



QuarticOn S.A.

# QUARTERLY REPORT

## 1st Quarter of 2024

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# 1 Management Board's Commentary

## Ladies and Gentlemen,

The first quarter of 2024 was a period of significant events for the Company, most of which concerned the transformation of the Company (we reported this in ESPI report No. 2/2024 of February 13, 2024). One of the key elements of the process of changes in the Company was the opening of proceedings for the approval of the arrangement, which provided a chance to reach an agreement with creditors regarding the repayment of the debt. And as we announced in the current report two days ago (ESPI report 3/2024 of May 13, 2024), we reached an agreement with the majority of creditors and the Company could submit an application to the court for approval of the arrangement. In short, creditors representing 75% of the receivables voted, and of the valid votes cast, almost 80% were cast in favour of accepting the arrangement. Now we are waiting for the court to approve the arrangement.

These last months of talks with creditors were very absorbing for the Company, especially if we take into account the changes taking place in the Company at the same time. The scale of changes after the project completion is reflected, among others, by the difference in expenses incurred: in the fourth quarter of 2023, total operating costs including expenditure on the AI Fashion Stylist project amounted to EUR 377k, and in the first quarter of this year this value was already over EUR 90k lower, and yet in this period not all costs were at the target level.

The first quarter is also about strengthening the presence of the AI Fashion Stylist on the market. A lot of meetings, specially arranged to get to know the expectations of the most diverse group of clients. So we met both market leaders, sales platforms and smaller e-fashion companies. The meetings were very fruitful, because in the real world they showed how different expectations are, and also how changes have occurred in this respect over the last two years - that is, since we started the project.

The current quarter, half of which was devoted to talks about arrangement proposals, is also extremely intense in other areas. We expect it to bring more good news for all of us.

**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 Arrangement approval procedure

The opening of the arrangement approval procedure on February 13, 2024 opened the way to an agreement with creditors based on arrangement proposals prepared by the Company and restructuring advisors. On May 13, 2024, the Company's Management Board filed a complaint with the District Court for the Capital City of Warsaw. Warsaw's application in the "arrangement approval proceedings". Currently, the Company is waiting for the Court to consider the application. Creditors who took part in the vote on the submitted arrangement proposals represented 75% of the total receivables. Ultimately, 79.7% of valid votes were cast "for the arrangement" (20.3% were "against the arrangement").

## 3 Financial results

EBITDA (based on sales result) for the first quarter of 2024 amounted to EUR 77k. This is nominally a lower result than in the previous quarter, which results from lower sales (including seasonality) and higher operating costs. This latter change is the result of the completion of the "AI Fashion Stylist" project - until the end of December, design expenses were recognized as an investment. From the beginning of January 2024, all expenses are recognized as running costs, including those that were separated from the project as costs of maintaining and supporting the finished product. If we take into account the total amount of all operating costs and investment expenses for the AI Fashion Stylist in the fourth quarter of 2023, we get the amount of EUR 378k, while the same value for the first quarter of 2024 is EUR 287k, which means a cumulative decrease in expenses by over EUR 90k.

Financial costs in the first quarter of 2024 include the amount of EUR 38k of unrealized positive exchange rate differences - this is a reversal of operations from the fourth quarter of 2023.

### Operating expenses

'000 Euro

	IV Quarter 2023	I Quarter 2024	<i>IQ 2024 vs IV Q2023a</i>
Operating expenses excl. depreciation	175.5	217.4	41.8
Operating costs of AI projects Fashion Stylist	-10.3	0.0	10.3
Depreciation	71.9	69.5	-2.4
<b>Total operating costs</b>	<b>247.4</b>	<b>286.9</b>	<b>39.5</b>
Spending on AI Fashion Stylist as R&D expenditures	130.4	0.0	-130.4
<b>Total operating costs and AI Fashion Stylist expenditures</b>	<b>377.8</b>	<b>286.9</b>	<b>-90.9</b>

## Selected data from Profit and loss statement

‘000 Euro

Profit and loss statement	IQ 2023	IVQ 2023	IQ 2024	IQ 2024 vs IQ 2023	IQ 2024 vs IVQ 2023
Net revenue from sales	218.4	150.9	140.3	-78.1	-10.6
Operating expenses excl. depreciation & amortization And “AI Fashion Stylist”	-227.9	-185.9	-217.3	10.6	-31.5
<b>EBITDA (based on result on sale, excluding “AI Fashion Stylist”)</b>	<b>-9.5</b>	<b>-35.0</b>	<b>-77.1</b>	<b>-67.5</b>	<b>-42.1</b>
“AI Fashion Stylist” expenses (directly in the costs)	-110.6	10.4	0.0	110.6	-10.4
<b>EBITDA (based on result on sales)*</b>	<b>-120.1</b>	<b>-24.6</b>	<b>-77.1</b>	<b>43.0</b>	<b>-52.5</b>
EBIT (operating result)	-152.1	-96.0	-134.0	18.1	-38.0
<b>Net result</b>	<b>-159.7</b>	<b>-75.9</b>	<b>-176.9</b>	<b>-17.3</b>	<b>-101.0</b>

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

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

‘000 Euro

Balance sheet	As of 31.03.2024	As of 31.03.2023
Fixed assets	722.6	573.6
- including intangible and legal assets	719.9	571.0
Current assets	217.6	276.2
- including short-term investments (excl. overdraft)	1.3	7.6
<b>Total Assets</b>	<b>940.2</b>	<b>849.8</b>
Equity	-907.6	-273.7
Liabilities and provisions for liabilities	1 847.9	1 123.6
- including short term liabilities	1 554.7	981.0
<b>Total Liabilities</b>	<b>940.2</b>	<b>849.8</b>

‘000 Euro

Cash Flow	Cum 2024	Cum 2023
Net profit (loss)	-176.9	-159.7
Net cash flow from operating activities	2.2	8.1
Net cash flow from financial activities	-2.0	-4.8
Cash closing balance	1.3	7.6

## 4 Key events in 1st quarter of 2024

### 4.1 Sales: Polish market (63.5%) and foreign markets (36.5%)

The first quarter of 2024 will involve intensive sales activities regarding the AI Fashion Stylist. The company organized a number of meetings, presenting new solutions and their configuration options, while gaining valuable knowledge regarding customer needs, approaches to new solutions and expectations regarding the implementation results. A large cross-section of companies with which the Company talked (both market leaders and smaller companies, well-known brands, but also less popular ones, mono-brands and e-commerce platforms), provided two valuable feedback: firstly, the AI Fashion Stylist product received a significant positive opinions, which confirms that the market expects innovative products. Secondly, it allowed some of the sales and product assumptions to be modified to be more tailored to the current needs and expectations of customers. We assume that these changes will increase the sales potential of new products.

It is also worth noting a noticeable increase in interest in products that have long been in QuarticOn's offer (i.e. SmartSearch, recommendations and marketing automation).

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

Churn in the first quarter of 2024 amounted to 1.8% and was at the same level as in the previous quarter.

Revenues in the first quarter of this year. were generated through the sale (on average monthly in the quarter) of 167 subscriptions (decrease by 18 q/q) with an average value of EUR 292 each (decrease by 2.8% q/q).

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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)

## 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 first quarter of 2024 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. The report for the financial year 2023/2024 will be prepared by the end of May 2024

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 March 15, 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	171 766	6.8%
Others **	680 434	27.0%
<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)



## 7 Information on the number of persons employed

At the end of March 2024, the Company employed or cooperated with 11.1 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 2024.



## 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 <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

# 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 January 1st to 31st March, 2024 and comparative data for the same period of the previous year. The balance sheet data is presented as at March 31, 2024, and the comparative data as at March 31, 2023.

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

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

- 1st Quarter of 2024: 1 EUR = 4.3009 PLN (zł),
- 1st Quarter of 2023: 1 EUR = 4.6755 PLN (zł),
- 4th Quarter of 2023: 1 EUR = 4.3480 PLN (zł),

## 10.2 Balance sheet

### Assets

'000 Euro

Items		As of 31.03.2024	As of 31.03.2023
<b>A.</b>	<b>Fixed assets</b>	<b>722.6</b>	<b>573.6</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>719.9</b>	<b>571.0</b>
1.	R&D expenses	719.9	571.0
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>0.6</b>	<b>0.6</b>
1.	Tangible fixed assets in use	0.6	0.6
	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	0.6
	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>1.2</b>	<b>1.1</b>
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 31.03.2024	As of 31.03.2023
3.	Long-term financial assets	1.2	1.1
	a) in related parties	1.2	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>1.0.</b>	<b>0.9</b>
1.	Deferred tax assets	0.9	0.9
2.	Other prepayments	0.0	0.0
<b>B.</b>	<b>Current assets</b>	<b>217.6</b>	<b>276.2</b>
<b>I.</b>	<b>Inventory</b>	<b>13.4</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	13.4	0.0
<b>II.</b>	<b>Short-term receivables</b>	<b>202.8</b>	<b>211.9</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	202.8	211.9
	a) trade receivables, maturing:	72.9	109.1
	- up to 12 months	72.9	109.1
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	115.8	68.2
	c) other	14.1	34.6
	d) claimed at court	0.0	0.0
<b>III.</b>	<b>Short-term investments</b>	<b>1.3</b>	<b>7.6</b>
1.	Short-term financial assets	1.3	7.6
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	1.3	7.6
2.	Other short-term investments	0.0	0.0
<b>IV.</b>	<b>Short-term prepayments</b>	<b>0.4</b>	<b>56.8</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>940.2</b>	<b>849.8</b>

## Equity and liabilities

‘000 Euro

Items		As of 31.03.2024	As of 31.03.2023
<b>A.</b>	<b>EQUITY</b>	<b>-907.6</b>	<b>-273.7</b>
<b>I.</b>	<b>Share capital</b>	<b>58.6</b>	<b>53.9</b>
<b>II.</b>	<b>Supplementary capital, including</b>	<b>5 276.9</b>	<b>4 854.1</b>
	- share (stock) premium	5 276.9	4 854.1
<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>69.7</b>	<b>64.4</b>
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-6 135.9</b>	<b>-5 086.5</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-176.9</b>	<b>-159.7</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>1 847.9</b>	<b>1 123.6</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>8.9</b>	<b>22.8</b>
1.	Provision for deferred income tax	1.0	0.9
2.	Provision for retirement and similar benefits	7.9	21.9
	- long-term	0.0	0.0
	- short-term	7.9	21.9
3.	Other provisions	0.0	0.0
	- long-term	0.0	0.0
	- short-term	0.0	0.0
<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>1 554.7</b>	<b>981.0</b>
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	1 553.5	980.0
	a) credits and loans	235.8	139.8
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	940.6	636.7
	- up to 12 months	940.6	636.7
	- 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	295.0	123.8
	h) payroll liabilities	81.7	34.2

Items		As of 31.03.2024	As of 31.03.2023
	i) other	0.5	45.4
4.	Special funds	0.0	0.0
<b>IV.</b>	<b>Accruals</b>	<b>284.2</b>	<b>119.8</b>
1.	Negative goodwill	0.0	0.0
2.	Other accruals	284.2	119.8
	- long-term	0.0	0.0
	- short-term	284.2	119.8
<b>Total Liabilities</b>		<b>940.2</b>	<b>849.8</b>

## 10.3 Profit and loss statement

'000 Euro

Items		IQ 2024	IQ 2023
<b>A.</b>	<b>Net revenue from sales</b>	<b>140.3</b>	<b>218.4</b>
	from related parties	0.0	0.0
I.	Net revenue from sales of products	140.3	218.4
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>286.9</b>	<b>454.4</b>
I.	Amortisation and depreciation	69.5	115.9
II.	Consumption of materials and energy	0.7	2.5
III.	External services	138.1	169.8
IV.	Taxes and charges, including:	0.8	2.9
	- excise duty	0.0	0.0
V.	Payroll	71.3	132.7
VI.	Social security and other benefits, including:	6.1	26.2
	- retirement benefits	3.1	12.6
VII.	Other prime costs	0.4	4.5
VIII.	Value of goods and materials sold	0.0	0.0
<b>C.</b>	<b>Profit (loss) on sales (A - B)</b>	<b>-146.6</b>	<b>-236.0</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>14.0</b>	<b>85.7</b>
I.	Gain on disposal of non-financial fixed assets	0.0	0.0
II.	Subsidies	14.0	85.7
III.	Revaluation of non-financial assets	0.0	0.0
IV.	Other operating revenues	0.0	0.0
<b>E.</b>	<b>Other operating expenses</b>	<b>1.4</b>	<b>1.7</b>
I.	Loss on disposal of non-financial fixed assets	0.0	0.0
II.	Revaluation of non-financial assets	0.0	0.0
III.	Other operating expenses	1.4	1.7
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-134.0</b>	<b>-152.1</b>
<b>G.</b>	<b>Financial revenues</b>	<b>0.3</b>	<b>0.0</b>

Items		IQ 2024	IQ 2023
I.	Dividend and profit sharing, including:	0.0	0.0
II.	Interest, including:	0.0	0.0
	- from related parties	0.3	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
<b>H.</b>	<b>Financial expenses</b>	<b>43.3</b>	<b>7.6</b>
I.	Interest, including:	2.6	1.6
	- 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	40.6	6.0
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-176.9</b>	<b>-159.7</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>-176.9</b>	<b>-159.7</b>

## 10.4 Cash flow statement

'000 Euro

Items		IQ 2024	IQ 2023
<b>A.</b>	<b>A. Cash flow from operating activities - indirect method</b>		
<b>I.</b>	<b>I. Net profit (loss)</b>	<b>-176.9</b>	<b>-106.9</b>
<b>II.</b>	<b>II. Total adjustments</b>	<b>179.2</b>	<b>337.4</b>
1.	Amortisation and depreciation	69.5	115.9
2.	Profit (loss) from differences of exchange rates	0.0	0.0
3.	Interest and profit sharing (dividend)	5.2	0.9
4.	Profit (loss) on investment activities	0.0	0.0
5.	Change in provisions	0.0	0.0
6.	Changes in inventory	-12.7	0.0
7.	Change in the balance of receivables	-23.8	-20.7
8.	Change in short-term liabilities excluding credits and loans	182.6	19.3
9.	Change in prepayments and accruals	-43.9	221.9
10.	Other adjustments	2.4	0.0
<b>III.</b>	<b>III. Net cash flow from operating activities (I+/-II)</b>	<b>2.2</b>	<b>230.4</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>0.0</b>	<b>0.0</b>
1.	Disposal of intangible and legal assets, tangible fixed assets	0.0	0.0
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		IQ 2024	IQ 2023
	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
4.	Other inflow from investment activities	0.0	0.0
<b>II.</b>	<b>II. Outflows</b>	<b>0.0</b>	<b>151.7</b>
1.	Purchase of intangible and legal assets, tangible fixed assets	0.0	151.7
2.	Investment in real property, intangible and legal assets	0.0	0.0
3.	For financial assets, including:	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>0.0</b>	<b>-151.7</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>1.1</b>	<b>1.5</b>
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	0.0	0.0
2.	Credits and loans	1.1	1.5
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>3.1</b>	<b>3.7</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	0.0	3.7
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	3.1	3.7
9.	Other outflows from financial activities	0.0	0.0
<b>III.</b>	<b>III. Net cash flow from financial activities (I-II)</b>	<b>-2.0</b>	<b>-2.1</b>
<b>D.</b>	<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>0.3</b>	<b>76.6</b>
<b>E.</b>	<b>E. Balance sheet change in cash, including:</b>	<b>0.3</b>	<b>76.6</b>
-	change in cash due to exchange differences	0.0	0.0
<b>F.</b>	<b>F. Cash opening balance</b>	<b>1.0</b>	<b>7.6</b>
<b>G.</b>	<b>G. Cash closing balance (F+/- D), including: *</b>	<b>1.3</b>	<b>84.2</b>
-	of limited disposability	0.0	0.3

## 10.5 Statement of changes in equity

‘000 Euro

Items		As of 31.03.2024	As of 31.03.2023
<b>I.</b>	<b>Opening balance of equity (OB)</b>	<b>-731.7</b>	<b>-113.6</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>-731.7</b>	<b>-113.6</b>
<b>1.</b>	<b>Opening balance of share capital</b>	<b>58.6</b>	<b>53.9</b>
	1.2. Closing balance of share capital	58.6	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>5 276.9</b>	<b>4 854.1</b>
	4.1. Changes in supplementary capital	0.0	0.0
	4.2. Closing balance of supplementary capital	5 276.9	4 854.1
<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>68.7</b>	<b>64.8</b>
	6.1. Changes in other reserve capitals	0.9	-0.4
	6.2. Closing balance of other reserve capitals	69.7	64.4
<b>7.</b>	<b>Opening balance of previous years' profit (loss)</b>	<b>-6 135.9</b>	<b>-5 086.5</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	-6 135.9	-5 086.5
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-6 135.9	-5 086.5
	7.6. Closing balance of previous years' loss	-6 135.9	-5 086.5
	7.7. Closing balance of previous years' profit (loss)	-6 135.9	-5 086.5
<b>8.</b>	<b>Net result</b>	<b>-176.9</b>	<b>-159.7</b>
	a) net profit	0.0	0.0
	b) net loss	-176.9	-159.7
	c) write-offs on profit	0.0	0.0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>-907.6</b>	<b>-273.7</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>-907.6</b>	<b>-273.7</b>

## 10.6 Additional information (1<sup>st</sup> quarter of 2024)

Sales structure:

'000 Euro

Items	01.01.2024 - 31.03.2024	01.01.2024 - 31.03.2023
Revenue from sales of products	140.3	218.4
- in Poland	89.0	172.6
- Other countries	51.3	45.8



## 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 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.

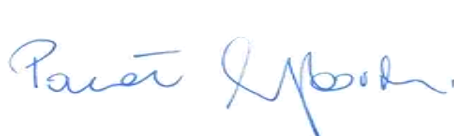
### **Revenue recognition**

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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