



QuarticOn S.A.

# QUARTERLY REPORT

## 3rd Quarter of 2022

## Table of contents

<b>1 Management Board’s Commentary .....</b>	<b>3</b>
<b>2 Financial results .....</b>	<b>5</b>
<b>3 Key events in 3rd quarter of 2022 .....</b>	<b>7</b>
<b>3.1 Polish market (71%) and foreign markets (29%) .....</b>	<b>7</b>
<b>3.2 Marketing and customer success .....</b>	<b>8</b>
<b>3.3 IT and products .....</b>	<b>9</b>
<b>3.4 Subscriptions and churn .....</b>	<b>9</b>
<b>3.5 EU financing projects .....</b>	<b>10</b>
<b>4 Information on the Company’s subsidiaries.....</b>	<b>11</b>
<b>5 Information on the Company’s shareholder structure.....</b>	<b>12</b>
<b>6 Information on the number of persons employed .....</b>	<b>12</b>
<b>7 Forecasts of financial results.....</b>	<b>12</b>
<b>8 Definition and indicators explanation .....</b>	<b>13</b>
<b>9 Shortened financial statement .....</b>	<b>14</b>
<b>9.1 Introduction .....</b>	<b>14</b>
<b>9.2 Balance sheet.....</b>	<b>15</b>
<b>9.3 Profit and loss statement .....</b>	<b>18</b>
<b>9.4 Cash flow statement .....</b>	<b>19</b>
<b>9.5 Statement of changes in equity .....</b>	<b>21</b>
<b>9.6 Additional information (3rd quarter of 2022) .....</b>	<b>22</b>
<b>9.7 Principles adopted for drawing up of the financial statement .....</b>	<b>23</b>

# 1 Management Board's Commentary

## Ladies and Gentlemen,

In the last quarterly report (for Q2 2022), we wrote about a clear improvement in the number of new contract signings. As we are writing this report, we can already see these contracts having an impact on revenue: new revenues<sup>1</sup> in Q3 amounted to just over EUR 14k (PLN 70k), up by almost 90% relative to previous quarter. This is very good news, showing that our recent product and sales-model changes are starting to deliver results. We expect the figure to rise further in fourth quarter.

As you may recall, we as QuarticOn's Management Board, wrote repeatedly that our revenue levels do not meet our expectations. And despite the clear improvement in the last months, we decided to ask experts to support our efforts to change our sales processes. In October we launched the cooperation with reputable advisory company specialising in this area: SellWise. They started out by looking into what we do and how we do it, and now they are helping us to put the whole process together in a more efficient way. We can already see that their suggestions and observations have led to some positive changes in our perspective and client approach. The process of "changing and improving" will take some time (rather months instead of weeks) – however, we believe that it will allow us to further improve our performance in acquiring new clients in 2023.

Our revenue figure for Q3 would be even better were it not for several client losses. Indeed, the churn rate was still at the same level as in previous quarters. Of course, it is perfectly natural for clients to leave a product and use their own solutions or those offered by competitors. This has always been part of the business. However, we carefully analyse the reasons for customer churn in order to minimize them as much as possible in the future.

---

<sup>1</sup> revenues from set-up fees, additional services, first month recurring revenues for new clients or new products

Our newly developed product "AI Fashion Stylist" is already learning and generating test stylizations based on the "capsule wardrobe" - what is it and why it is so important, we explain later in the report. However, we are already seeing more and more interest in our solution. Therefore, we are starting to plan the commercialization of the first module of "AI Fashion Stylist" (version for B2B), so that at the end of the first quarter of 2023, it will be possible to offer customers a commercial version of this solution. However, in terms of commercialization, the project will require further financial support. Therefore, e.g. for this reason, in October 2022, we took steps to carry out the capital increase by issuing new series of shares (which we informed about in the current ESPI report no. 10/2022). Currently, the process of preparing new issues is in progress, together with the preparation of the Company's General Meeting of Shareholders.

We have entered the fourth quarter, which is the prime time of the year for most retailers. Black Friday, Christmas is a traditional period when shopping spending is increasing and we also hope that it will be a successful one for us as well.

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



---

**Paweł Wyborski**

Founder  
President of the Management Board



---

**Michał Giergielewicz**

Member of the Board

## 2 Financial results

New contracts signed in the last months brought just over EUR 14k (PLN 70k) in revenue for the Company. Unfortunately, despite this positive value, to the level of sales in the second quarter of 2022, there were EUR 14k shortages. This missing amount is, on the one hand, still poor sales in July this year (a clear effect of the revival in sales was visible from August) and on the other hand, the churn indicator remained at the level of the previous quarter. As a result (looking at the basic PLN currency numbers), the revenues were only -3.4% lower than in the previous quarter (the decrease in Q2 vs. Q1 exceeded 18%), so a change in the trend is visible.

The operating costs (minus depreciation and the AI Fashion Stylist project) in Q3 2022 were higher than in the previous quarter. This was due to the higher-than-expected utilities office costs (a one-off cost of about EUR 6k, PLN 30k) and the higher costs of IT infrastructure (including server hosting) and marketing & advisory services.

For AI Fashion Stylist project costs, the main item to have increased was staff pay, attributable to the intensification of work on the project (new team members involved, including experts in ML, fashion outfits and product commercialisation).

Final EBITDA (excluding the AI Fashion Stylist project) in Q3 2022 were lower by EUR 23k than a quarter before. Lower revenues in previous quarters also resulted in an increase in current liabilities. The company is in constant contact with contractors and assumes that they will be repaid from higher revenues from the fourth quarter of this year as well as from capital raised from investors.

### Selected data from Profit and loss statement

	'000 Euro				
Profit and loss statement	IIIQ 2021	IIQ 2022	IIIQ 2022	IIIQ 2022 vs IIIQ 2021	III 2022 vs IIQ 2021
Net revenue from sales	213.5	198.3	184.0	-29.4	-14.3
Operating expenses excl. depreciation & amortization And "AI Fashion Stylist"	-282.7	-251.6	-260.4	22.2	-8.8
<b>EBITDA (based on result on sale, excluding "AI Fashion Stylist")</b>	<b>-69.2</b>	<b>-53.3</b>	<b>-76.4</b>	<b>-7.2</b>	<b>-23.0</b>
"AI Fashion Stylist" expenses	0.0	-129.4	-132.3	-132.3	-2.9
<b>EBITDA (based on result on sales)*</b>	<b>-69.2</b>	<b>-182.8</b>	<b>-208.7</b>	<b>-139.5</b>	<b>-25.9</b>
EBIT (operating result)	-196.8	-216.6	-282.4	-85.6	-65.9
<b>Net result</b>	<b>-208.5</b>	<b>-222.7</b>	<b>-286.0</b>	<b>-77.5</b>	<b>-63.3</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

	IIQ 2022	IIIQ 2022	IIIQ 2022 vs IIQ 2022
<b>Operating expenses excl. depreciation &amp; amort. and "AI Fashion Stylist" project</b>	<b>-251.6</b>	<b>-260.4</b>	<b>8.8</b>
Payroll, Social security and other benefit	-91.6	-83.8	-7.8
External services	-153.1	-169.8	16.7
Others	-7.0	-6.8	-0.2
<b>Operating expenses of "AI Fashion Stylist" project</b>	<b>-129.4</b>	<b>-132.3</b>	<b>2.9</b>
Payroll, Social security and other benefit	-63.6	-76.9	13.3
External services	-65.9	-55.4	-10.4
Others	0.0	0.0	0.0
<b>Amortisation and depreciation</b>	<b>-113.4</b>	<b>-108.9</b>	<b>-4.4</b>
<b>Operating expenses (Item B in profit and loss account )</b>	<b>-494.5</b>	<b>-501.7</b>	<b>7.2</b>

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

‘000 Euro

Balance sheet	As of 30.09.2022	As of 30.09.2021
Fixed assets	730.9	1 160.8
- including intangible and legal assets	728.1	1 158.1
Current assets	264.0	312.6
- including short-term investments (excl. overdraft)	8.0	8.0
<b>Total Assets</b>	<b>995.0</b>	<b>1 473.4</b>
Equity	51.8	96.7
Liabilities and provisions for liabilities	943.2	1 376.7
- including short term liabilities	730.9	882.6
<b>Total Liabilities</b>	<b>995.0</b>	<b>1 473.4</b>

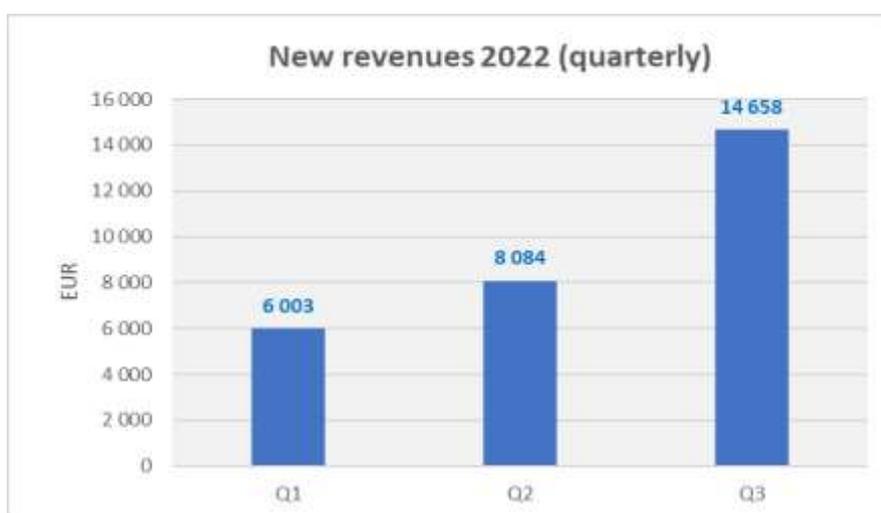
‘000 Euro

Cash Flow	Cum 2022	Cum 2021
Net profit (loss)	-720.5	-572.8
Net cash flow from operating activities	-134.5	97.9
Net cash flow from financial activities	171.6	31.4
Cash closing balance	8.0	8.0

## 3 Key events in 3rd quarter of 2022

### 3.1 Polish market (71%) and foreign markets (29%)

After a difficult second quarter of 2022, expectations were high for the next quarter. These expectations were further reinforced by the Sales Team's conviction – following many sales pitch meetings – that the solution was of interest to potential clients, thus holding considerable sales potential (new contract signings began to rise month by month starting from July). The level of new revenues<sup>1</sup> in Q3 increased to EUR 14k (PLN 70k), just goes to show above (it is worth adding that the corresponding figure in Q1 was EUR 6k (PLN 28k)). We already know that this October alone, our sales will amount to about EUR 4.4k (PLN 20k) and trend upwards.



More importantly, however, it is already apparent that some of the new contract signings will soon drive our revenues further up. With the modular design of our products and the extensive selection of extra features for CDXP, our existing clients can easily expand the current solution with new features or services.

This positive image of the rebound in sales is to some extent offset by the churn rate remaining on the previous quarter's level (2.5% monthly average in the quarter).

In Q3 2022 we also started working on our 2023 sales strategy. Our experiences from the last months have shown that QuarticOn's portfolio of tools gives the Company and its clients entirely new and unique business opportunities, particularly in the segment of large and very large e-commerce businesses. This will be one of QuarticOn's priorities in the year to come as far as building sales

<sup>1</sup> New revenue = revenues from set-up fees, additional services, first month recurring revenues for new clients or new products

is concerned. In the case of the fashion industry, positive developments are driven by the advanced status of the AI Fashion Stylist, whose first version of the B2B module will enter the commercial phase in Q1 2023. We see a major opportunity for tapping into synergies between these two solutions.

In the context of its product portfolio, QuarticOn has noticed considerable potential in the enterprise channel (large companies, complex solutions), where users of our solutions can easily and deeply integrate their systems with commonly used CRM or ERP\_II systems, in broadly defined ICT. This client segment is characterized by very demanding customers, as well as months-long negotiation and sales processes. Nevertheless, the revenue earned from this group of clients far exceeds the current sales per customer average (approx. EUR 595 excluding SaaS clients), offering prospects for increasing revenue levels.

One of the key tasks undertaken in Q3 2022 involves improving the efficiency of sales processes with the support of experts from SellWise - a reputable advisory company. The first stage involved an audit and examination of where QuarticOn stands, yielding a list of subjects (subject areas) on which we will work with our advisers. We will revise our processes with the help of experts, who will provide objective and effective guidance to eliminate our weaknesses and further bolster our strengths, driving our sales potential looking forward.

## 3.2 Marketing and customer success

The Marketing Department carried out the following main tasks in Q3 2022:

1. Continued working on the marketing and promotion of the AI Fashion Stylist project. The aim of these measures was to highlight the final product vision in the technology, e-commerce and fashion industries, and to build market awareness of the project (this includes expanding its potential audience). One of the steps was to establish media cooperation with the following websites:
  - “Marketing przy Kawie”; the article had 1,297 unique views; link to the material: <https://marketingprzykawie.pl/artykuly/nadchodzi-totalna-rewolucja-modowa-czy-wirtualny-stylista-od-quarticon-zrobi-porzadek-w-naszyc-szafach-niczym-magda-gessler-na-zapleczach-kuchennych/>;
  - Tygrysy Biznesu; this article had a reach of nearly 10,000 UU; link to the material: <https://tygrysybiznesu.com.pl/przyszlosc-branzy-modowej-e-commerce-w-rekach-sztucznej-inteligencji-nadchodzi-ai-stylista-modowy-od-quarticon/>;

- Interaktywnie.com; QuarticOn co-wrote a report about email marketing and a sponsored article, scheduled for release this October.
2. Updated content in product presentations and re-fashioned existing content into infographics. The infographics are available in Polish and English, including with the graphics of Orange, our strategic business partner.
  3. Continued to expand content on QuarticOn's latest solution, the CDXP platform and in the Help Centre. As a result, more than 50 further articles were added to provide clients with instructions and know-how about QuarticOn's solutions (as at the end of October, there were a total of more than 70 articles on CDXP).

In the previous quarter, the Marketing Team also maintained regular communications with clients (social media and newsletter) and provided ongoing marketing and creative support to all other teams at the Company.

### 3.3 IT and products

Due to considerable workloads associated with deployments at new clients and works in the AI Fashion Stylist project, the Company limited its development efforts to working on a new, self-service version of SmartSearch. Development costs were relatively low and as such charged directly to current (operating) expenses.

For individual product lines the sizes are as follows:

	<b>Q3 2022</b>	<b>%<sup>1</sup></b>
Smart Search searches:	62.2 million	+22.3 %
Frames view in Reko:	479.0 million	+12.7 %
Mailing - Marketing Automation:	25.9 million	+7.0 %

### 3.4 Subscriptions and churn<sup>2</sup>

In the third quarter of 2022, the Company generated sales thanks to 253 subscriptions (monthly average), with an average price of EUR 216 (PLN 1.05k) per subscription. The churn rate in the third quarter of 2022 was 2.5% and at the same as on previous periods. This is the effect of resignation from, among others one customer, taken over by a large international company (they use own

<sup>1</sup> In comparison to previous quarter

<sup>2</sup> Churn - indicator showing loss of revenues as a result of customers churn

solutions), termination of cooperation with a customer with overdue payments and several other customers who decided to change their service provider.

### 3.5 EU financing projects

We are currently working on phase 2 of tests to develop a working prototype of the **AI Fashion Stylist** for online fashion stores. We have already developed methods and algorithms that can put together so-called capsule wardrobes from the online store's assortment of clothes. Capsule wardrobe clothes represent about 80% of all consumer purchases at online fashion stores. Creating a "capsule wardrobe" is essentially about building a collection of clothing in which all items fit together, providing multiple outfit options to suit various occasions. Below is an example of a capsule collection.



Thanks to the existing algorithms, the AI Fashion Stylist is already able to build complete collections of clothing based on fashion rules. Work is also in progress on the deployment of new algorithms in QuarticOn's recommendation engine. Currently, commonly used recommendation engines that rely on machine learning and statistical data can utilise only about 30-40% of a store's product assortment to build a collection. This stems from the "logic" behind existing solutions – products that are rarely or never purchased at a store are invisible to classic algorithms prevailing on the market (because they do not appear in customer choices). With QuarticOn's

innovative algorithms developed for the AI Fashion Stylist, we could achieve a 99% utilisation of product assortment in recommendations. One of the ways in which we could do this was by changing how AI algorithms approach recommendations – currently, they rely on product

images and their “learned knowledge” of how to put together individual items of clothing. This represents a major improvement over other solutions now prevailing on the market. More importantly, however, it addresses one of the core challenges of the fashion industry – the seasonality of product assortment and its merchandising. Currently, a fashion store needs to sell its assortment as fast as possible to empty its storage spaces before a new collection arrives. What may help to achieve this is putting at once all the merchandise on display at the e-store and using it in product recommendations on the store’s website, including in e-mail marketing. This will be possible thanks to our algorithms, as they work without reliance on sales data for individual products.

In the coming months, QuarticOn will work on developing solutions to consider individual user preferences and personalised outfits to suit unique user needs.

## **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 third quarter of 2022 amounted to EUR 0.

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

As at the date of the report, QuarticOn Ltd. did not increase its operating activities. The revenues and costs of which at the end of the third of 2022 amounted to GBP 0. The company’s liabilities and assets are £ 520.

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 November 14, 2022, 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	185 719	7.4%
Q Free Trading Limited	123 500	4.9%
ACATIS Investment KVG mbH	240 800	9.5%
Others **	542 981	21.5%
<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)

On May 27, 2022, the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered the increase in the Company's share capital made by the Extraordinary General Meeting on December 13, 2021 to the amount of PLN 252,230.00, therefore, as at the date of publication of this current report, the total number of votes resulting from all shares issued by the Company is 2,522,300.

## 6 Information on the number of persons employed

At the end of September 2022, the Company employed or cooperated with 24.9 persons (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 2022.



## 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 July 1st to September 30, 2022 and comparative data for the same period of the previous year. The balance sheet data is presented as at September 30, 2022, and the comparative data as at September 30, 2021.

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

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

- 3rd Quarter of 2022: 1 EUR = 4.8698 PLN (zł),
- 3rd Quarter of 2021: 1 EUR = 4.6329 PLN (zł),
- 2nd Quarter of 2022: 1 EUR = 4.6806 PLN (zł),

## 9.2 Balance sheet

### Assets

'000 Euro

Items		As of 30.09.2022	As of 30.09.2021
<b>A.</b>	<b>Fixed assets</b>	<b>730.9</b>	<b>1 160.8</b>
<b>I.</b>	<b>Intangible and legal assets</b>	<b>728.1</b>	<b>1 158.1</b>
1.	R&D expenses	728.1	1 158.1
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>0.8</b>	<b>1.7</b>
1.	Tangible fixed assets in use	0.8	1.7
	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	0.9	1.7
	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>1.0</b>	<b>1.1</b>
1.	Real property	0.0	0.0
2.	Intangible and legal assets	0.0	0.0

Items		As of 30.09.2022	As of 30.09.2021
3.	Long-term financial assets	1.0	1.1
	a) in related parties	1.0	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>0.0</b>
1.	Deferred tax assets	1.0	0.0
2.	Other prepayments	0.0	0.0
<b>B.</b>	<b>Current assets</b>	<b>264.0</b>	<b>312.6</b>
<b>I.</b>	<b>Inventory</b>	<b>0.8</b>	<b>0.0</b>
1.	Materials	0.0	0.0
2.	Intermediate products and work in progress	0.0	0.0
3.	Finished products	0.0	0.0
4.	Goods	0.0	0.0
5.	Advances for deliveries and services	0.8	0.0
<b>II.</b>	<b>Short-term receivables</b>	<b>171.9</b>	<b>151.6</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	171.9	151.6
	a) trade receivables, maturing:	78.1	80.3
	- up to 12 months	78.1	80.3
	- over 12 months	0.0	0.0
	b) receivables from tax, subsidies, customs, social security and other benefits	62.2	34.9
	c) other	31.6	36.4
	d) claimed at court	0.0	0.0
<b>III.</b>	<b>Short-term investments</b>	<b>8.0</b>	<b>8.0</b>
1.	Short-term financial assets	8.0	8.0
	a) in related parties	0.0	0.0
	b) in other parties	0.0	0.0
	c) cash and other pecuniary assets	8.0	8.0
2.	Other short-term investments	0.0	0.0
<b>IV.</b>	<b>Short-term prepayments</b>	<b>83.3</b>	<b>152.9</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>995.0</b>	<b>1 473.4</b>

## Equity and liabilities

‘000 Euro

Items		As of 30.09.2022	As of 30.09.2021
<b>A.</b>	<b>EQUITY</b>	<b>51.8</b>	<b>96.7</b>
<b>I.</b>	<b>Share capital</b>	<b>51.8</b>	<b>30.3</b>
<b>II.</b>	<b>Supplementary capital, including</b>	<b>4 668.5</b>	<b>4 042.2</b>
	- share (stock) premium	4 668.5	4 042.2
<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>61.8</b>	<b>0.0</b>
<b>V.</b>	<b>Profit (loss) from previous years</b>	<b>-4 009.9</b>	<b>-3 403.0</b>
<b>VI.</b>	<b>Nett profit (loss)</b>	<b>-720.5</b>	<b>-572.8</b>
<b>VII.</b>	<b>Write-off on net profit during the financial year (negative value)</b>	<b>0.0</b>	<b>0.0</b>
<b>B.</b>	<b>Liabilities and provisions for liabilities</b>	<b>943.2</b>	<b>1 376.7</b>
<b>I.</b>	<b>Provisions for liabilities</b>	<b>114.1</b>	<b>66.7</b>
1.	Provision for deferred income tax	1.0	0.0
2.	Provision for retirement and similar benefits	12.0	5.8
	- long-term	0.0	0.0
	- short-term	12.0	5.8
3.	Other provisions	101.1	60.9
	- long-term	0.0	0.0
	- short-term	101.1	60.9
<b>II.</b>	<b>Long-term liabilities</b>	<b>0.0</b>	<b>378.8</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	378.8
	a) credits and loans	0.0	378.8
	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>730.9</b>	<b>882.6</b>
1.	To related parties	1.0	57.4
	a) trade liabilities, maturing:	0.0	0.0
	b) other	1.0	57.4
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	729.9	825.2
	a) credits and loans	134.2	344.3
	b) arising from issuance of debt securities	0.0	0.0
	c) other financial liabilities	0.0	0.0
	d) trade liabilities, maturing:	460.3	332.5
	- up to 12 months	460.3	332.5
	- 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	78.2	135.6
	h) payroll liabilities	24.2	12.8

Items		As of 30.09.2022	As of 30.09.2021
	i) other	32.9	0.0
4.	Special funds	0.0	0.0
<b>IV.</b>	<b>Accruals</b>	<b>98.1</b>	<b>48.6</b>
1.	Negative goodwill	0.0	0.0
2.	Other accruals	98.1	48.6
	- long-term	0.0	0.0
	- short-term	98.1	48.6
<b>Total Liabilities</b>		<b>995.0</b>	<b>1 473.4</b>

## 9.3 Profit and loss statement

'000 Euro

Items		YTD 2022	Only IIIQ 2022	YTD 2021	Only IIIQ 2021
<b>A.</b>	<b>Net revenue from sales</b>	<b>579.3</b>	<b>184.0</b>	<b>678.8</b>	<b>213.5</b>
	from related parties	0.0	0.0	0.0	0.0
I.	Net revenue from sales of products	579.3	184.0	678.8	213.5
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>1 398.5</b>	<b>501.7</b>	<b>1 214.0</b>	<b>409.9</b>
I.	Amortisation and depreciation	327.0	108.9	383.0	127.2
II.	Consumption of materials and energy	5.8	2.4	3.3	1.0
III.	External services	606.4	225.3	498.5	169.8
IV.	Taxes and charges, including:	4.9	1.0	8.9	2.4
	- excise duty	0.0	0.0	0.0	0.0
V.	Payroll	385.5	137.4	272.4	92.5
VI.	Social security and other benefits, including:	59.3	23.3	37.3	13.1
	- retirement benefits	27.7	10.5	21.2	7.4
VII.	Other prime costs	9.7	3.4	10.5	3.9
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>-819.2</b>	<b>-317.6</b>	<b>-535.2</b>	<b>-196.4</b>
<b>D.</b>	<b>Other operating revenues</b>	<b>113.9</b>	<b>36.7</b>	<b>0.4</b>	<b>0.1</b>
I.	Gain on disposal of non-financial fixed assets	0.3	0.0	0.0	0.0
II.	Subsidies	113.6	36.7	0.0	0.0
III.	Revaluation of non-financial assets	0.0	0.0	0.0	0.0
IV.	Other operating revenues	0.0	0.0	0.4	0.1
<b>E.</b>	<b>Other operating expenses</b>	<b>2.9</b>	<b>1.4</b>	<b>0.9</b>	<b>0.5</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	2.9	1.4	0.9	0.5
<b>F.</b>	<b>Profit (loss) on operating activities (C+D-E)</b>	<b>-708.2</b>	<b>-282.4</b>	<b>-535.6</b>	<b>-196.8</b>
<b>G.</b>	<b>Financial revenues</b>	<b>0.9</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>

Items		YTD 2022	Only IIIQ 2022	YTD 2021	Only IIIQ 2021
I.	Dividend and profit sharing, including:	0.0	0.0	0.0	0.0
II.	Interest, including:	0.9	0.0	0.1	0.1
	- 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>13.2</b>	<b>3.6</b>	<b>37.2</b>	<b>11.8</b>
I.	Interest, including:	5.3	1.8	29.3	7.4
	- 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	7.9	1.8	7.9	4.4
<b>I.</b>	<b>Gross profit (loss) (F+G-H)</b>	<b>-720.5</b>	<b>-286.0</b>	<b>-572.8</b>	<b>-208.5</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>-720.5</b>	<b>-286.0</b>	<b>-572.8</b>	<b>-208.5</b>

## 9.4 Cash flow statement

‘000 Euro

Items		YTD 2022	Only IIIQ 2022	YTD 2021	Only IIIQ 2021
<b>A.</b>	<b>A. Cash flow from operating activities - indirect method</b>				
<b>I.</b>	<b>I. Net profit (loss)</b>	<b>-720.5</b>	<b>-286.0</b>	<b>-572.8</b>	<b>-208.5</b>
<b>II.</b>	<b>II. Total adjustments</b>	<b>586.0</b>	<b>275.2</b>	<b>670.6</b>	<b>216.9</b>
1.	Amortisation and depreciation	327.0	108.9	383.0	127.2
2.	Profit (loss) from differences of exchange rates	0.0	0.0	0.0	0.0
3.	Interest and profit sharing (dividend)	9.2	3.6	28.2	7.2
4.	Profit (loss) on investment activities	-0.3	0.0	0.0	0.0
5.	Change in provisions	38.9	8.8	22.4	16.8
6.	Changes in inventory	-0.8	-0.8	0.0	0.0
7.	Change in the balance of receivables	-37.6	-19.5	-32.1	-20.5
8.	Change in short-term liabilities excluding credits and loans	189.2	182.6	244.8	106.6
9.	Change in prepayments and accruals	60.4	-8.5	24.4	-20.4
10.	Other adjustments	0.0	0.0	0.0	0.0
<b>III.</b>	<b>III. Net cash flow from operating activities (I+/-II)</b>	<b>-134.5</b>	<b>-10.8</b>	<b>97.9</b>	<b>8.4</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>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
1.	Disposal of intangible and legal assets, tangible fixed assets	0.3	0.0	0.0	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 2022	Only IIIQ 2022	YTD 2021	Only IIIQ 2021
	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>44.5</b>	<b>0.0</b>	<b>133.9</b>	<b>48.7</b>
1.	Purchase of intangible and legal assets, tangible fixed assets	44.5	0.0	133.9	48.7
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>-44.2</b>	<b>0.0</b>	<b>-133.9</b>	<b>-48.7</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>218.6</b>	<b>0.7</b>	<b>65.1</b>	<b>41.6</b>
1.	Net inflows from issuance of shares and other capital instruments and from capital contributions	210.3	0.0	0.0	0.0
2.	Credits and loans	8.3	0.7	65.1	41.6
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>47.0</b>	<b>2.9</b>	<b>33.7</b>	<b>0.0</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	40.0	0.0	32.4	0.0
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	6.9	2.9	1.4	0.0
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>171.6</b>	<b>-2.1</b>	<b>31.4</b>	<b>41.6</b>
<b>D.</b>	<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>-7.0</b>	<b>-13.0</b>	<b>-4.7</b>	<b>1.3</b>
<b>E.</b>	<b>E. Balance sheet change in cash, including:</b>	<b>-7.0</b>	<b>-13.0</b>	<b>-4.7</b>	<b>1.3</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>15.0</b>	<b>21.0</b>	<b>12.7</b>	<b>6.7</b>
<b>G.</b>	<b>G. Cash closing balance (F+/- D), including: *</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>
-	of limited disposability	0.0	0.0	0.0	0.0

## 9.5 Statement of changes in equity

‘000 Euro

Items		As of 30.09.2022	As of 30.09.2021
<b>I.</b>	<b>Opening balance of equity (OB)</b>	<b>561.9</b>	<b>669.5</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>561.9</b>	<b>669.5</b>
<b>1.</b>	<b>Opening balance of share capital</b>	<b>28.8</b>	<b>30.3</b>
	1.2. Closing balance of share capital	51.8	30.3
<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>3 845.6</b>	<b>4 042.2</b>
	4.1. Changes in supplementary capital	822.9	0.0
	4.2. Closing balance of supplementary capital	4 668.5	4 042.2
<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>697.4</b>	<b>0.0</b>
	6.1. Changes in other reserve capitals	-635.5	0.0
	6.2. Closing balance of other reserve capitals	61.8	0.0
<b>7.</b>	<b>Opening balance of previous years' profit (loss)</b>	<b>-4 009.9</b>	<b>-3 403.0</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	-4 009.9	-3 403.0
	7.5. Opening balance of previous years' loss after reconciliation to comparable data	-4 009.9	-3 403.0
	7.6. Closing balance of previous years' loss	-4 009.9	-3 403.0
	7.7. Closing balance of previous years' profit (loss)	-4 009.9	-3 403.0
<b>8.</b>	<b>Net result</b>	<b>-720.5</b>	<b>-572.8</b>
	a) net profit	0.0	0.0
	b) net loss	-720.5	-572.8
	c) write-offs on profit	0.0	0.0
<b>II.</b>	<b>Closing balance of equity (CB)</b>	<b>51.8</b>	<b>96.7</b>
<b>III.</b>	<b>Equity including proposed profit distribution (loss coverage)</b>	<b>51.8</b>	<b>96.7</b>

## 9.6 Additional information (3rd quarter of 2022)

Sales structure:

'000 Euro

Items	01.07.2022 - 30.09.2022	01.07.2021 - 30.09.2021
Revenue from sales of products	184.0	213.5
- in Poland	130.5	140.3
- Other countries	53.6	73.1

Investments:

The Company's capital expenditure was concentrated in the third quarter of this year on the development of the project implemented as part of the National Center for Research and Development "AI Stylista Fashion". As part of this project, financial outlays worth EUR 132k (PLN 644k) were incurred (due to the nature of the works, the expenditures are charged directly to operating costs). Thus this value is not strictly comparable to the expenditure incurred on the Company's R&D on previous years. For information reason only: in the third quarter of the last year, the R&D expenditure amounted to EUR 49k (PLN 225k).



## 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.**



- 📍 Al. Jerozolimskie 123A, 02-017 Warszawa
- ☎ +48 22 844 02 51
- ✉ [contact@quarticon.com](mailto:contact@quarticon.com)
- 🌐 [www.quarticon.com](http://www.quarticon.com)

