales)*</b>	<b>-182.8</b>	<b>-120.1</b>	<b>-52.5</b>	<b>130.3</b>	<b>67.6</b>
EBIT (operating result)	-216.6	-152.1	-106.9	109.7	45.2
<b>Net result</b>	<b>-222.7</b>	<b>-159.7</b>	<b>-114.8</b>	<b>107.9</b>	<b>44.8</b>

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

## Operating expenses

‘000 Euro

	IQ 2023	IIQ 2023	IIQ 2023 vs IQ 2023
<b>Operating expenses excl. depreciation &amp; amort. and "AI Fashion Stylist" project</b>	<b>-227.9</b>	<b>-245.6</b>	<b>17.6</b>
Payroll, Social security and other benefit	-85.8	-104.3	18.5
External services	-132.3	-125.0	-7.3
Others	-9.8	-16.2	6.4
<b>Operating expenses of "AI Fashion Stylist" project</b>	<b>-110.6</b>	<b>0.0</b>	<b>-110.6</b>
Payroll, Social security and other benefit *	-73.0	0.0	-73.0
External services	-37.5	0.0	-37.5
Others	0.0	0.0	0.0
<b>Amortisation and depreciation</b>	<b>-115.9</b>	<b>-121.8</b>	<b>5.9</b>
<b>Operating expenses (Item B in profit and loss account )</b>	<b>-454.4</b>	<b>-367.3</b>	<b>-87.1</b>
Total expenses (included in current costs) and expenditures for AI Fashion Stylist project	-147.3	-159.4	12.0

## Selected data from the balance sheet and cash flow statement

‘000 Euro

Balance sheet	As of 30.06.2023	As of 30.06.2022
Fixed assets	480.9	873.8
- including intangible and legal assets	478.1	870.8
Current assets	544.8	275.5
- including short-term investments (excl. overdraft)	88.5	21.9
<b>Total Assets</b>	<b>1 025.7</b>	<b>1 149.3</b>
Equity	-402.4	351.5
Liabilities and provisions for liabilities	1 428.1	797.8
- including short term liabilities	1 053.4	569.0
<b>Total Liabilities</b>	<b>1 025.7</b>	<b>1 149.3</b>

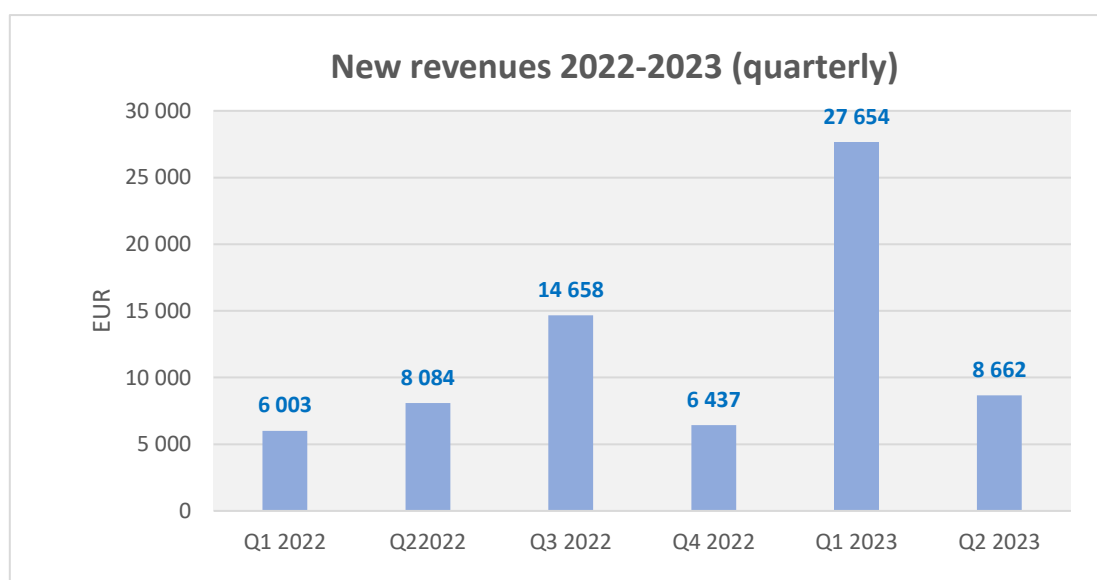
‘000 Euro

Cash Flow	Cum 2023	Cum 2022
Net profit (loss)	-282.6	-452.0
Net cash flow from operating activities	254.1	-128.7
Net cash flow from financial activities	-10.8	180.9
Cash closing balance	88.5	21.9

## 3 Key events in 2nd quarter of 2023

### 3.1 Polish market (76%) and foreign markets (24%)

In the second quarter of 2023, QuarticOn recorded a sales revenue decrease relative to the previous quarter (EUR -25.3k). While this can largely be explained by the seasonal effect (similar to the previous years), this year's decrease is also the product of the strategic decision to focus on the enterprise sector, where negotiation and purchasing processes are much more time-consuming, with competitive bidding procedures taking 6 up to 12 months. We should also not underestimate the fact that QuarticOn's sales have been influenced by the current condition of potential clients amid the difficult economic situation. We have learned in the course of commercial talks that many clients are facing uncertainty related to the macroeconomic situation, and this is further exacerbated by unrelenting inflation.



The last quarter was also busy in terms of QuarticOn's two sales strategies: up-selling and the partner channel. The first one concerned mainly the "marketing automation" product, which is very popular and we hope for an increase in sales contracts in this area. The second sales strategy is a modified and refreshed offer for partners. Using this sales channel, it takes less time to secure clients, and with well-structured offerings and collaborative relationships, the model can be rescaled significantly. The additional advantage of advancing this channel is that it allows us to promote innovative solutions related to the AI Fashion Stylist among partners and their clients.

## 3.2 Marketing and customer success

In the first half of Q2 2023, QuarticOn's Marketing Team continued to build the foundations for a new sales and B2B marketing approach. An inventory was taken of the entire existing content to check whether it addressed clients' issues and challenges, and an SEO was carried out. Our Team had also designed a content map for two thematic clusters (Marketing Automation and Artificial Intelligence) and ran an analysis of QuarticOn's website. This laid the foundation for changing the contents and page structure (scheduled for Q3 2023) to make product descriptions more legible and the website more engaging, as well as – again – for SEO purposes.

Following the decision to intensify efforts to advance the partner channel, and to prioritise the operations related to this project (to make it one of the primary sources of securing clients), the main emphasis in the second half of Q2 2023 was on supporting the Sales Department in the preparation of the required materials.

The plan had been brought to full completion and included:

- developing content for, designing and delivering a presentation for the Partnership Programme;
- developing content for, designing and delivering product presentations for Partners;
- preparing content for and designing a landing page on the recruitment for the Partnership Programme, along with a registration form;
- developing content and auxiliary materials for product presentations (including infographics on the AI Fashion Stylist project and discussing the possible applications of QuarticOn's tools in the fashion industry);
- prepare a template for the Sales Department's conceptual presentation;
- designing an online resource for Partners to gather all materials required to establish and expand cooperation with QuarticOn (a starter pack).

## 3.3 Subscriptions and churn<sup>1</sup>

In the second quarter of 2023, the Company generated sales thanks to **215** subscriptions (monthly average), with an average price of **EUR 273** per subscription (approximately -3.8% less than in Q1 2023). The churn rate in this quarter amounted to 3.5% (monthly average) and was slightly lower than in the previous quarter. Nevertheless, it is still above expectations and the Company is working on solutions that will reduce this ratio in the medium term.

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



### 3.4 EU financing project “AI Fashion Stylist”



In Q2 2023 we entered the phase of development work. The main goal at this stage is to integrate the new algorithms developed for the AI Fashion Stylist with QuarticOn's existing solutions (recommendation engine, browser engine, marketing automation). From the technological point of view, the new algorithms will be provided as ready-to-deploy modules for online stores offering large selections of clothing. Our API is an interesting solution that will allow others to use our technology extensively.

What is more, we held multiple talks with fashion store owners to work out how to align these new solutions with their needs. Through our research on the subject, we had established that one possible application of the AI Fashion Stylist algorithms would be to analyse clothing images to identify the distinguishing features of clothing items. When used in conjunction with AI GPT language models, this would allow e-stores to automate their product descriptions. Managers of online stores had been highlighting this aspect – due to the heavy product rotation in this segment (seasonal sales, clearance sales, special deals), coming up with good product descriptions is very time-consuming and costly. This subject has been of major interest to the Clients – in fact, so much so that the Company is considering options to upgrade the AI Fashion Stylist with language-model based content generation features (including through integration with ChatGPT).

## 4 Information on the Company's subsidiaries

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

The remaining 50% of the capital share in the above-mentioned the company is vested in Wan Sheng Asia Ltd based in Road Town in the British Virgin Islands. The company's initial capital was set at 118 thousand Euro. The value of liabilities and assets is also EUR 118k. Neither party paid the relevant shares and the Company did not start its activities. Therefore, the revenues and costs of the above-mentioned the companies at the end of the second quarter of 2023 amounted to EUR 0.

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

As at the date of the report, QuarticOn Ltd. has not yet started operating activities. In the financial year ending March 31, 2023, the Company reported £0 in revenues, £360 in costs (mandatory reporting) and liabilities and assets of £160. The Company prepares the report only once, at the end of the financial year.

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

## 5 Information on the Company's shareholder structure

Based on the best knowledge of the Company, the share the shareholding structure of QuarticOn S.A. as of the date of publication of this report, on August 14, 2023, it is as follows:

Shareholder	Number of stocks*	Share
Venture FIZ	1 249 300	49.5%
CBNC Capital Solutions Ltd.	180 000	7.1%
Paweł Wyborski	179 853	7.1%
Q Free Trading Limited	123 500	4.9%
ACATIS Investment KVG mbH	240 800	9.5%
Others **	548 847	21.8%
<b>Total</b>	<b>2 522 300</b>	<b>100.0%</b>

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

\*\* including key employees (ESOP)

## 6 Information on the number of persons employed

At the end of June 2023, the Company employed or cooperated with 24.1 FTE (counted on a full-time basis) including those having a contract of employment, contract of mandate or those with B2B contracts.

## 7 Forecasts of financial results

The company did not published forecasts of financial results for year 2023.

## 8 Definition and indicators explanation

Indicator*	Source	Method of calculation	Usefulness
EBITDA (based on profit on sales)	Accounting system	Profit on sales plus depreciation	This indicator is used by QuarticOn for quarterly reporting – it is an approximate figure for profit from the Company's direct current business, which excludes any one-off accounting events (e.g. write-offs, revaluations of some reserves, typically made once a year at the end of December and covering an entire year, or past periods). Consequently, monthly or quarterly results are more comparable in the short term
EBITDA (based on operating profit)	Accounting system	Operating profit plus depreciation (reduced by interest charges and taxes)	QuarticOn uses this indicator for annual reporting. It reflects the Company's profit from its direct business, including any write-offs and revaluations of reserves for other operating revenues and costs over a given year
Churn rate	Accounting and invoicing system	Total latest-month revenue from customers who stopped using the Company's services in the previous month relative to the previous month's total sales	This indicator provides an approximate figure for sales lost due to customers' leaving the Company. While there is no single benchmark, the lower the rate, the better
Result on operating activities	Accounting system	Result on sales plus other operating revenues less other operating costs	The company unifies the terms used: result on operating activities (in short: operating result or EBIT)
Subscription	CRM and invoicing system	-	Contract for a single service on a single domain for example "recommendation engine for <a href="http://www.test.pl">www.test.pl</a> ". In reporting the total number of subscriptions is used.
Average Revenue Per Subscription (ARPS)	CRM and invoicing system	Total revenue (for the relevant period) from subscriptions / the number of subscriptions (in the relevant period)	This indicator shows the average value of one subscriptions (monthly) in the relevant period ("price for the product") while the number of subscriptions shows the "quantity of products sold".
New revenues (new sales)	CRM and invoicing system	Revenues from set-up fees, additional services, first month recurring revenues for new clients or new products	The indicator reflects the scale (in revenues) of acquiring new orders for the Company, both those related to implementations and recurring services; the higher the better; is susceptible to seasonality or external factors (e.g. long sales process with the largest customers)

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

# 9 Shortened financial statement

## 9.1 Introduction

### Basic information for the company

**Name of the company:** QuarticOn Spółka Akcyjna

**Seat:** Warsaw, Poland

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

**Incorporation date** Notarial deed 13.05.2011

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

**Polish Taxpayer Identification Number:** NIP: 5213608082

**Polish Business Registry Number:** REGON: 142977414

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

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

This quarterly report of QuarticOn S.A. was drawn up in accordance with the requirements of § 5 sec. 1 point 1 of Annex 3 to the Alternative Trading System Regulations - "Current and periodic information provided in the alternative trading system on the NewConnect market" in connection with the provisions of § 5 subparagraph 3 and sec. 4.1 and 4.2. The financial data presented in this quarterly report of the Company includes data for the period from April 1st to June 30, 2023 and comparative data for the same period of the previous year. The balance sheet data is presented as at June 30, 2023, and the comparative data as at June 30, 2022.

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

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

- 2nd Quarter of 2023: 1 EUR = 4.4503 PLN (zł),
- 1st Quarter of 2023: 1 EUR = 4.6755 PLN (zł),
- 2nd Quarter of 2022: 1 EUR = 4.6806 PLN (zł),

## 9.2 Balance sheet

### Assets

'000 Euro

Items		As of 30.06.2023	As of 30.06.2022
<b>A.</b>	<b>Fixed assets</b>	<b>480.9</b>	<b>873.8</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>478.1</b>	<b>870.8</b>
1.	R&D expenses	478.1	870.8
2.	Goodwill	0,0	0,0
3.	Other intangible assets	0,0	0,0
4.	Advances for intangible assets	0,0	0,0
<b>II.</b>	<b>Tangible fixed assets</b>	<b>0.7</b>	<b>0.9</b>
1.	Tangible fixed assets in use	0.7	0.9
	a) land (including right to perpetual usufruct)	0.0	0.0
	b) buildings, premises, civil and water engineering structures	0.0	0.0
	c) technical equipment and machines	0.7	0.9
	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>1.1</b>	<b>1.1</b>
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 30.06.2023	As of 30.06.2022
3.	Long-term financial assets	1.1	1.1
	a) in related parties	1.1	1.1
	b) in other parties, in which the company holds capital commitment	0.0	0.0
	c) in other parties	0.0	0.0
4.	Other long-term investments	0.0	0.0
<b>V.</b>	<b>Long-term prepayments</b>	<b>0.9</b>	<b>1.1</b>
1.	Deferred tax assets	0.9	1.1
2.	Other prepayments	0.0	0.0
<b>B.</b>	<b>Current assets</b>	<b>544.8</b>	<b>275.5</b>
<b>I.</b>	<b>Inventory</b>	<b>1.2</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	1.2	0.0
<b>II.</b>	<b>Short-term receivables</b>	<b>244.3</b>	<b>158.5</b>
1.	Receivables from related parties	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
2.	Receivables from other entities in which the company holds capital commitment	0.0	0.0
	a) trade receivables, maturing:	0.0	0.0
	- up to 12 months	0.0	0.0
	- over 12 months	0.0	0.0
	b) other	0.0	0.0
3.	Receivables from other entities	244.3	158.5
	a) trade receivables, maturing:	97.2	83.4
	- up to 12 months	97.2	83.4
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	90.9	43.3
	c) other	56.3	31.8
	d) claimed at court	0.0	0.0
<b>III.</b>	<b>Short-term investments</b>	<b>88.5</b>	<b>21.9</b>
1.	Short-term financial assets	88.5	21.9
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	88.5	21.9
2.	Other short-term investments	0.0	0.0
<b>IV.</b>	<b>Short-term prepayments</b>	<b>210.9</b>	<b>95.1</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>1 025.7</b>	<b>1 149.3</b>

## Equity and liabilities

‘000 Euro

Items		As of 30.06.2023	As of 30.06.2022
<b>A.</b>	<b>EQUITY</b>	<b>-402.4</b>	<b>351.5</b>
<b>I.</b>	<b>Share capital</b>	<b>56.7</b>	<b>53.9</b>
<b>II.</b>	<b>Supplementary capital, including</b>	<b>5 099.8</b>	<b>4 857.2</b>
	- share (stock) premium	5 099.8	4 857.2
<b>III.</b>	<b>Revaluation reserve, including:</b>	<b>0.0</b>	<b>0.0</b>
<b>IV.</b>	<b>Other reserve capitals</b>	<b>67.7</b>	<b>64.3</b>
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-5 343.9</b>	<b>-4 172.0</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-282.6</b>	<b>-452.0</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>1 428.1</b>	<b>797.8</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>23.9</b>	<b>109.6</b>
1.	Provision for deferred income tax	0.9	1.1
2.	Provision for retirement and similar benefits	23.0	12.5
	- long-term	0.0	0.0
	- short-term	23.0	12.5
3.	Other provisions	0.0	96.0
	- long-term	0.0	0.0
	- short-term	0.0	96.0
<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
<b>III.</b>	<b>Short-term liabilities</b>	<b>1 053.4</b>	<b>569.0</b>
1.	To related parties	1.1	1.1
	a) trade liabilities, maturing:	0.0	0.0
	b) other	1.1	1.1
2.	To other parties in which the company holds capital commitment	0.0	0.0
	a) trade liabilities, maturing:	0.0	0.0
	b) other	0.0	0.0
3.	To other parties	1 052.2	567.9
	a) credits and loans	149.3	138.2
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	657.8	343.8
	- up to 12 months	657.8	343.8
	- over 12 months	0.0	0.0
	e) received advances for deliveries	0.0	0.0
	f) liabilities on bills of exchange	0.0	0.0
	g) tax, customs, insurance and other liabilities	188.3	42.3
	h) payroll liabilities	40.2	20.7

Items		As of 30.06.2023	As of 30.06.2022
	i) other	16.6	22.8
4.	Special funds	0.0	0.0
<b>IV.</b>	<b>Accruals</b>	<b>350.8</b>	<b>119.3</b>
1.	Negative goodwill	0.0	0.0
2.	Other accruals	350.8	119.3
	- long-term	0.0	0.0
	- short-term	350.8	119.3
<b>Total Liabilities</b>		<b>1 025.7</b>	<b>1 149.3</b>

## 9.3 Profit and loss statement

'000 Euro

Items		YTD 2023	Only IIQ 2023	YTD 2022	Only IIQ 2022
<b>A.</b>	<b>Net revenue from sales</b>	<b>422.5</b>	<b>193.1</b>	<b>411.2</b>	<b>198.3</b>
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	422.5	193.1	411.2	198.3
II.	Change in the balance of products (increase - positive value, decrease - negative value)	0.0	0.0	0.0	0.0
III.	Costs of manufacturing products for internal purposes	0.0	0.0	0.0	0.0
IV.	Net revenue from sales of goods and materials	0.0	0.0	0.0	0.0
<b>B.</b>	<b>Operating expenses</b>	<b>844.8</b>	<b>367.3</b>	<b>933.1</b>	<b>494.5</b>
I.	Amortisation and depreciation	243.6	121.8	226.9	113.4
II.	Consumption of materials and energy	12.5	10.0	3.5	1.8
III.	External services	303.5	125.0	396.6	218.9
IV.	Taxes and charges, including:	4.6	1.6	4.0	1.8
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	232.7	93.3	258.2	135.2
VI.	Social security and other benefits, including:	38.5	11.0	37.4	20.0
	- retirement benefits	24.1	10.9	17.9	10.4
VII.	Other prime costs	9.4	4.7	6.6	3.4
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
<b>C.</b>	<b>Profit (loss) on sales (A - B)</b>	<b>-422.2</b>	<b>-174.3</b>	<b>-521.9</b>	<b>-296.2</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>159.8</b>	<b>69.8</b>	<b>80.4</b>	<b>80.3</b>
I.	Gain on disposal of non-financial fixed assets	0.0	0.0	0.3	0.2
II.	Subsidies	159.7	69.7	80.1	80.1
III.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
IV.	Other operating revenues	0.0	0.0	0.0	0.0
<b>E.</b>	<b>Other operating expenses</b>	<b>4.3</b>	<b>2.4</b>	<b>1.5</b>	<b>0.7</b>
I.	Loss on disposal of non-financial fixed assets	0.0	0.0	0.0	0.0
II.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
III.	Other operating expenses	4.3	2.4	1.5	0.7
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-266.7</b>	<b>-106.9</b>	<b>-443.0</b>	<b>-216.6</b>
<b>G.</b>	<b>Financial revenues</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>1.0</b>



Items		YTD 2023	Only IIQ 2023	YTD 2022	Only IIQ 2022
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	0.0	0.0	1.0	1.0
	- from related parties	0.0	0.0	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0	0.0	0.0
	- in related parties	0.0	0.0	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0	0.0	0.0
V.	Other	0.0	0.0	0.0	0.0
<b>H.</b>	<b>Financial expenses</b>	<b>15.9</b>	<b>8.0</b>	<b>10.0</b>	<b>7.1</b>
I.	Interest, including:	6.8	5.1	3.7	2.4
	- for related parties	0.0	0.0	0.0	0.0
II.	Loss on disposal of financial assets, including:	0.0	0.0	0.0	0.0
	- for related parties	0.0	0.0	0.0	0.0
III.	Revaluation of financial assets	0.0	0.0	0.0	0.0
IV.	Other	9.1	2.9	6.3	4.7
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-282.6</b>	<b>-114.8</b>	<b>-452.0</b>	<b>-222.7</b>
<b>J.</b>	<b>Income tax</b>	<b>0.0</b>	<b>0.0</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>0.0</b>	<b>0.0</b>
<b>L.</b>	<b>Net profit (loss) (I-J-K)</b>	<b>-282.6</b>	<b>-114.8</b>	<b>-452.0</b>	<b>-222.7</b>

## 9.4 Cash flow statement

‘000 Euro

Items		YTD 2023	Only IIQ 2023	YTD 2022	Only IIQ 2022
<b>A.</b>	<b>A. Cash flow from operating activities - indirect method</b>				
<b>I.</b>	<b>I. Net profit (loss)</b>	<b>-282.6</b>	<b>-114.8</b>	<b>-452.0</b>	<b>-222.7</b>
<b>II.</b>	<b>II. Total adjustments</b>	<b>536.6</b>	<b>360.4</b>	<b>323.3</b>	<b>228.6</b>
1.	Amortisation and depreciation	243.6	121.8	226.9	113.4
2.	Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
3.	Interest and profit sharing (dividend)	13.4	8.1	5.9	3.7
4.	Profit (loss) on investment activities	0.0	0.0	-0.3	-0.2
5.	Change in provisions	0.0	0.0	31.3	8.8
6.	Changes in inventory	-1.2	-1,2.0	0.0	0.0
7.	Change in the balance of receivables	-47.1	-21.7	-18.9	-11.6
8.	Change in short-term liabilities excluding credits and loans	97.7	20.3	6.8	110.7
9.	Change in prepayments and accruals	231.3	233.1	71.7	3.8
10.	Other adjustments	-1.0	0.0	0.0	0.0
<b>III.</b>	<b>III. Net cash flow from operating activities (I+/-II)</b>	<b>254.1</b>	<b>245.6</b>	<b>-128.7</b>	<b>5.9</b>
<b>B.</b>	<b>B. Cash flows from investment activities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>I.</b>	<b>I. Inflows</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>
1.	Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0	0.3	0.2
2.	Disposal of investments in real property and in intangible and legal assets	0.0	0.0	0.0	0.0
3.	From financial assets, including:	0.0	0.0	0.0	0.0
	a) in related parties	0.0	0.0	0.0	0.0

Items		YTD 2023	Only IIQ 2023	YTD 2022	Only IIQ 2022
	b) in other parties	0.0	0.0	0.0	0.0
	- disposal of financial assets	0.0	0.0	0.0	0.0
	- dividends and profit sharing	0.0	0.0	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0	0.0	0.0
	- interest	0.0	0.0	0.0	0.0
4.	Other inflow from investment activities	0.0	0.0	0.0	0.0
<b>II.</b>	<b>II. Outflows</b>	<b>198.0</b>	<b>159.4</b>	<b>46.3</b>	<b>17.6</b>
1.	Purchase of intangible and legal assets, tangible fixed assets	198.0	159.4	46.3	17.6
2.	Investment in real property, intangible and legal assets	0.0	0.0	0.0	0.0
3.	For financial assets, including:	0.0	0.0	0.0	0.0
4.	Other outflows from investment activities	0.0	0.0	0.0	0.0
<b>III.</b>	<b>III. Net cash flows from investment activities (I-II)</b>	<b>-198.0</b>	<b>-159.4</b>	<b>-45.9</b>	<b>-17.4</b>
<b>C.</b>	<b>C. Cash flows from financial activities</b>	0.0	0.0	0.0	0.0
<b>I.</b>	<b>I. Inflows</b>	<b>-1.2</b>	<b>-0.6</b>	<b>226.8</b>	<b>0.3</b>
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0.0	0.0	218.8	0.0
2.	Credits and loans	-1.2	-0.6	8.0	0.3
3.	Issuance of debt securities	0.0	0.0	0.0	0.0
4.	Other inflows from financial activities	0.0	0.0	0.0	0.0
<b>II.</b>	<b>II. Outflows</b>	<b>9.6</b>	<b>5.1</b>	<b>45.9</b>	<b>7.2</b>
1.	Purchase of own shares (stocks)	0.0	0.0	0.0	0.0
2.	Dividend and payments to stockholders	0.0	0.0	0.0	0.0
3.	Profit distribution liabilities other than profit distribution payments to stockholders	0.0	0.0	0.0	0.0
4.	Repayment of credits and loans	0.0	0.0	41.7	4.2
5.	Redemption of debt securities	0.0	0.0	0.0	0.0
6.	Payment of other financial liabilities	0.0	0.0	0.0	0.0
7.	Payment of liabilities arising from financial leases	0.0	0.0	0.0	0.0
8.	Interest	9.6	5.1	4.2	3.0
9.	Other outflows from financial activities	0.0	0.0	0.0	0.0
<b>III.</b>	<b>III. Net cash flow from financial activities (I-II)</b>	<b>-10.8</b>	<b>-5.7</b>	<b>180.9</b>	<b>-6.9</b>
<b>D.</b>	<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>45.3</b>	<b>80.5</b>	<b>6.2</b>	<b>-18.5</b>
<b>E.</b>	<b>E. Balance sheet change in cash, including:</b>	<b>45.5</b>	<b>80.5</b>	<b>6.2</b>	<b>-18.5</b>
-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
<b>F.</b>	<b>F. Cash opening balance</b>	<b>43.1</b>	<b>8.0</b>	<b>15.6</b>	<b>40.3</b>
<b>G.</b>	<b>G. Cash closing balance (F+/- D), including: *</b>	<b>88.5</b>	<b>88.5</b>	<b>21.9</b>	<b>21.9</b>
-	of limited disposability	0.4	0.4	0.0	0.0

## 9.5 Statement of changes in equity

‘000 Euro

Items		As of 30.06.2023	As of 30.06.2022
<b>I.</b>	<b>Opening balance of equity (OB)</b>	<b>-119.4</b>	<b>584.6</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>-119.4</b>	<b>584.6</b>
<b>1.</b>	<b>Opening balance of share capital</b>	<b>56.7</b>	<b>30.0</b>
	1.2. Closing balance of share capital	56.7	53.9
<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
	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>5 099.8</b>	<b>4 001.0</b>
	4.1. Changes in supplementary capital	0.0	856.2
	4.2. Closing balance of supplementary capital	5 099.8	4 857.2
<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>68.1</b>	<b>725.6</b>
	6.1. Changes in other reserve capitals	-0.4	-661.2
	6.2. Closing balance of other reserve capitals	67.7	64.3
<b>7.</b>	<b>Opening balance of previous years' profit (loss)</b>	<b>-5 343.9</b>	<b>-4 172.0</b>
	7.1. Opening balance of previous years' profit	0.0	0.0
	7.2. Opening balance of previous years' profit after reconciliation to comparable data	0.0	0.0
	7.3. Closing balance of previous years' profit	0.0	0.0
	7.4. Opening balance of previous years' loss	-5 343.9	-4 172.0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-5 343.9	-4 172.0
	7.6. Closing balance of previous years' loss	-5 343.9	-4 172.0
	7.7. Closing balance of previous years' profit (loss)	-5 343.9	-4 172.0
<b>8.</b>	<b>Net result</b>	<b>-282.6</b>	<b>-452.0</b>
	a) net profit	0.0	0.0
	b) net loss	-282.6	-452.0
	c) write-offs on profit	0.0	0.0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>-402.4</b>	<b>351.5</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>-402.4</b>	<b>351.5</b>

## 9.6 Additional information (2<sup>nd</sup> quarter of 2023)

Sales structure:

'000 Euro

Items	01.04.2023 - 30.06.2023	01.04.2022 - 30.06.2022
Revenue from sales of products	193.1	198.3
- in Poland	146.2	133.8
- Other countries	46.9	64.5

R&D expenditures (accruals):

The Company's capital expenditures in Q2 2023 were still directed to the development of the "AI Fashion Stylist" project. The Development Works phase of the project is underway. The value of expenditure incurred in Q2 2023 - recognized as accruals is EUR 159.4k (PLN 709.2k).



## 9.7 Principles adopted for drawing up of the financial statement

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

### **Tangible and intangible assets**

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

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

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

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

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

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

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

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

### **Investments**

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

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

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

## Receivables

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

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

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

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

## Inventory

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

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

## Cash and cash equivalents

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

## Prepayments and accruals

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

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

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

## Equity

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

## Provisions for liabilities

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

These provisions are being made for:

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

### **Liabilities**

Liabilities are being presented in the amount due.

### **Unearned revenue**

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

### **Deferred income tax**

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

### **Revenue recognition**

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

### **Costs**

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

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



**Paweł Wyborski**

President of the Board



**Michał Giergielewicz**

Member of the Board



**QuarticOn S.A.**



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