

QuarticOn S.A.

QUARTERLY REPORT

4th Quarter of 2023

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1 Management Board's Commentary

Ladies and Gentlemen,

Our quarterly commentary appropriately begins by referencing yesterday's current report [ESPI 2/2024]. This report discusses key components of the Company's transformation into a new business model entity. The changes in strategy (product, financial, and process) mentioned in the report are already underway, but their genesis dates back to the fourth quarter of 2023. The most immediate and noticeable effect of the initiated changes is expected on the cost side. However, the coming months should bring further changes in efficiency (stable costs, expected revenue growth).

Most importantly, these are founded on new products, along with a plan for their development. To navigate the transformation process smoothly and mitigate risks associated with high debt levels, we have decided to initiate a composition proceeding with the Company's creditors. This involves starting negotiations for acceptable and realistic debt repayment terms and securing against unforeseen circumstances related to the current liabilities. More details will be provided in the subsequent sections of the report.

It should come as no surprise that the entire fourth quarter of last year was dedicated to the AI Fashion Stylist project. These were the final months of this significant project (concluding in December, with the project closure in early January). Therefore, it is worthwhile to summarize it here. From a financial standpoint, the project amounted to nearly EUR 1.2 million, spanned 26 months, and has completely transformed our Company's potential and competitive position. The project involved experts in artificial intelligence, fashion, sales, and e-commerce, as well as scientists from Polish universities (Polish Academy of Sciences and Warsaw University of Technology). Due to its complexity and scale, the project was a substantial challenge for us all: financially, organizationally, and technologically. However, considering the outcome, it was certainly worth undertaking. The proprietary AI algorithms developed are currently used in two fashion market products: get-the-look, and outfit generator. Even in their initial commercial versions, these tools have generated

significant interest: we have three pilot implementations and are in talks with additional potential clients. Furthermore, customer feedback is guiding the further development of these tools.

The results for the previous quarter are somewhat burdened by the emphasis on the Stylist and the ongoing change processes. Unfortunately, in our small organization, simultaneously conducting final project work and implementing changes in other areas is not an easy task. Ultimately, while sales were similar to the previous quarter, lower costs significantly improved the Company's EBITDA quarter-over-quarter (by EUR 60.4k).

We are halfway through the first quarter of 2024 as we publish this report. The Company's transformation is underway, with increasing meetings with firms interested in Stylist's products. We are preparing for the spring months with high hopes for positive effects from the implemented changes.

Management Board of QuarticOn S.A.



Paweł Wyborski

Founder
President of the Management Board



Michał Giergielewicz

Member of the Board

2 Company transformation

The process of transforming the Company into a new, healthy entity has been divided into six areas where changes are being implemented, yet these collectively form integral parts of a unified whole.



The seventh element, binding the others, involves changes in the processes and organization of the Company. As of this report's publication date, the Company is actively engaged in the product, sales, and cost areas - these have been elaborately discussed in the current ESPI 2/2024 report regarding strategic changes. The initial effects (on the cost side) are already evident in the results, and currently, the Company is working on the marketing aspects of the new sales model.

The aforementioned current report also informed about initiating a process of proceedings for the approval of an arrangement¹ – a vital element of the Company's transformation linked to debt restructuring. The “approval of a agreement” (known as 'PZU') is one of four possible restructuring proceedings in the restructuring law, allowing for debt restructuring through agreements with creditors. Securing against risks arising from the Company's high debt is a significant factor in the success of the transformation process and the implementation of all elements improving its financial condition. In the Annual Report for 2022, the Company emphasized that actions to eliminate the risk of business continuity include the launch of new products from the AI Fashion Stylist project (which is currently happening) and securing additional financing. In 2023, the Company obtained loans amounting to EUR 53k but preliminary talks with potential investors identified high debt as a negative factor from an investment perspective. The Company assumes that by implementing all elements of the transformation plan as scheduled, it will secure the financing necessary for the development of new products based on new AI algorithms in 2024.

¹ In Polish: “Postępowanie o zatwierdzenie układu”.

3 Financial results

The EBITDA for the fourth quarter of 2023 was EUR -35k, representing an improvement of EUR 60.4k compared to the third quarter of 2023. This positive change is mainly due to lower costs while maintaining a similar level of revenue. Compared to the fourth quarter of 2022, the EBITDA result (excluding the AI Fashion Stylist project) is EUR -30.5k lower. The reduction in costs significantly offset the decrease in sales but did not fully cover it.

The lack of significant quarterly sales growth is the result of the high churn rate in the previous quarter - the loss of a large customer (lost tender) mentioned in the last report, meant a direct loss of sales in the fourth quarter of 2023 at the level of EUR 32k.

The quarter-over-quarter cost decrease by more than EUR 52.5k results from the cost reduction in areas such as personnel costs and external services (e.g., minimizing office space). Operational costs are also over EUR 42k lower compared to the fourth quarter of 2022 due to lower salaries, IT infrastructure optimization (including license costs) and other external services (e.g., office rents).

The net result achieved in the fourth quarter of 2023 was EUR -75.9k and was much better than in previous periods. This is the result of the previously mentioned lower costs, but also of several one-off events, e.g. financial revenues from unrealized exchange rate differences (item: financial revenues - other) and correction of amortization.

The EUR +10.4k in costs for the "AI Fashion Stylist" project represents a year-end release of the holiday provision related to employees participating in this project.

Selected data from Profit and loss statement

Profit and loss statement	'000 Euro				
	IVQ 2022	IIIQ 2023	IVQ 2023	IVQ 2023 vs IVQ 2022	IVQ 2023 vs IIIQ 2023
Net revenue from sales	223.3	143.0	150.9	-72.4	7.9
Operating expenses excl. depreciation & amortization And "AI Fashion Stylist"	-227.8	-238.4	-185.9	42.0	52.5
EBITDA (based on result on sale, excluding "AI Fashion Stylist")	-4.5	-95.4	-35.0	-30.5	60.4
"AI Fashion Stylist" expenses (directly in the costs)	-168.6	0.0	10.4	179.0	10.4
EBITDA (based on result on sales)*	-173.2	-95.4	-24.6	148.5	70.8
EBIT (operating result)	-156.5	-214.4	-96.0	60.5	118.4
Net result	-158.7	-220.2	-75.9	82.7	144.3

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

Operating expenses

‘000 Euro

	IIIQ 2023	IVQ 2023	IVQ 2023 vs IIIQ 2023
Operating expenses excl. depreciation & amort. and "AI Fashion Stylist" project	-238.4	-185.9	-52.5
Payroll, Social security and other benefit	-93.2	-78.7	-14.5
External services	-134.9	-104.6	-30.3
Others	-10.3	-2.6	-7.7
Operating expenses of "AI Fashion Stylist" project	0.0	10.4	-10.4
Payroll, Social security and other benefit *	0.0	10.4	-10.4
External services	0.0	0.0	0.0
Others	0.0	0.0	0.0
Amortisation and depreciation	-116.9	-71.9	-45.0
Operating expenses (Item B in profit and loss account)	-355.3	-247.4	-107.9
Total expenses included in current costs and expenditures for AI Fashion Stylist project	-145.3	-120.0	-25.3

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

Selected data from the balance sheet and cash flow statement

‘000 Euro

Balance sheet	As of 31.12.2023	As of 31.12.2022
Fixed assets	783.5	687.4
- including intangible and legal assets	780.8	684.7
Current assets	179.2	255.7
- including short-term investments (excl. overdraft)	1.0	40.9
Total Assets	962.7	943.2
Equity	-723.7	-113.3
Liabilities and provisions for liabilities	1 686.5	1 056.5
- including short term liabilities	1 352.7	904.9
Total Liabilities	962.7	943.2

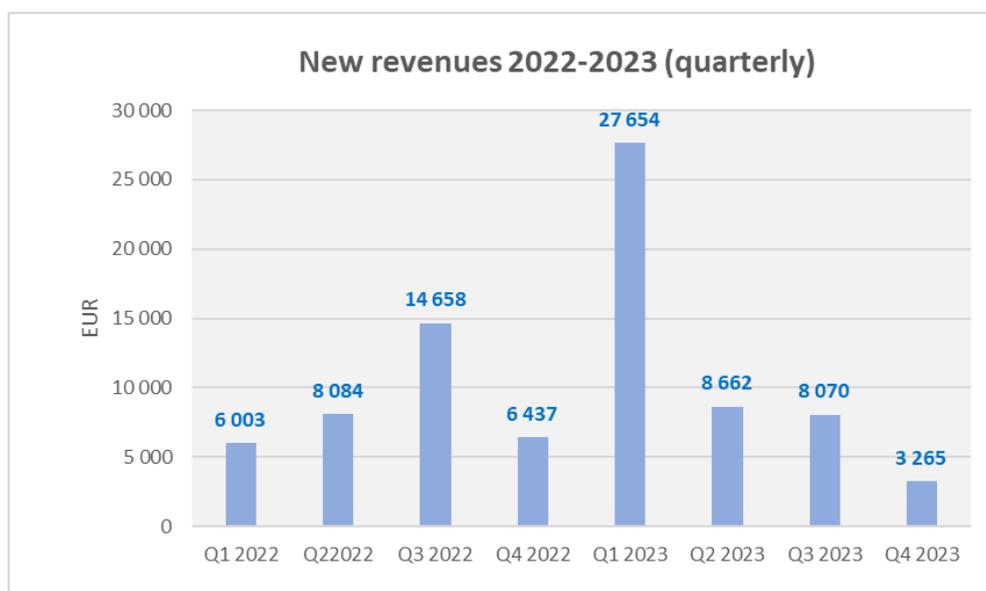
‘000 Euro

Cash Flow	Cum 2023	Cum 2022
Net profit (loss)	-599.8	-907.2
Net cash flow from operating activities	387.2	-95.4
Net cash flow from financial activities	57.6	166.6
Cash closing balance	1.0	40.9

4 Key events in 4th quarter of 2023

4.1 Sales: Polish market (63%) and foreign markets (37%)

The fourth quarter of 2023 in the sales and marketing sector was a very intense work period for the AI Fashion Stylist. The most important task was the presentation of ready solutions to selected clients (including smaller fashion stores and large multichannel organizations, both in the fashion and sports fashion sectors). The Company's collaborations with marketing agencies provided significant support in these efforts. With their assistance, two webinars on AI solutions for fashion online stores were prepared (one in October and another in November). Key issues that underwent numerous analyses and studies included the pricing strategy for new solutions, the potential to build a customer value development path based on the Company's existing CDXP group solutions, and preparing a schedule for implementations with various clients while simultaneously identifying areas for optimization.



Despite the intensive work on the AI Fashion Stylist product group, the fourth quarter of 2023 also saw proactive sales for CDXP products (Reco Engine, SmartSearch, and Marketing Automation). It should be emphasized that due to two peak sales periods in the last quarter of the year (Black Friday and holidays) in e-commerce and the resulting in high engagement of sales teams, many of our clients and potential clients postponed specific discussions about new implementations to the first quarter of the current year. The low level of new sales is also the result of changes in the sales team.

Marketing Events in the Fourth Quarter of 2023:

- A sponsored article on Interaktywnie.com, reaching over 100,000 unique users each month.
- Publication of an expert article on “Marketing by the coffee”.
- Webinar "Fashion Industry Revolution - Your AI Stylist" – November 15, 2023
- Webinar "Get The Look 2.0 – Revolution in styling using AI" – December 13, 2023

4.2 Subscriptions and churn¹

Churn in the fourth quarter of 2023 amounted to 1.8% and after a strong increase in the third quarter of 2023, it dropped again to levels considered safe.

Revenues in the fourth quarter of 2023 were generated through the sale of (on average per month in the quarter) 185 subscriptions (decrease by 8 q/q) with an average value of EUR 297 each (increase by 27% q/q).

4.3 EU financing project “AI Fashion Stylist”



The "AI Fashion Stylist" project was formally completed on January 8, 2024, and for accounting reasons due to the period in which it was implemented - at the end of 2023, after 26 months of implementation.

As a result of the "AI Fashion Stylist" project developed AI algorithms that understand the principles of styling based on clothing images were developed. They possess the competencies of a fashion stylist, capable of creating a complete outfit for any occasion from available wardrobe pieces and finding similar attire based on fashion images, for example, from social media. The project employed the latest knowledge in artificial intelligence based on deep learning.

Additionally, the Company identified new possibilities for utilizing the developed algorithms during the project. With integration into GenAI and LLM language models, the technology can generate unique descriptions and tags for styles based on clothing images, significantly reducing content creation costs in the e-fashion industry.

The solution's distribution is facilitated through an API, which allows easy integration with any shopping platform. This is particularly important from a scaling and sales perspective for products

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

based on new solutions. The Company is currently working on fully automating the implementation and making it available in a SaaS sales model, aiming to minimize the operational costs of service and sales processes.

A B2C client application prototype was also developed during the project, acting as a personal stylist capable of searching for clothing from online stores. The Company plans to acquire a strategic partner with experience in commercializing B2C market solutions, mobile technologies, and global expansion for further development.

The "AI Fashion Stylist" project has given the Company a unique competitive edge in the clothing sector market. Besides the potential for increasing sales and margins in e-stores, it addresses issues such as reducing store operation costs, increasing basket value (through automated outfit building), and content creation automation – aspects that are currently time-consuming and costly for many companies.

5 Information on the Company's subsidiaries

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

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

6 Information on the Company's shareholder structure

Based on the best knowledge of the Company, the share the shareholding structure of QuarticOn S.A. as of the date of publication of this report, on February 14, 2024, it is as follows:

Shareholder	Number of stocks*	Share
Venture FIZ	1 249 300	49.5%
ACATIS Investment KVG mbH	240 800	9.6%
CBNC Capital Solutions Ltd.	180 000	7.1%
Paweł Wyborski	173 361	6.9%
Others **	678 839	26.9%
Total	2 522 300	100.0%

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

** including key employees (ESOP)

7 Information on the number of persons employed

At the end of December 2023, the Company employed or cooperated with 17.5 FTE (counted on a full-time basis) including those having a contract of employment, contract of mandate or those with B2B contracts.

8 Forecasts of financial results

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



9 Definition and indicators explanation

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

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

10 Shortened financial statement

10.1 Introduction

Basic information for the company

Name of the company: QuarticOn Spółka Akcyjna

Headquarters: Warsaw, Poland

Address: 02-017 Warsaw, 80/82 Grzybowska str.

Incorporation date: Notarial deed 13.05.2011

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

Polish Taxpayer Identification Number: NIP: 5213608082

Polish Business Registry Number: REGON: 142977414

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

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

This quarterly report of QuarticOn S.A. was drawn up in accordance with the requirements of § 5 sec. 1 point 1 of Annex 3 to the Alternative Trading System Regulations - "Current and periodic information provided in the alternative trading system on the NewConnect market" in connection with the provisions of § 5 subparagraph 3 and sec. 4.1 and 4.2. The financial data presented in this quarterly report of the Company includes data for the period from October 1st to 31st December, 2023 and comparative data for the same period of the previous year. The balance sheet data is presented as at December 31, 2023, and the comparative data as at December 31, 2022.

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

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

- 4th Quarter of 2023: 1 EUR = 4.3480 PLN (zł),
- 3rd Quarter of 2023: 1 EUR = 4.6356 PLN (zł),
- 4th Quarter of 2022: 1 EUR = 4.6899 PLN (zł),

10.2 Balance sheet

Assets

'000 Euro

Items		As of 31.12.2023	As of 31.12.2022
A.	Fixed assets	783.5	687.4
I.	Intangible and legal assets	780.8	684.7
1.	R&D expenses	780.8	684.7
2.	Goodwill	0,0	0,0
3.	Other intangible assets	0,0	0,0
4.	Advances for intangible assets	0,0	0,0
II.	Tangible fixed assets	0.6	0.8
1.	Tangible fixed assets in use	0.6	0.8
	a) land (including right to perpetual usufruct)	0.0	0.0
	b) buildings, premises, civil and water engineering structures	0.0	0.0
	c) technical equipment and machines	0.6	0.8
	d) means of transport	0.0	0.0
	e) other tangible fixed assets	0.0	0.0
2.	Tangible fixed assets under construction	0.0	0.0
3.	Advances for tangible fixed assets under construction	0.0	0.0
III.	Long-term receivables	0.0	0.0
1.	From related parties	0.0	0.0
2.	From other parties, in which the company holds capital commitment	0.0	0.0
3.	From other parties	0.0	0.0
IV.	Long-term investments	1.2	1.1
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 31.12.2023	As of 31.12.2022
3.	Long-term financial assets	1.2	1.1
	a) in related parties	1.2	1.0
	b) in other parties, in which the company holds capital commitment	0.0	0.0
	c) in other parties	0.0	0.0
4.	Other long-term investments	0.0	0.0
V.	Long-term prepayments	0.9	0.9
1.	Deferred tax assets	0.9	0.9
2.	Other prepayments	0.0	0.0
B.	Current assets	179.2	255.7
I.	Inventory	0.7	0.0
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.7	0.0
II.	Short-term receivables	177.1	187.1
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	177.1	187.1
	a) trade receivables, maturing:	80.8	89.2
	- up to 12 months	80.8	89.2
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	88.2	66.1
	c) other	8.1	31.7
	d) claimed at court	0.0	0.0
III.	Short-term investments	1.0	40.9
1.	Short-term financial assets	1.0	0.0
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	0.0	40.9
2.	Other short-term investments	0.0	0.0
IV.	Short-term prepayments	0.4	27.7
C.	Called up share capital not paid	0.0	0.0
D.	Own shares (stocks)	0.0	0.0
Total Assets		962.7	943.2

Equity and liabilities

‘000 Euro

Items		As of 31.12.2023	As of 31.12.2022
A.	EQUITY	-723.7	-113.3
I.	Share capital	58.0	53.8
II.	Supplementary capital, including	5 219.7	4 839.2
	- share (stock) premium	5 219.7	4 839.2
III.	Revaluation reserve, including:	0.0	0.0
IV.	Other reserve capitals	68.0	64.6
V.	Profit (loss) from previous years	-5 469.7	-4 163.7
VI.	Nett profit (loss)	-599.8	-907.2
VII.	Write-off on net profit during the financial year (negative value)	0.0	0.0
B.	Liabilities and provisions for liabilities	1 686.5	1 056.5
I.	Provisions for liabilities	8.8	22.7
1.	Provision for deferred income tax	0.9	0.9
2.	Provision for retirement and similar benefits	7.9	21.8
	- long-term	0.0	0.0
	- short-term	7.9	21.8
3.	Other provisions	0.0	0.0
	- long-term	0.0	0.0
	- short-term	0.0	0.0
II.	Long-term liabilities	0.0	0.0
1.	To related parties	0.0	0.0
2.	To other parties, in which the company holds capital commitment	0.0	0.0
3.	To other parties	0.0	0.0
	a) credits and loans	0.0	0.0
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) liabilities on bills of exchange	0.0	0.0
III.	Short-term liabilities	1 352.7	904.9
1.	To related parties	1.2	1.1
	a) trade liabilities, maturing:	0.0	0.0
	b) other	1.2	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	1 351.5	903.8
	a) credits and loans	228.7	139.7
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	752.6	595.6
	- up to 12 months	752.6	595.6
	- 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	262.9	97.3
	h) payroll liabilities	78.6	33.1

Items		As of 31.12.2023	As of 31.12.2022
	i) other	28.8	38.3
4.	Special funds	0.0	0.0
IV.	Accruals	325.0	128.8
1.	Negative goodwill	0.0	0.0
2.	Other accruals	325.0	128.8
	- long-term	0.0	0.0
	- short-term	325.0	128.8
Total Liabilities		962.7	943.2

10.3 Profit and loss statement

'000 Euro

Items		YTD 2023	Only IVQ 2023	YTD 2022	Only IVQ 2022
A.	Net revenue from sales	735.8	150.9	824.4	223.3
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	735.8	150.9	824.4	223.3
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.	Operating expenses	1 493.1	247.4	1 942.0	489.8
I.	Amortisation and depreciation	445.9	71.9	432.8	93.3
II.	Consumption of materials and energy	13.9	-0.9	8.2	2.3
III.	External services	559.0	104.6	821.2	191.5
IV.	Taxes and charges, including:	9.9	0.8	6.3	1.2
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	391.9	62.9	572.5	172.2
VI.	Social security and other benefits, including:	55.6	5.4	86.8	25.3
	- retirement benefits	47.6	8.8	40.5	11.7
VII.	Other prime costs	17.1	2.7	14.2	4.1
VIII.	Value of goods and materials sold	0.0	0.0	0.0	0.0
C.	Profit (loss) on sales (A - B)	-757.3	-96.5	-1 117.6	-266.6
D.	Other operating revenues	165.8	2.1	265.4	147.1
I.	Gain on disposal of non-financial fixed assets	0.0	0.0	0.3	0.1
II.	Subsidies	163.4	0.0	265.0	147.1
III.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
IV.	Other operating revenues	2.3	2.1	0.1	0.0
E.	Other operating expenses	8.4	1.5	40.1	37.1
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	27.3	27.3
III.	Other operating expenses	8.4	1.5	12.8	9.8
F.	Profit (loss) on operating activities (C+D-E)	-599.9	-96.0	-892.4	-156.5
G.	Financial revenues	35.8	36.6	1.0	0.0

Items		YTD 2023	Only IVQ 2023	YTD 2022	Only IVQ 2022
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	0.0	0.0	1.0	0.0
	- from related parties	0.0	0.0	0.0	0.0
III.	Revenue from disposal of financial assets, including:	0.0	0.0	0.0	0.0
	- in related parties	0.0	0.0	0.0	0.0
IV.	Revaluation of financial assets	0.0	0.0	0.0	0.0
V.	Other	35.8	36.6	0.0	0.0
H.	Financial expenses	35.7	16.5	15.9	2.1
I.	Interest, including:	23.4	12.9	8.1	2.6
	- 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	12.3	3.6	7.8	-0.4
I.	Gross profit (loss) (F+G-H)	-599.8	-75.9	-907.2	-158.7
J.	Income tax	0.0	0.0	0.0	0.0
K.	Other statutory reductions in profit (increases in loss)	0.0	0.0	0.0	0.0
L.	Net profit (loss) (I-J-K)	-599.8	-75.9	-907.2	-158.7

10.4 Cash flow statement

'000 Euro

Items		YTD 2023	Only IVQ 2023	YTD 2022	Only IVQ 2022
A.	A. Cash flow from operating activities - indirect method				
I.	I. Net profit (loss)	-599.8	-75.9	-907.2	-158.7
II.	II. Total adjustments	987.0	203.9	811.8	202.7
	1. Amortisation and depreciation	445.9	71.9	432.7	93.3
	2. Profit (loss) from differences of exchange rates	0.0	0.0	0.4	0.4
	3. Interest and profit sharing (dividend)	21.8	6.7	13.2	3.9
	4. Profit (loss) on investment activities	0.0	0.0	27.0	27.0
	5. Change in provisions	-15.7	-15.7	-55.3	-95.8
	6. Changes in inventory	-0.7	-0.7	0.0	0.8
	7. Change in the balance of receivables	24.7	4.2	-47.7	-8.6
	8. Change in short-term liabilities excluding credits and loans	298.6	149.2	342.1	145.2
	9. Change in prepayments and accruals	215.5	-10.5	99.2	36.5
	10. Other adjustments	-3.2	-1.3	0.0	0.0
III.	III. Net cash flow from operating activities (I+/-II)	387.2	128.0	-95.4	44.0
B.	B. Cash flows from investment activities	0.0	0.0	0.0	0.0
I.	I. Inflows	0.0	0.0	0.3	0.0
	1. Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0	0.3	0.0
	2. Disposal of investments in real property and in intangible and legal assets	0.0	0.0	0.0	0.0
	3. From financial assets, including:	0.0	0.0	0.0	0.0
	a) in related parties	0.0	0.0	0.0	0.0

Items		YTD 2023	Only IVQ 2023	YTD 2022	Only IVQ 2022
	b) in other parties	0.0	0.0	0.0	0.0
	- disposal of financial assets	0.0	0.0	0.0	0.0
	- dividends and profit sharing	0.0	0.0	0.0	0.0
	- repayment of granted long-term loans	0.0	0.0	0.0	0.0
	- interest	0.0	0.0	0.0	0.0
4.	Other inflow from investment activities	0.0	0.0	0.0	0.0
II.	II. Outflows	487.9	130.4	46.2	0.0
1.	Purchase of intangible and legal assets, tangible fixed assets	487.9	130.4	46.2	0.0
2.	Investment in real property, intangible and legal assets	0.0	0.0	0.0	0.0
3.	For financial assets, including:	0.0	0.0	0.0	0.0
4.	Other outflows from investment activities	0.0	0.0	0.0	0.0
III.	III. Net cash flows from investment activities (I-II)	-487.9	-130.4	-45.9	0.0
C.	C. Cash flows from financial activities	0.0	0.0	0.0	0.0
I.	I. Inflows	73.9	0.4	226.6	0.0
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0.0	0.0	218.4	0.0
2.	Credits and loans	73.9	0.4	8.2	0.0
3.	Issuance of debt securities	0.0	0.0	0.0	0.0
4.	Other inflows from financial activities	0.0	0.0	0.0	0.0
II.	II. Outflows	16.3	4.7	60.0	11.4
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	41.6	0.4
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	16.3	4.7	10.0	2.6
9.	Other outflows from financial activities	0.0	0.0	8.4	8.4
III.	III. Net cash flow from financial activities (I-II)	57.6	-4.3	166.6	-11.4
D.	D. Total net cash flows (A.III+/-B.III+/-C.III)	-43.1	-6.7	25.3	32.6
E.	E. Balance sheet change in cash, including:	-43.1	-6.7	25.3	32.6
-	change in cash due to exchange differences	0.0	0.0	0.0	0.0
F.	F. Cash opening balance	44.1	7.7	15.6	8.3
G.	G. Cash closing balance (F+/- D), including: *	1.0	1.0	40.9	40.9
-	of limited disposability	0.0	0.0	0.0	0.0

10.5 Statement of changes in equity

‘000 Euro

Items		As of 31.12.2023	As of 31.12.2022
I.	Opening balance of equity (OB)	-122.2	583.5
	a) changes in accounting principles	0.0	0.0
	b) corrections of basic errors	0.0	0.0
	c) capital increases	0.0	0.0
I.a.	Opening balance of equity (OB) after adjustments	-122.2	583.5
1.	Opening balance of share capital	58.0	29.9
	1.2. Closing balance of share capital	58.0	53.8
2.	Opening balance of called up share capital	0.0	0.0
	2.1. Changes in called up share capital	0.0	0.0
	2.2. Closing balance of called up share capital	0.0	0.0
3.	Opening balance of own shares	0.0	0.0
	3.1. Increase in own shares	0.0	0.0
	3.2. Closing balance of own shares	0.0	0.0
4.	Opening balance of supplementary capital	5 219.7	3 993.1
	4.1. Changes in supplementary capital	0.0	846.1
	4.2. Closing balance of supplementary capital	5 219.7	4 839.2
5.	Opening balance of revaluation reserve	0.0	0.0
	5.1. Changes in revaluation reserve	0.0	0.0
	5.2. Closing balance of revaluation reserve	0.0	0.0
6.	Opening balance of other reserve capitals	69.7	724.1
	6.1. Changes in other reserve capitals	-1.7	-659.5
	6.2. Closing balance of other reserve capitals	68.0	64.6
7.	Opening balance of previous years' profit (loss)	-5 469.7	-4 163.7
	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	-5 469.7	-4 163.7
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-5 469.7	-4 163.7
	7.6. Closing balance of previous years' loss	-5 469.7	-4 163.7
	7.7. Closing balance of previous years' profit (loss)	-5 469.7	-4 163.7
8.	Net result	-599.8	-907.2
	a) net profit	0.0	0.0
	b) net loss	-599.8	-907.2
	c) write-offs on profit	0.0	0.0
II.	Closing balance of equity (CB)	-723.7	-113.3
III.	Equity including proposed profit distribution (loss coverage)	-723.7	-113.3

10.6 Additional information (4th quarter of 2023)

Sales structure:

'000 Euro

Items	01.10.2023 - 31.12.2023	01.10.2022 - 31.12.2022
Revenue from sales of products	150.9	223.3
- in Poland	95.4	170.0
- Other countries	55.5	53.3

R&D expenditures (accruals):

The Company's capital expenditure in Q4 2023 was still directed to the development of the "AI Fashion Stylist" project. The development phase of the project has been completed. The value of expenditure incurred in IV. quarter of 2023 - amounted to EUR 120k (PLN 521.9k).



10.7 Principles adopted for drawing up of the financial statement

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

Tangible and intangible assets

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

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

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

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

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

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

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

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

Investments

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

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

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

Receivables

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

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

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

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

Inventory

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

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

Cash and cash equivalents

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

Prepayments and accruals

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

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

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

Equity

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

Provisions for liabilities

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

These provisions are being made for:

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

Liabilities

Liabilities are being presented in the amount due.

Unearned revenue

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

Deferred income tax

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

Revenue recognition

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

Costs

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

Management Board of QuarticOn S.A.

Paweł Wyborski

President of the Board

Michał Giergielewicz

Member of the Board



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