Quarterly report for the first quarter of 2020

for the period from 1 January to 31 March 2020.

Warsaw, 15 May 2020

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1. Quarterly financial statements

a. Balance sheet

ASSETS	31.03.2020	31.03.2019
A. FIXED ASSETS	**265.64**	**613.24**
I. Intangible assets	265.64	586.52
1. Research and development costs	-	-
2. Goodwill	-	-
3. Other intangible assets	265.64	586.52
4. Advances on intangible assets	-	-
II. Tangible fixed assets	-	26.72
1. Tangible assets	-	26.72
2. Tangible assets under construction	-	-
3. Advances for tangible assets under construction	-	-
III. Long-term receivables	-	-
1. From related entities	-	-
2. From other entities in which the entity holds an equity interest	-	-
3. From other entities	-	-
IV. Long-term investments	-	-
1. Real property	-	-
2. Intangible assets	-	-
3. Long-term financial assets	-	-
4. Other long-term investments	-	-
V. Long-term prepayments and accruals	-	-
1. Deferred tax assets	-	-
2. Other prepayments and accruals	-	-
B. CURRENT ASSETS	**411,174.27**	**127,478.69**
I. Inventory	-	-
1. Materials	-	-
2. Semi-finished products and work in process	-	-
3. Finished products	-	-
4. Goods	-	-

ASSETS	31.03.2020	31.03.2019
5. Advances on deliveries and services	-	-
II. Short-term receivables	237,617.87	106,511.62
1. Receivables from related entities	-	91,092.18
2. Receivables from other entities in which the entity holds an equity interest	-	-
3. Receivables from other entities	237,617.87	15,419.44
III. Short-term investments	170,533.19	18,305.32
1. Short-term financial assets	170,533.19	18,305.32
2. Other short-term investments	-	-
IV. Short-term prepayments and accruals	3,023.21	2,661.75
C. Called-up share capital	**-**	**-**
D. Own shares (stocks)	**-**	**-**
TOTAL ASSETS	**411,439.91**	**128,091.93**

EQUITY AND LIABILITIES	31.03.2020	31.03.2019
A. EQUITY	**348,188.61**	**26,329.68**
I. Share capital	1,560,000.00	1,560,000.00
II. Supplementary capital, including:	-	-
III. Revaluation reserve	-	-
IV. Other reserve capitals	-	-
V. Profit (loss) of previous years	(1,379,726.71)	(1,539,899.83)
VI. Net profit (loss)	167,915.32	6,229.51
VII. Write-off on net profit during the financial year	-	-
B. LIABILITIES AND PROVISIONS FOR LIABILITIES	**53,450.30**	**101,762.25**
I. Provisions for liabilities	51,342.30	51,342.30
1. Provision for deferred income tax	-	-
2. Provision for retirement and similar benefits	-	-
3. Other provisions	51,342.30	51,342.30
II. Long-term liabilities	-	-
1. To related entities	-	-
2. To other entities in which the entity holds an equity interest	-	-
3. To other entities	-	-
III. Short-term liabilities	2,108.00	48,819.95

EQUITY AND LIABILITIES	31.03.2020	31.03.2019
1. Liabilities to related entities	-	-
2. Liabilities to other entities in which the entity holds an equity interest	-	-
3. Liabilities to other entities	2,108.00	48,819.95
4. Special funds	-	-
IV. Prepayments and accruals	-	1,600.00
1. Negative goodwill	-	-
2. Other prepayments and accruals	-	1,600.00
TOTAL EQUITY AND LIABILITIES	**411,439.91**	**128,091.93**

b. Profit and loss account

Profit and loss account	First quarter of 2020	First quarter of 2019
A. Net revenues from sales and their equivalents, including:	**226,975.00**	**20,000.00**
- from related entities	-	20,000.00
I. Net revenues from sales of products	-	-
II. Change in stock of products	-	-
III. Costs of manufacturing products for internal purposes	-	-
IV. Net revenues from sales of goods and materials	-	-
B. Operating costs	**49,972.61**	**13,770.41**
I. Amortisation and depreciation	80.22	107.16
II. Material and energy consumption	-	-
III. External services	34,435.55	13,646.00
IV. Taxes and charges, including:	350.00	-
- excise duty	-	-
V. Payroll	15,000.00	-
VI. Social insurance and other benefits	-	-
VII. Other costs by type	106.84	17.25
VIII. Value of goods and materials sold	-	-
C. Profit (loss) on sales (A-B)	**177,002.39**	**6,229.59**
D. Other operating revenues	**-**	**-**
I. Gain on disposal of non-financial fixed assets	-	-
II. Subsidies	-	-
III. Revaluation of non-financial assets	-	-
IV. Other operating revenues	-	-

Profit and loss account	First quarter of 2020	First quarter of 2019
E. Other operating costs	**0.48**	**0.08**
I. Loss on disposal of non-financial fixed assets	-	-
II. Revaluation of non-financial assets	-	-
III. Other operating costs	0.48	0.08
F. Operating profit (loss) (C+D-E)	**177,001.91**	**6,229.51**
G. Financial revenues	**714.41**	**-**
I. Dividend and profit sharing	-	-
II. Interest	-	-
III. Gain on disposal of financial assets	-	-
IV. Revaluation of financial assets	-	-
V. Other	714.41	-
H. Financial costs	**-**	**-**
I. Interest	-	-
II. Loss on sales of financial assets	-	-
III. Revaluation of investments	-	-
IV. Other	-	-
I. Gross profit (loss) (F+G-H)	**177,716.32**	**6,229.51**
J. Income tax	**9,801.00**	**-**
I. Current portion	9,801.00	-
II. Deferred portion	-	-
K. Other mandatory decrease of profit (increase of loss)	**-**	**-**
L. Net profit (loss) (I-J-K)	**167,915.32**	**6,229.51**

c. Statement of changes in equity

Statement of changes in equity	First quarter of 2020	First quarter of 2019
I. OPENING BALANCE OF EQUITY	**180,273.29**	**20,100.17**
I.a. Opening balance of equity after adjustments	180,273.29	20,100.17
1. Opening balance of share capital	15,600,000.00	15,600,000.00
1.1. Changes in share capital	-	-
1.2. Closing balance of share capital	15,600,000.00	15,600,000.00
2. Opening balance of supplementary capital	-	-
2.1. Changes in supplementary capital	-	-
2.2. Closing balance of supplementary capital	-	-
3. Opening balance of revaluation reserve	-	-

Statement of changes in equity	First quarter of 2020	First quarter of 2019
3.1. Changes in revaluation reserve	-	-
3.2. Closing balance of revaluation reserve	-	-
4. Opening balance of other reserve capitals	-	-
4.1. Changes in other reserve capitals	-	-
4.2. Closing balance of other reserve capitals	-	-
5. Opening balance of profit (loss) from previous years	(1,379,726.71)	(1,539,899.83)
5.1. Opening balance of profit from previous years	-	-
5.2. Opening balance of profit from previous years, after adjustments	-	-
5.3. Closing balance of profit from previous years	-	-
5.4. Opening balance of loss from previous years	(1,379,726.71)	(1,539,899.83)
5.5. Opening balance of loss from previous years, after adjustments	(1,379,726.71)	(1,539,899.83)
5.6. Closing balance of loss from previous years	(1,379,726.71)	(1,539,899.83)
5.7. Closing balance profit (loss) from previous years	(1,379,726.71)	(1,539,899.83)
6. Net result	167,915.32	6,229.51
II. CLOSING BALANCE OF EQUITY (CB)	**348,188.61**	**26,329.68**
III. EQUITY INCLUDING PROPOSED PROFIT DISTRIBUTION (LOSS COVERAGE)	**348,188.61**	**26,329.68**

d. Cash flow statement

Cash flow statement	First quarter of 2020	First quarter of 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		
I. Net profit (loss)	167,915.32	6,229.51
II. Total adjustments	(109,406.38)	(6,229.51)
1. Amortisation and depreciation	80.22	107.16
2. Foreign exchange gains (losses)	-	-
3. Interest and shares in profits (dividends)	-	-
4. Profit (loss) on investment activity	-	-
5. Change in the balance of provisions	-	-
6. Change in inventories	-	-
7. Change in receivables	(118,492.39)	(22,851.00)
8. Change in short-term liabilities, excluding loans and borrowings	11,909.00	19,047.08
9. Change in prepayments and accruals	(2,903.21)	(2,532.75)
10. Other adjustments	-	-

Cash flow statement	First quarter of 2020	First quarter of 2019
III. Net cash flow from operating activities (I+II)	58,508.94	-
B. CASH FLOWS FROM INVESTING ACTIVITIES		
I. Inflows	-	-
1. Disposal of intangible assets and tangible fixed assets	-	-
2. Disposal of investments in real property and intangible assets	-	-
3. From financial assets, including:	-	-
4. Other inflows from investing activities	-	-
II. Expenses	-	-
1. Acquisition of intangible fixed assets and tangible fixed assets	-	-
2. Investments in real property and intangible assets	-	-
3. For financial assets, including:	-	-
4. Other investment expenses	-	-
III. Net cash flow from investing activities (I-II)	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
I. Inflows	-	-
1. Net inflows from the issue of shares and other capital instruments and capital contributions	-	-
2. Loans and borrowings	-	-
3. Issue of debt securities	-	-
4. Other financial inflows	-	-
II. Expenses	-	-
1. Acquisition of own shares (stocks)	-	-
2. Dividends and other payments to shareholders	-	-
3. Expenses related to profit distribution other than payments to shareholders	-	-
4. Repayment of loans and borrowings	-	-
5. Redemption of debt securities	-	-
6. On the account of other financial liabilities	-	-
7. Payments of liabilities arising from financial leasing agreements	-	-
8. Interest	-	-
9. Other financial expenses	-	-
III. Net cash flows from financial activities (I-II)	-	-
D. TOTAL NET CASH FLOWS (A.III±B.III±C.III)	**58,508.94**	**-**
E. BALANCE SHEET CHANGE IN CASH, INCLUDING	**58,508.94**	**-**
F. OPENING BALANCE OF CASH	**112,024.25**	**98.24**
G. CLOSING BALANCE OF CASH (F±D)	**170,533.19**	**98.24**

2. Information on the principles adopted in the preparation of the report

The financial statements were prepared in accordance with the principles set forth in the Polish Accounting Act of 29 September 1994 binding on entities operating as a going concern.

The Company prepares its profit and loss account according to the nature of expenses.

The Company has not changed its accounting policy as compared to previous reports. In the financial statements, the Company presents economic events in accordance with their economic content.

The financial result of the Company for the quarter of the financial year includes all revenue earned and due to it and the costs associated with this revenue, according to the accrual principle, matching principle and prudence principle.

Profit and Loss Account.

1. Revenues.
   Sales revenue includes undoubtedly due or received net amounts from sales, i.e. reduced by due value added tax (VAT), recognised in the periods to which they relate.
2. Costs.
   The Company keeps the record of costs by type.
   The Company's financial result is also affected by:
   - other operating revenues and costs indirectly related to the Company's activity in the scope of, among others, profits and losses for the disposal of non-financial fixed assets, revaluation of non-financial assets, creation and release of provisions for future risk, penalties, fines and compensation, receipt or transfer of donations, random events,
   - financial income from dividends (shares in profits), interest, profits from the sale of investments, revaluation of investments, surplus of positive exchange rate differences over negative ones,
   - financial costs on account of interest, losses from the sale of investments, revaluation of investments, surplus of negative exchange rate differences over positive ones.
3. Taxation
   The gross financial result is corrected by:
   - current corporate income tax liabilities,
   - deferred income tax assets and liabilities

3.1. Current income tax.
Current corporate income tax liabilities are recognised pursuant to the tax regulations.

3.2. Deferred income tax.
Due to temporary differences between the value of assets and liabilities shown in the books of accounts and their tax value and the tax loss deductible in the future, the Company recognizes a provision and determines deferred income tax assets.
Deferred income tax assets are determined as the future foreseeable amount, deductible from income tax in respect of deductible temporary differences which will result in future reduction of the tax base as well as deductible tax loss, calculated in accordance with the prudence principle.
The deferred income tax provision is created at the amount of the income tax payable in the future in connection with temporary differences, i.e. differences which result in higher income tax basis in the future.
The deferred portion recognised in the profit and loss account is the difference between the opening and close balances of deferred income tax assets and liabilities,

in the reporting period. The deferred tax assets and liabilities, concerning operations cleared with equity, are also recognized as the equity.

Balance sheet.

Fixed assets.

1. Intangible assets are valued according to acquisition prices or manufacturing costs for development works, reduced by accumulated amortization write-offs and possible write-offs due to permanent loss of value.
   Intangible assets include:
   - costs of development work completed with a positive result, which will be used for production,
   - acquired goodwill,
   - acquired property rights, related rights, licences and concessions,
   - acquired rights to inventions, patents, trademarks, utility models,
   - know-how.

   Intangible assets with a unit value of no more than 10 thousand zloty at the date of acceptance for use are written down once to amortisation costs.
2. Tangible assets are valued at purchase price or manufacturing cost less accumulated depreciation and revaluation write-offs.
   In justified cases, the purchase price or production cost of tangible assets under construction includes exchange rate differences from valuation of receivables and liabilities as at the balance sheet date and interest on liabilities financing the production or purchase of tangible assets.
   For tax purposes, the depreciation rates resulting from the Corporate Income Tax Act of 15 February 1992 defining the amount of depreciation as deductible costs were adopted.
   Assets with an expected useful life of no more than one year and an initial value of no more than 10 thousand zloty are written off once at the commissioning date.
   Tangible assets are depreciated according to the linear method starting from the month following the month of taking into utilisation in the period corresponding to the estimated period of their economic utility.
   The balance sheet depreciation rates used are straight-line and they are equal to tax rates.
3. Tangible assets under construction are measured at total costs directly attributable to their acquisition or manufacture, less accumulated impairment losses. In justified cases, the purchase price or production cost of tangible assets under construction includes exchange rate differences from valuation of receivables and liabilities as at the balance sheet date and interest on liabilities financing the production or purchase of tangible assets.
4. Long-term investments.
   Shares or stocks in related entities are valued at purchase price less impairment losses.
   Shares or stocks in other entities (listed on the Warsaw Stock Exchange) are valued at market price. The Company uses the method of disposing of financial assets, according to which disposals of financial assets are measured in turn at the prices of those assets which the Company acquired earlier ("FIFO").

Current assets

1. Tangible components of current assets are valued according to acquisition price or manufacturing costs after deduction of revaluation write-offs, not higher than their net selling prices as at the balance sheet date.

The goods are valued at the purchase price increased by the tax on civil law transactions. Goods as off-balance sheet items, constituting contingent liabilities, are valued at the price resulting from a commission, deposit or other agreement.

2. Receivables are valued at the amount of the payment due, in accordance with the prudent valuation principle (after deduction of write-offs).
   Receivables expressed in foreign currencies are valued as at the balance sheet date at the average exchange rate announced by the National Bank of Poland for a given currency.
   Exchange rate differences on receivables expressed in foreign currencies as at the date of valuation and upon payment are classified as financial costs and revenues respectively. In justified cases, they relate to the cost of production of products, services or the purchase price of goods, as well as the production of fixed assets or intangible assets (to increase or decrease these costs respectively).
3. Short-term investments.
   Shares and stocks are valued at the lower acquisition price and market price (value), depending on which one is higher.
   Cash is disclosed at their nominal value.
   Expressed in foreign currencies are valued as at the balance sheet date at the average exchange rate announced by the National Bank of Poland for a given currency.
   Other short-term investments are valued at purchase price plus transport and customs charges. The purchase price also includes exchange rate differences from the valuation of receivables and liabilities as at the balance sheet date and interest on liabilities financing their purchase.
4. Prepayments and accruals
   Prepayments are recognised if the costs incurred relate to future reporting periods.
   Accrued expenses are recognised in the amount of probable liabilities in the current reporting period.
   Accrued expenses include the value of benefits provided to the entity which have not been invoiced, and under the agreement, the contractor was not obliged to invoice it.
   Called-up capital – did not occur in the company.
   Own shares (stocks) – presentation according to the purchase price of the stocks together with transaction costs.

Equity and liabilities

1. Equity is entered in the accounting books at nominal value according to their types and principles laid down by law, statute or articles of association.
   The share capital of a capital company is disclosed in the amount specified in the agreement or statute and entered in the court register. Declared but not paid capital contributions are recognized as due capital contributions on the assets side.
   The supplementary capital is created from the distribution of profit, transfer from the revaluation reserve and the surplus of the issue value of shares over their nominal value less the costs of this issue. The remainder of the issuance costs is included in the financial costs.
2. Provisions are created for certain or highly probable future liabilities and are valued as of the balance sheet date at a reliably estimated value. Provisions are included respectively in other operating costs, financial costs, depending on the circumstances of future liabilities.
   Provisions are created on:
   - losses from business transactions in progress,
   - guarantees and sureties granted,
   - the effects of pending court proceedings and appeals.
3. Liabilities are measured as at the balance sheet date at the amount due, except for liabilities whose settlement under the agreement is effected by the release of financial

assets other than cash or exchange for financial instruments – which are measured at fair value.

Liabilities expressed in foreign currencies are valued as at the balance sheet date at the average exchange rate announced by the National Bank of Poland for a given currency.

Exchange rate differences relating to liabilities expressed in foreign currencies as at the valuation date and upon settlement are classified as follows: negative to financial costs and positive to financial income, respectively. In justified cases, they relate to the cost of production of products, services or purchase price of goods, as well as the production of tangible assets or intangible assets.

3. Comments on the results achieved

In the first quarter of 2020, the Company realised the contract with United Dots Ltd., from which it obtained sale revenues of PLN 226,975.00 (EUR 50,000). Net profit amounted to 168 thousand zloty .

The Company received on time the payment of trade receivables, shown at the end of 2019. It also received a refund of overpaid VAT, which it applied for in December 2019, after routine examination procedures from the tax office.

The receivables shown as at 31 March 2020 relate to work performed in the first quarter and overpaid taxes. No substantial commitments.

The provision in the amount of 51,342.30, created in 2018, has not been dissolved as it has not been possible to bring the resulting case to a final conclusion.

At the end of February 2020, the Company published its annual report for 2019, including the financial statements for 2019 and the auditor's audit report.

Already after the quarter, on 2 April 2020, the court registered amendments to the Articles of Association, including the change of name to Polaris IT Group SA and reduction of share capital. The share capital currently amounts to PLN 312,000, which will be shown in the financial statements from the report for the second quarter of 2020. The number of shares has also changed, therefore the merger of shares will be carried out as at the reference date of 26 May 2020, with the merger being carried out on 2 June 2020. This requires the suspension of listing of shares in the ATS on NewConnect market for the duration of the merger operation, from 21 May to 2 June 2020 (inclusive).

The share capital reduction was used to cover losses from previous years, still shown in the balance sheet as at 31 March 2020 in the amount of PLN 1,379,726.71. After taking into account the registration of the share capital decrease, the loss from previous years will decrease by PLN 1,248,000, up to PLN 131,726.71.

Growing travel difficulties related to the announced pandemic did not significantly affect the Company's activities. However, the impact of changes in the way many institutions and companies work is noticeable, manifesting itself in the extension of the handling of various matters (such as registering changes in the articles of association by the court). These restrictions may to some extent lengthen the process of preparing the Company to operate in Poland, but they have not changed the decision in this respect.

During the first quarter, as well as after the end of the quarter, negotiations and work on the acquisition of the selected entity continued. The Company commissioned Grant Thornton Valuation to measure the fair value of the acquisition target. In the opinion of the Management Board, it is realistic to present a proposal to the shareholders at the next Ordinary General Meeting, which should take place by the end of June 2020.

The new website of the Company is now available at www.polarisitgroup.com . Current and periodic reports will be published in Polish and they will also be available in English on the website.

4. Shareholder structure

As at the report date, the shareholder structure is as follows:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE	NUMBER OF VOTES	PERCENTAGE
Katalin Vargáné Faragó	3 112 574	19,95%	3 112 574	19,95%
Ferenc Szabó	2 362 573	15,14%	2 362 573	15,14%
Bálint Farkas	2 362 573	15,14%	2 362 573	15,14%
dr Gergely Bárdos	1 500 000	9,62%	1 500 000	9,62%
Others	6 262 280	40,14%	6 262 280	40,14%
TOTAL	**15 600 000**	**100,00%**	**15 600 000**	**100,00%**

The above data do not take into account the registration of the change in the number of the Company's shares, because as at the date of publication of this report the merger operation has not yet been carried out and there are shares in trading in the ATS on the NewConnect market before the merger.

If there are no changes in significant shareholding structure by the date of the reverse split, the shareholder structure after 2 June 2020 will be as follows:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE	NUMBER OF VOTES	PERCENTAGE
Katalin Vargáné Faragó	622,515	19,95%	622,515	19,95%
Ferenc Szabó	472,515	15,14%	472,515	15,14%
Bálint Farkas	472,515	15,14%	472,515	15,14%
dr Gergely Bárdos	300,000	9,62%	300,000	9,62%
Others	1,252,455	40,14%	1,252,455	40,14%
TOTAL	**3,120,000**	**100,00%**	**3,120,000**	**100,00%**

5. Other information

a. Information on employment

Within the period covered by the report, Polaris IT Group SA did not employ any employees under employment contracts and still does not employ anyone under employment contracts. All works are carried out by business entities on behalf of the Company, or personally by the Management Board and the Proxy.

b. Position regarding the financial forecast

The Company did not publish financial forecasts for 2020.

c. Implementation of investment plans

Currently, the works are being carried out in order to develop the activity through acquisition, which will be connected with increasing the share capital of the Company.

d. Research and development activities

In the first quarter of 2020, the Company did not undertake any activities in the field of research and development.

e. Information on the capital group

Currently, a capital group is not created by the Company, however, its development plans include the creation of such a group in 2020.

6. Contact details

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