

# Consolidated annual report for 2020

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*period between 1 January and 31 December 2020*

*Warsaw, 21 March 2021*

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## 1. Letter from the Management Board to the shareholders

*Dear Shareholders,*

*We hereby submit to you with the annual report of Polaris IT Group SA, presenting the financial results achieved and major events in 2020.*

*The company completed its plan to establish a capital group operating in the IT sector, offering highly specialised products and services with the use of modern technologies. Despite the difficulties caused by the pandemic, it maintained all the previously launched ventures within the group and also took advantage of new opportunities by entering the medical equipment distribution segment.*

*The consolidated revenue of the capital group exceeded PLN 144 million, and EBITDA PLN 7.4 million. The covid-19 pandemic has hindered the development of operations in Poland, but the Company does not intend to give up. At the individual level, revenues exceeded PLN 317 thousand and net profit PLN 52 thousand. The parent company incurred increased costs due to the acquisition operation.*

*The Group successfully implemented its financial plans despite external difficulties. Provided conditions do not deteriorate, the Management Board is confident that Polaris IT Group will see further impressive growth in 2021.*

*I wish you a pleasant reading of the report*

*Gábor Kósa*

*President of the Management Board,  
Polaris IT Group SA*

## 2. Selected financial data

| Items                                    | 2020 in PLN     | 2019 in PLN | 2020 in EUR   | 2019 in EUR |
|--|-----------------|-------------|---------------|-------------|
| Net revenues from sales                  | 144 309 542,61  | 347 209.90  | 32 459 016.76 | 80 769.03   |
| Operating expenses                       | 138 579 267,19  | 173 877.35  | 31 170 126,90 | 40 447.88   |
| Amortisation/depreciation                | 1 441 230.69    | 374.54      | 324 170.74    | 87.13       |
| Profit (loss) on sales                   | 5 730 275.42    | 173 332.55  | 1 288 889.86  | 40 321.15   |
| Other operating revenue                  | 235 090.02      | 0.96        | 52 877.94     | 0.22        |
| Other operating expenses                 | 232 030.63      | 11 332.35   | 52 189.80     | 2 636.17    |
| Profit/loss on operating activity (EBIT) | 5 733 334.81    | 162 001.16  | 1 289 578.00  | 37 685.21   |
| EBITDA (operating profit + depreciation) | 7 406 596.13    | 162 375.70  | 1 665 938.53  | 37 772.33   |
| Financial revenues                       | 3 518 049.91    | 4 112.73    | 791 302.08    | 956.72      |
| Financial expenses                       | 6 927 671.67    | 5 940.77    | 1 558 215.81  | 1 381.96    |
| Gross profit/loss                        | 2 323 713.05    | 160 173.12  | 522 664.26    | 37 259.96   |
| Net profit/ loss                         | 2 303 572.65    | 160 173.12  | 518 134.16    | 37 259.96   |
| Net cash flow from operating activities  | 19 687 078.53   | 93 718.93   | 4 428 142.45  | 21 801.18   |
| Net cash flow from investment activities | - 19 889 753.74 | 18 207.08   | -4 473 729.45 | 4 235.39    |
| Net cash flow from financial activities  | -66 546.16      | 0.00        | -14 967.98    | 0.00        |
| Total net cash flows                     | -269 221.37     | 111 926.01  | -60 554.98    | 26 036.57   |
| Total assets                             | 159 610 646.46  | 231 615.59  | 34 586 687.71 | 54 389.01   |
| Fixed assets                             | 71 443 627.12   | 345.86      | 15 481 413.52 | 81.22       |
| Current assets                           | 88 167 019.34   | 231 269.73  | 274.19        | 54 307.79   |
| Long-term receivables                    | 0.00            | 0.00        | 0.00          | 0.00        |
| Short-term receivables                   | 6 028 287.60    | 119 125.48  | 1 306 294.44  | 27 973.58   |
| Cash and other monetary assets           | 224 483.46      | 112 024.25  | 48 644.24     | 26 306.03   |
| Equity                                   | 44 331 786.04   | 180 273.29  | 9 606 437.12  | 42 332.58   |
| Long-term liabilities                    | 20 537.27       | 0.00        | 4 450.31      | 0.00        |
| Short-term liabilities                   | 99 959 200.57   | 0.00        | 21 660 570.46 | 0.00        |

The applied EURO exchange rates and the number of shares for conversion of financial data:

|                                |        |
|--------------------------------|--------|
| Income statement for 2020      | 4.4459 |
| Balance sheet as at 31.12.2020 | 4.6148 |
| Income statement for 2019      | 4.2988 |
| Balance sheet as of 31.12.2019 | 4.2585 |

### 3. Annual consolidated financial statements

#### Header of the financial statements

| Name  | Amount     |
|---|------------|
| Start date of reporting period                  | 2020-01-01 |
| End date of reporting period                    | 2020-12-31 |
| Date of preparation of the financial statements | 2021-03-21 |

#### Introduction to the consolidated financial statements

| Name   | Amount   |
|--|--|
| Basic information on the parent company  |  |
| Name (company), registered office  |  |
| Company name   | Polaris IT Group SA  |
| Registered office  |  |
| Province   | Mazowieckie  |
| District   | capital city of Warsaw   |
| Municipality   | capital city of Warsaw   |
| Place  | Warsaw   |
| Core business of the parent company  | INFORMATION TECHNOLOGY CONSULTING  |
| Tax identification number NIP  | 1132197112   |
| KRS registry number  | 0000113924   |
| List of subsidiaries, jointly controlled entities and associates whose data are included in the consolidated financial statements                                      |  |
| Name (business name) and registered office of the subsidiary, co-subsidiary and associated company whose data are included in the consolidated financial statements    | Industrial Artificial Intelligence Kft. (IAI)  |
| Business   | activity on the information technology market  |
| Share held by the parent company, a shareholder of a jointly controlled entity or a significant investor in the share capital (fund)                                   | 100.00   |
| Mutual capital ties between entities included in consolidation   | direct ties  |
| List of subsidiaries, jointly controlled entities and associates whose data are included in the consolidated financial statements                                      |  |
| Name (business name) and registered office of the subsidiary, co-subsidiary and associated company whose data are included in the consolidated financial statements    | iSRV Zrt. (iSRV)   |
| Business   | activity on the information technology market  |
| Share held by the parent company, a shareholder of a jointly controlled entity or a significant investor in the share capital (fund)                                   | 100.00   |
| Mutual capital ties between entities included in consolidation   | indirect relation - the Company formed a capital group on 6 July 2020. Polaris IT Group SA holds 100% of shares in Industrial Artificial Intelligence Kft. (IAI), and IAI holds 100% of the shares of iSRV Zrt (iSRV). |
| Information about the criteria used by the parent entity to include its subsidiaries in the consolidated financial statements; this information may be withheld if the | may be withheld  |

|  |  |
|--|--|
| parent entity controls the entity by virtue of holding, directly or indirectly, a majority of the total votes in the governing body of another entity (subsidiary), including under agreements with other entities entitled to vote and exercising their voting rights in accordance with the will of the parent entity, and if the share in the total number of votes is equal to the share in the share capital (fund) |  |
| Indication of the period covered by the consolidated financial statements  |  |
| Date from  | 2020-01-01   |
| Date to  | 2020-12-31   |
| Name (business name) and registered office of related entity   | Industrial Artificial Intelligence Kft. (IAI)  |
| Financial years or periods covered by the related entity's financial statements  |  |
| Date from  | 2020-01-01   |
| Date to  | 2020-12-31   |
| An indication that the financial statements of the entities included in the consolidated financial statements include cumulative financial information, if   |  |
| related entities feature internal organisational units preparing individual financial statements:: true - financial statements include cumulative financial information; false - financial statements do not include cumulative financial information  | YES  |
| Going concern assumption   |  |
| Indication whether the financial statements used to draft the consolidated financial statements were prepared on the assumption the related entities will continue as a going concern in the foreseeable   | YES  |
| Indication whether any circumstances exist indicating a threat to the continuation of operations by these entities: true - No circumstances indicating a threat to the continuation of operations; false - Circumstances indicating a threat to the continuation of operations occurred  | YES  |
| Accounting principles (policy) applicable to the preparation of the consolidated financial statements  |  |
| Presentation of the accounting principles (policy) adopted in the preparation of the consolidated financial statements to the extent that the law allows the selection of such method to be at the discretion of the entity, including:  | The consolidated financial statements have been drafted based on the provisions set out in the Regulation of the Ministry of Finance of 25 September 2009 on the detailed principles for drawing up the consolidated financial statements of capital groups of entities other than banks, insurance and reinsurance companies and the Accounting Act of 29 September 1994. The reporting currency is PLN. The balance sheet, the profit and loss account, the statement of changes in equity, the cash flow statement, and the statement of the difference between the tax base and the financial result have been drafted in PLN.<br>While the additional information and explanations have been drafted in PLN '000 (PLN thousand), unless stated otherwise. |
| rules for grouping economic operations   | The rules for grouping of operations are consistent with the standards of the Accounting Act adopted by the Parent Company   |

|  |  |
|--|--|
| methods of valuation of assets and liabilities   | Assets and liabilities valuation methods are consistent with the Accounting Act standards adopted by the Parent Company  |
| depreciation charge  | Depreciation is consistent with the standards of the Accounting Act adopted by the Parent Company  |
| determination of the financial result  | The determination of the financial result is consistent with the standards of the Accounting Act adopted by the Parent Company   |
| principles for the preparation of separate financial statements  | The financial statements were drafted for the entity. The Company's financial statements include: • additional information which includes introduction as well as additional information and explanations, • balance sheet, • profit and loss account with classification of expenses by type, • cash flow statement, • statement of changes in equity.  |
| Changes in accounting principles (policy) effective as of the first day of financial year, in particular changes in the principles of grouping economic operations, methods of valuation of assets and liabilities, depreciation and amortisation, determination of financial result and preparation of separate financial statements and consolidated financial statements, with reasons for such changes | no   |
| Presentation of the applied criteria for exclusion of subordinated entities from consolidated financial statements   | All subsidiaries and the parent company are consolidated in the Capital Group. The parent company includes the data of its subsidiaries in its consolidated financial statements using the full consolidation method. When the full consolidation method is used, the amounts of the following items are added together: 1) balance sheets, 2) profit and loss accounts, 3) cash flow statements, 4) statements of changes in equity of the parent company and subsidiaries, regardless of the parent company's share in subsidiaries. On the day when the parent company assumes control of its subsidiary, the fair value of subsidiary's assets of the is determined, settling the value proportionally to the shares held by the parent company and other entities of the capital group included in the consolidated financial statements as well as minority shareholders. In the consolidated profit and loss account, goodwill or negative goodwill write-offs are disclosed under "Goodwill write-offs-subsidiaries" or "Negative goodwill write-offs-subsidiaries", respectively, in accordance with the principles of the Act, starting as of the month in which control of the subsidiary was assumed. If an asset item "goodwill" is permanently impaired, it is written off against the consolidated income statement All significant balances and transactions between units of the Group, including unrealised profits resulting from transactions within the Group, were completely eliminated. Unrealised losses are eliminated, unless they prove the occurrence of impairment. Subsidiaries are subject to consolidation in the period from |
|  | assuming control by the Group, and cease to be consolidated as of the date on which such control ceases.   |

**Consolidated balance sheet**

| Name   | Current financial year | Previous fiscal year | Comparable data |
|--|------------------------|----------------------|-----------------|
| Total assets   | 159 610 646.46         | 231 615.59           |                 |
| Property, plant and equipment  | 71 443 627.12          | 345.86               |                 |
| Intangible fixed assets  | 64 521 980.64          | 345.86               |                 |
| R&D expenses - completed R&D projects  | 11 829 881.30          | 0.00                 |                 |
| Goodwill   | 48 091 878.68          | 0.00                 |                 |
| Other intangible assets  | 4 600 220.66           | 345.86               |                 |
| Tangible fixed assets  | 6921 646.48            | 0.00                 |                 |
| Fixed assets   | 529 346.08             | 0.00                 |                 |
| Buildings, premises, rights to premises and civil engineering works                    | 169 314.79             | 0.00                 |                 |
| Technical equipment and machines   | 360 031.29             | 0.00                 |                 |
| Advances for tangible fixed assets under construction                                  | 6 392 300.40           | 0.00                 |                 |
| Current assets   | 88 167 019.34          | 231 269.73           |                 |
| Inventory  | 81 212 648.96          | 0.00                 |                 |
| Traded goods   | 81 212 648.96          | 0.00                 |                 |
| Short-term receivables   | 6 028 287.60           | 119 125.48           |                 |
| Receivables from other entities  | 6 028 517.60           | 119 125.48           |                 |
| trade receivables, maturing:   | 6 028 517.60           | 85 170.00            |                 |
| - up to 12 months  | 5 979 764.62           | 85 170.00            |                 |
| due to taxes, subsidies, duties, social and health insurance and other public benefits | 48 752.98              | 35 995.48            |                 |
| Short-term investments   | 224 483.46             | 112 024.25           |                 |
| Short-term financial assets  | 224 483.46             | 112 024.25           |                 |
| cash and other pecuniary assets  | 224 483.46             | 112 024.25           |                 |
| - cash in hand and at bank   | 224 483.46             | 112 024.25           |                 |
| Short-term prepayments and accruals  | 701 369.32             | 120.00               |                 |
| Total equity and liabilities   | 159 610 646.46         | 231 615.59           |                 |
| Equity   | 44 331 786.04          | 180 273.29           |                 |
| Share capital  | 5 812 000.00           | 1 560 000.00         |                 |
| Supplementary capital, including:  | 49 500 000.00          | 0.00                 |                 |
| - share premium  | 49 500 000.00          | 0.00                 |                 |
| Translation reserve  | -13 152 059.90         | 0.00                 |                 |
| Previous years' profit (loss)  | -131 726.71            | -1 379 726.71        |                 |
| Net profit (loss)  | 2 303 572.65           | 160 173.12           |                 |
| Liabilities and provisions for liabilities   | 115 278 860.42         | 51 342.30            |                 |
| Provisions for liabilities   | 14 357 481.30          | 51 342.30            |                 |
| Provision for deferred income tax  | 14 357 481.30          | 0.00                 |                 |
| Other provisions   | 0.00                   | 51 342.30            |                 |
| - short-term   | 0.00                   | 51 342.30            |                 |
| Long-term liabilities  | 20 537.27              | 0.00                 |                 |
| To other entities  | 20 537.27              | 0.00                 |                 |
| other  | 20 537.27              | 0.00                 |                 |
| Short-term liabilities   | 99 959 200.57          | 0.00                 |                 |
| Liabilities to other entities  | 99 959 200.57          | 0.00                 |                 |
| trade payables, maturing:  | 34 931 691.40          | 0.00                 |                 |
| - up to 12 months  | 34 931 691.40          | 0.00                 |                 |
| advances received for supplies and services  | 64 598 664.74          | 0.00                 |                 |
| due to taxes, subsidies, duties, social and health insurance and other public benefits | 8 394.00               | 0.00                 |                 |
| payroll liabilities  | 10 434.25              | 0.00                 |                 |
| other  | 410 016.18             | 0.00                 |                 |
| Accruals and deferred income   | 941 641.29             | 0.00                 |                 |



|                                    |            |      |  |
|------------------------------------|------------|------|--|
| Other accruals and deferred income | 941 641.29 | 0.00 |  |
| - short-term                       | 941 641.29 | 0.00 |  |

### Consolidated income statement

| Name   | Current financial year | Previous fiscal year | Comparable data |
|--|------------------------|----------------------|-----------------|
| Consolidated profit and loss account (classification of expenses by type)  |                        |                      |                 |
| Net revenues from sales and equivalent, including revenues:                | 144 309 542.61         | 347 209.90           |                 |
| - from related parties other than covered by the full consolidation method | 0.00                   | 64 500.00            |                 |
| Net revenues from sales of products  | 131 239 963.71         | 347 209.90           |                 |
| Manufacturing cost of products for internal purposes                       | 13 069 578.90          | 0.00                 |                 |
| Operating expenses   | 138 579 267.19         | 173 877.35           |                 |
| Amortisation/depreciation  | 1 441 230.69           | 374.54               |                 |
| Consumption of materials and energy  | 147 692.69             | 409.50               |                 |
| External services  | 31 496 510.11          | 132 671.12           |                 |
| Taxes and charges, of which:   | 238 122.53             | 15353.19             |                 |
| Remuneration   | 1 373 523.17           | 25000.00             |                 |
| Social security and other benefits, including:                             | 447 181.74             | 69.00                |                 |
| Value of sold goods and materials  | 103 435 006.25         | 0.00                 |                 |
| Profit (loss) on sales (A- B)  | 5 730 275.42           | 173 332.55           |                 |
| Other operating revenue  | 235 090.02             | 0.96                 |                 |
| Profit on disposal of non-financial fixed assets                           | 8 728.87               | 0.00                 |                 |
| Other operating income   | 226 361.15             | 0.96                 |                 |
| Other operating expenses   | 232 030.63             | 11 332.35            |                 |
| Other operating expenses   | 232 030.63             | 11 332.35            |                 |
| Profit (loss) on operating activities (C + D - E)                          | 5 733 334.81           | 162 001.16           |                 |
| Financial revenues   | 3 518 049.91           | 4 112.73             |                 |
| Profit on sales of financial assets, including:                            | 0.00                   | 1 518.29             |                 |
| Other  | 3 518 049.91           | 2 594.44             |                 |
| Financial expenses   | 6 927 671.67           | 5 940.77             |                 |
| Interest, including:   | 720 300.68             | 3 691.06             |                 |
| Other  | 6 207 370.99           | 2 249.71             |                 |
| Profit (loss) on business activity (F + G - H +/- I)                       | 2 323 713.05           | 160 173.12           |                 |
| Gross profit (loss) (J - K + L +/- M)                                      | 2 323 713.05           | 160 173.12           |                 |
| Income tax   | 20 140.40              | 0.00                 |                 |
| Net profit (loss) (N - O - P +/- R)  | 2 303 572.65           | 160 173.12           |                 |

### Consolidated cash flow statement

| Name   | Current financial year | Previous fiscal year | Comparable data |
|--|------------------------|----------------------|-----------------|
| Consolidated cash flow statement (indirect method)             |                        |                      |                 |
| Cash flows from operating activities                           |                        |                      |                 |
| Net profit (loss)  | 2 303 572.65           | 160 173.12           |                 |
| Total adjustments  | 17 151 474.41          | -66454.19            |                 |
| Amortisation/depreciation                                      | 1 441 230.69           | 374.54               |                 |
| Foreign exchange gain (loss)                                   | 232 031.47             | 0.00                 |                 |
| Change in provisions   | -51 342.30             | 0.00                 |                 |
| Change in inventories  | -75 848 877.25         | 0.00                 |                 |
| Change in receivables  | 689.91                 | -35 464.86           |                 |
| Change in short-term liabilities, except for loans and credits | 86 318 353.92          | -29 772.87           |                 |
| Changes in prepayments and accruals                            | -185 502.57            | -1 591.00            |                 |
| Other operating adjustments                                    | -38 077.99             | 0.00                 |                 |
| Cash flows from investment activities                          |                        |                      |                 |

|   |                |            |  |
|---|----------------|------------|--|
| Inflows   | 0.00           | 18 207.08  |  |
| From financial assets, of which:                        | 0.00           | 18 207.08  |  |
| in other entities                                       | 0.00           | 18 207.08  |  |
| - sales of financial assets                             | 0.00           | 18 207.08  |  |
| Expenditures  | 19 889 753.74  | 0.00       |  |
| Purchase of intangible assets and tangible fixed assets | 19 889 753.74  | 0.00       |  |
| Net cash flows from investing activities (I-II)         | -19 889 753.74 | 18 207.08  |  |
| Cash flows from financial activities                    |                |            |  |
| Expenditures  | 66 546.16      | 0.00       |  |
| Repayment of loans and borrowings                       | 66 546.16      | 0.00       |  |
| Net cash flows from financial activities (I-II)         | -66 546.16     | 0.00       |  |
| Total net cash flow (A.III+/-B.III+/-C.III)             | -269 221.37    | 111 926.01 |  |
| Balance sheet adjustment of cash flow, including        | -269 221.37    | 98.24      |  |
| Cash opening balance                                    | 493 704.83     | 112 024.25 |  |
| Closing balance of cash (F+/-D), including:             | 224 483.46     | 112 024.25 |  |

### Consolidated statement of changes in equity

| Name   | Current financial year | Previous fiscal year | Comparable data |
|--|------------------------|----------------------|-----------------|
| Opening balance of equity  | 180 273.29             | 20 100.17            |                 |
| - corrections of errors  | 180 273.29             | 20 100.17            |                 |
| Opening balance of own equity (fund), after corrections for errors | 312 000.00             | 1 560 000.00         |                 |
| Opening balance of share capital                                   | 312 000.00             | 1 560 000.00         |                 |
| Changes in share capital   | 5 500 000.00           | 0.00                 |                 |
| increase (due to)  | 5 500 000.00           | 0.00                 |                 |
| Closing balance of share capital                                   | 5 812 000.00           | 1 560 000.00         |                 |
| Opening balance of supplementary capital                           | 0.00                   | 0.00                 |                 |
| Changes in supplementary capital                                   | 49 500 000.00          | 0.00                 |                 |
| increase (due to)  | 49 500 000.00          | 0.00                 |                 |
| - share premium  | 49 500 000.00          | 0.00                 |                 |
| Closing balance of supplementary capital                           | 49 500 000.00          | 0.00                 |                 |
| Translation reserve  | 13 152 059.90          | 0.00                 |                 |
| Profit (loss) brought forward at the beginning of period           | -1 539 899.83          | -1 503 783.34        |                 |
| Retained loss at beginning of period                               | 131 726.71             | 1 503 783.34         |                 |
| Loss brought forward at the beginning of period, after adjustments | 131 726.71             | 1 503 783.34         |                 |
| Loss brought forward at the end of period                          | 131 726.71             | 1 539 899.83         |                 |
| Closing balance of profit (loss) brought forward                   | -131 726.71            | -1 539 899.83        |                 |
| Net result   | 2 303 572.65           | 160 173.12           |                 |
| net profit   | 2 303 572.65           | 160 173.12           |                 |
| Closing balance of equity  | 44 331 786.04          | 180 273.29           |                 |
| Equity including proposed profit distribution (loss coverage)      | 44 331 786.04          | 180 273.29           |                 |

### Additional information and explanations to the consolidated financial statements

| Name   | Total value (Current year) | From capital gains (Current year) | From other revenue (Current year) | Total value (Previous year) | From capital gains (Previous year) | From other revenue (Previous year) |
|--|----------------------------|-----------------------------------|-----------------------------------|-----------------------------|------------------------------------|------------------------------------|
| Name of the entity Polaris IT Group Spółka Akcyjna     |                            |                                   |                                   |                             |                                    |                                    |
| Additional information and explanations                |                            |                                   |                                   |                             |                                    |                                    |
| Description Additional information 2020 consolidation  |                            |                                   |                                   |                             |                                    |                                    |
| Attached file <a href="#">ID_konsolidacja_2020.pdf</a> |                            |                                   |                                   |                             |                                    |                                    |

## CAPITAL GROUP

POLARISIT GROUP S.A.

Consolidated financial statements for the period 01.01.2020-31.12.2020

Additional information and explanations form an integral part of the consolidated financial statements

## ADDITIONAL INFORMATION AND EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENTS

### I.

1. Information on share capital ownership structure the parent company, with a breakdown into shares held by the parent company and other related entities, and on the number and nominal value of the shares, including preference shares;

The share capital of the parent company as at the date of drafting the financial statements is PLN 5 812 000.00 and is divided into

| Series/issue                  | Type of shares | Number of shares     | Face value | Value of series/issue at nominal value | Form of capital contribution | Date of registration with the National Court Register | Nominal value of shares after denomination | Value of series / issue at nominal value after registered denomination |
|-------------------------------|----------------|----------------------|------------|--|------------------------------|---|--|--|
| N                             | ordinary       | 2 820 000.00         | 1.00       | 2 820 000.00                           | cash                         | 2.04.2020   | 0.10                                       | 282 000.00   |
| O                             | ordinary       | 300 000.00           | 1.00       | 300 000.00                             | cash                         | 2.04.2020   | 0.10                                       | 30 000.00  |
| P                             | ordinary       | 55 000 000.00        | 1.00       | 55 000 000.00                          | cash                         | 29.09.2020  | 0.10                                       | 5 500 000.00   |
| <b>Total number of shares</b> |                | <b>58 120 000.00</b> |            |  |                              |   |  | -  |

As at 31 December 2020, the shareholder structure of the Group

2. Goodwill or negative goodwill for each entity included in the consolidated financial statements, separately with an indication of the manner of determination and the amount of amortisation or depreciation write-offs made to date, impairment losses, and adjustments due to the sale of a portion of shares to which it was allocated;

Value of shares at acquisition 55 000 000.00

Equity of subsidiary as at date of acquisition of shares 155 901.66 Equity of parent as at date of acquisition of shares 312,000.00 Goodwill 48 323 910.15

Amortization of goodwill in 2020 - 232 031.47

The Group applies a 1% annual amortisation rate to positive goodwill due to the fact that it intends to continue its business for the foreseeable future and does not intend to discontinue its business and is not forced to liquidate or materially limit its operations.

3. Figures providing comparability of data from the financial statements for the previous year with the statements from the financial year;

For comparative purposes, the Group presents comparative data of the Parent Company for the period between 01.01.2019 and 31.12.2019.

4. Information on material events that occurred after the balance sheet date of the consolidated financial statements and are not included in these statements;

In the period covered by the consolidated financial statements no such item occurred

5. Information on significant events occurring in previous years and recognised in the consolidated financial statements for the fiscal year

In the period covered by the consolidated financial statements no such item occurred

6. Detailed scope of changes in the groups of tangible fixed assets, intangible fixed assets and long-term investments, comprising fixed assets as at the beginning of the fiscal year, additions and reductions due to: revaluation, acquisition, internal transfer and final state, and in case of depreciated assets - similar presentation of states and reasons for changes of depreciation and amortisation to date.

The scope of changes in the values of generic groups of fixed assets and intangible assets is as follows (in PLN):

|   |                                      | <b>Intangible<br/>assets - Other</b> | <b>Technical<br/>equipment<br/>and<br/>machines</b> | <b>Buildings</b> | <b>Other<br/>funding</b> | <b>Tangible<br/>fixed<br/>assets</b> |
|---|--------------------------------------|--------------------------------------|---|------------------|--------------------------|--------------------------------------|
| Gross value at the beginning of the period              |                                      | 65 963 211.33                        | 364 450.20  | 169 314.79       |                          | 533 764.99                           |
| Additions, including:                                   |                                      | -                                    | -   | -                | -                        | -                                    |
|   | - acquisition                        | -                                    | -   | -                | -                        | -                                    |
|   | - internal movement/relocation       | -                                    | -   | -                | -                        | -                                    |
|   | - guarantee replacement              | -                                    | -   | -                | -                        | -                                    |
|   | - lease purchase                     | -                                    | -   | -                | -                        | -                                    |
|   | - other                              | -                                    | -   | -                | -                        | -                                    |
| Reductions, including:                                  |                                      | -                                    | -   | -                | -                        | -                                    |
|   | - revaluation                        | -                                    | -   | -                | -                        | -                                    |
|   | - disposal                           | -                                    | -   | -                | -                        | -                                    |
|   | - sell                               | -                                    | -   | -                | -                        | -                                    |
|   | - internal movement/relocation       | -                                    | -   | -                | -                        | -                                    |
|   | - other, lease agreement termination | -                                    | -   | -                | -                        | -                                    |
| Gross value at the end of the period                    |                                      | 65 963 211.33                        | 364 450.20  | 169 314.79       |                          | 533 764.99                           |
| Accumulated depreciation at the beginning of the period |                                      | 7 770.14                             | 4 418.91  | -                |                          | 4 418.91                             |
| Additions, including:                                   |                                      | 1 433 460.55                         | -   | -                |                          | -                                    |
|   | - current year amortisation          | 1 433 460.55                         | -   | -                |                          | -                                    |
|   | - internal movement/relocation       | -                                    | -   | -                |                          | -                                    |
|   | - other leasing                      | -                                    | -   | -                |                          | -                                    |
|   | - other                              | -                                    | -   | -                |                          | -                                    |
|   | Reductions, including:               | -                                    | -   | -                |                          | -                                    |
|   | - disposal                           | -                                    | -   | -                |                          | -                                    |
|   | - sell                               | -                                    | -   | -                |                          | -                                    |
|   | - write-off of replaced equipment    | -                                    | -   | -                |                          | -                                    |
|   | - internal movement/relocation       | -                                    | -   | -                |                          | -                                    |

|   |                                      |               |            |            |            |
|---|--------------------------------------|---------------|------------|------------|------------|
|   | - other, lease agreement termination | -             | -          | -          | -          |
| Accumulated depreciation at the end of the period |                                      | 1 441 230.69  | 4 418.91   | -          | 4 418.91   |
| Net book value as at the 31.12.2020               |                                      | 64 521 980.64 | 360 031.29 | 169 314.79 | 529 346.08 |

7. Value of land under perpetual usufruct

The Company owns no land under perpetual usufruct

8. Value of tangible fixed assets not amortised (depreciated) by the entity, used under tenancy, hire or other types of agreements, including lease agreements,

The Parent Company leases office space located in Warsaw at Świeradowska street No. 47, under an agreement concluded for an indefinite period of time.

9. Payable to the state budget or territorial authorities arising from the right of ownership of buildings and structures.

The Capital Group has no such liabilities.

10. Details on the balance of provisions according to their purpose of establishment as at the beginning of the financial year, increases, consumption, release and at the end of the financial year.

ISRV has a deferred tax liability of 14 357 481.30.

11. Details on revaluation write-offs on receivables, with indication of the balance at the beginning of the financial year, additions, utilisation, reversals and the balance at the end of the financial year

Not applicable.

12. Structure of long-term liabilities, according to balance sheet positions, maturing after the balance sheet date, as per relevant agreements, as follows:

1. up to 1 year — 34 931 691.40

2. over 1 year — 20 537.27

13. List of material accruals and prepayments

Short-term prepayments, including:

- other — 701 369.32

Short-term accruals, including:

- other — 941 641.29

14. List of groups of liabilities secured on the property of related entities (with indication of its type).

In the period covered by the consolidated financial statements no such item occurred

15. Contingent liabilities, including guaranties and sureties, provided by related entities, including sureties by negotiable instrument (bill);

In the period covered by the consolidated financial statements no such item occurred

## II

Information on joint ventures other than consolidated, including:

- a. name, business of the joint venture,
- b. percentage of share,
- c. parts of jointly controlled tangible and intangible assets,
- d. liabilities incurred for the purpose of undertaking or acquiring used items of property, plant and equipment,
- e. jointly incurred parts of liabilities,
- f. revenue generated by the joint venture and the costs related thereto,
- g. contingent and investment liabilities regarding a joint venture;

16. In the period covered by the consolidated financial statements no such item occurred

## III.

1. Breakdown of net revenues from sales of products, goods and materials of related entities disclosed in the consolidated profit and loss account, by type of business and geographical markets;

The Capital Group generated the following revenues from sales of products, services, goods and materials:

Revenue from sales of services for the entire capital group amounted to 131 239 963.71,

of which revenue from the sale of services generated by the parent company amounted to 317 519.00

2. The amount and explanation for impairment write-offs on tangible fixed assets;

In the period covered by the consolidated financial statements no impairment write-offs on fixed assets were recognised.

3. Amount of write-offs on inventories

In the period covered by the consolidated financial statements, no impairment write-offs on inventories were recognised.

4. Information on revenues, costs and results on operation discontinued in the fiscal year or operations planned for discontinuation in the following year;

In the period covered by the consolidated financial statements no discontinued operations occurred.

5. Reconciliation of main items of the difference between corporate income tax base and gross financial result (income or loss):

Not applicable

6. Details on the costs of manufacturing products for own consumption, and in the case of preparing a consolidated profit and loss account by function - on costs by type:

- a. depreciation,
- b. consumption of materials and energy,
- c. outsourced services,
- d. taxes and charges,
- e. remuneration,
- f. insurance and other benefits,
- g. other costs by type;

The Capital Group prepares a consolidated profit and loss account with classification of expenses by type.

7. Cost of production of fixed assets under construction and fixed assets for own use;

In the period covered by the consolidated financial statements, the Capital Group incurred no expenditure on fixed assets for its own use. The subsidiary company discloses paid advances for fixed assets under construction in the amount of 6 392 300.40.

8. Expenditure on non-financial fixed assets incurred in the last year and planned for the next year; incurred and planned to be shown separately

In the period covered by the consolidated financial statements no such item occurred.

9. Income tax on results arising from extraordinary transactions.

In the period covered by the consolidated financial statements no such item occurred.

IV.

In the case of consolidated financial statements prepared for the period in which the related party merger occurred:

The Company determined the goodwill of its subsidiaries as at the date of incorporation of the group, 6 July 2020, to be PLN 48 323 910.15. The entire amount of goodwill was allocated to the subsidiary iSRV Zrt. According to the regulations, this value is subject to amortisation, so the Company adopted a goodwill amortisation period of 100 years.

This means that in each financial year the goodwill amortisation will reduce the consolidated financial result by the amount of PLN 483 239.10. In 2020, amortisation of goodwill amounted to PLN 232 031.47. The Company has decided to present consolidated data taking into consideration the results of the subsidiaries since the beginning of financial year 2020 and not since the date of assumption of control.

V.

1. When uncertainties with regard to the going concern of a related entity exist, description of these uncertainties and statement on the existence of such uncertainty, indicating whether or not the financial statements include going concern adjustments; information should also include descriptions of actions undertaken or planned by the parent entity or related entity, with the purpose to eliminate the uncertainty;

These financial statements of the Capital Group were drafted on the going concern assumption in the foreseeable future.

2. Where information other than that listed above could materially affect the assessment of the economic, financial situation and financial result of related entities, such information must be disclosed.

In the period covered by the consolidated financial statements no such item occurred

3. Explanation of the structure of funds recognised in the cash flow statement, and if the cash flow statement is prepared using the direct method, a reconciliation of net cash flows from operational activity prepared using the indirect method must also be presented; in case of differences between changes of state of certain items in the balance sheet and changes of the same items recognised in the cash flow statement the reasons of their occurrence must be explained.

The Management Board of the Parent Company and management boards of the Companies included in the consolidated financial statements were not aware of any other information not disclosed in the consolidated financial statements which might affect the assessment of these consolidated financial statements

4. Information on:

1) The nature and business purpose of agreements entered into by related entities that are not included in the consolidated balance sheet to the extent necessary to assess their effect on the financial position and profit or loss of the capital group,

2) transactions concluded by the parent company or other entities covered by the consolidated financial statements (except for transactions made within the capital group) with related parties, which shall be understood as related parties and:

- a) a person who is a member of managing, supervisory or administrative body of the entity or its subsidiary, or
- b) a person who is a close relative of any person who is a member of managing, supervisory or administrative body of a related entity, or
- c) a controlled, jointly controlled or other entity under significant direct or indirect influence of the person referred to above or in which that person holds, directly or indirectly, a significant number of votes, or
- d) an entity pursuing a post-employment employee benefit scheme for employees of the entity or another entity being a related party in relation to the entity,

- with the amounts of those transactions, as well as information on the nature of those relations in the event that they were not concluded at arm's length basis. Information regarding relevant transactions may be grouped according to their type, except in the case when information regarding relevant transactions is necessary to understand their impact on the financial position of the entity,

In the period covered by the consolidated financial statements, no transactions were concluded by the entity with related entities on terms other than arm's length terms.

#### 5. Average employment in the fiscal year by occupational groups

In the period covered by the report, Polaris II Group SA did not employ any workers under employment contract and still does not employ anyone under employment contract. All work is carried out by operators on behalf of the Company, or personally by the Board of Directors and the Proxy. iSRV subsidiary employed 18 FTEs as at 30 September 2020. IAI had no employees.

6. Remuneration, including profit sharing, paid or due to the members of managing, supervisory or administrative bodies of commercial companies (for each group separately) for the financial year,

|   |           |
|---|-----------|
| Remuneration of the Management Board and Supervisory Board (gross)        | 41 015.31 |
| Remuneration of the Management Board and Supervisory Board - unpaid (net) | 10 434.25 |

7. Loans and similar benefits provided to members of executive, governing and supervisory bodies of commercial companies (separate for each group), indicating the interest rate conditions and repayment schedule

During the period covered by these financial statements, the Capital Group granted no loans to members of supervisory or administrative bodies of commercial companies.

#### 8. Remuneration of the auditor or audit firm for:

- a. mandatory audit of the annual consolidated financial statements of the capital group,
- b. other certifying services
- c. tax advisory services
- d. other services

On terms consistent with the Board's resolution regarding the audit of the 2020 consolidated financial statements.

## VI.

1. Other information on transactions with related parties. None occurred



2. Information on material events after the balance sheet not recognised in the financial statements:

None occurred

No material events occurred after the balance sheet date.

## 4. Report on activities

### a. Company details.

|                                    |                                 |
|------------------------------------|---------------------------------|
| Company:                           | Polaris IT Group Spółka Akcyjna |
| Registered office:                 | Warsaw                          |
| Registered office address:         | Świeradowska 47, 02-662 Warsaw  |
| NIP:                               | 1132197112                      |
| REGON:                             | 016238500                       |
| KRS                                | 0000113924                      |
| President of the Management Board: | Gábor Kósa                      |
| E-mail address:                    | hello@polarisitgroup.com        |
| Website                            | www.polarisitgroup.com          |

### b. Events materially affecting the operation of the parent entity and subsidiaries during the financial year and thereafter until the date of preparation of the financial statements.

In the first six months of 2020, the Company executed an agreement with United Dots Ltd. of the UK, which was concluded back in 2019, for technology consulting services. The contract value 70 000 EUR, of which 20 000 EUR was invoiced in 2019 and 50 000 EUR in 2020. In parallel, the Company was involved in negotiations and preparations for the acquisition of the selected entity, which the Company announced in late 2019.

On 10 June 2020, the Management Board announced conclusion of the negotiations proposed that the General Meeting of Shareholders, convened for 6 July 2020, adopt resolutions approving the contribution in kind of the shares of Industrial Artificial Intelligence Kft. based in Budapest, which owned 100% of shares of iSRV Zrt., based in Budapest, in exchange for a new share issue. At the Company's request, Grant Thornton Valuation Ltd. drafted reports on the fair value of the contribution in kind as at 31 March 2020. The Company has also obtained a fair value valuation, drafted by CHE Consulting Sp. z o.o., a Polish firm of auditors.

On 6 July 2020, agreements were concluded for the acquisition of P series shares in exchange for non-cash contributions made on the same day. Series P shares were registered by the court on 29 September 2020. The issue comprised 55 000 000 shares with a nominal value of PLN 0.10 each, at an issue price of PLN 1.

The non-cash contribution consisted of 100% of shares in Industrial Artificial Intelligence Kft. (IAI), valued at PLN 55 000 000. IAI does not conduct operations generating sales revenues, however, its valuation was based on its 100% shareholding in iSRV Zrt. (iSRV). iSRV is currently part of the Polaris IT group with the largest scale of operations.

iSRV operates in the information technology market as a provider of end-to-end hardware and software solutions with extensive experience in artificial intelligence (AI), cryptography, customised solutions (FPGA), video streaming and biometric security technologies. It provides internationally competitive, innovative solutions, in data security, streaming technology and online education.

In October 2020, a provision of 51 342.30, created in 2018, was released due to the repayment of amounts awarded against the Company with interest. The case involved settlements with one of the Company's suppliers for the Company's art dealing business, conducted in 2011-12, and the injunction judgment was granted in 2014. The amount of the liability was reserved prior to the acquisition of the Company in 2019, while still under the previous management of the Company. It was not possible to negotiate the payment of lower interest, but the matter was eventually resolved. In addition to the amount of the provision, the Company paid PLN 1 859.30 of additional interest.

In December 2020, Polaris IT Group SA and its subsidiary iSRV Zrt. entered into a software distribution and licensing agreement for B2B partners. Polaris IT Group SA obtained rights to distribute software and licenses developed by iSRV Zrt., in cases where the potential buyer is not the end user of the software. After the agreement was concluded, the first transaction took place. Polaris IT Group SA sold to a client licenses for software components in online learning technologies, developed by iSRV Zrt. Just after the end of the fiscal year, in March 2021, the Company generated revenue on a similar transaction from another client.

The IAI shares contributed in kind were recognised as long-term financial assets in the amount of PLN 55 000 000. As at the date of preparation of the report, the Management Board of the Company sees no grounds for updating this value and expects that it will be maintained, as no circumstances have occurred that would have a negative impact on this value.

iSRV Zrt, Company's subsidiary, with the largest operations in the group, executed a significant contract for the supply of medical equipment and supplies in 2020 for a total amount of approximately 36 million EUR, of which approximately 23 million EUR is recognised as 2020 revenue and the remaining approximately 13 million EUR was generated after the end of the fiscal year and will be recognised in 2021 revenue.

### **c. Development Forecast.**

#### **I. Areas of business**

The business of Polaris IT Group is primarily run by its subsidiary iSRV and currently cover several areas:

##### **1. IT security solutions**

The operations of the security division originally included the sale of security software and hardware components, then evolved into the development of proprietary products: special customer solutions based on security technologies, encryption and authentication solutions, blockchain-based solutions, artificial intelligence (AI) based solutions, combined with digital vision technology.

In 2020, iSRV began and continued to invest in data encryption products, solutions based on artificial intelligence and special radar technologies, and the development of autonomous and sensor-based vehicles.

##### **2. Online learning platform (EDL)**

Over the past few years, a priority project for iSRV has been the development of a modern and secure online learning system based on video communication. The platform's foundation was supported by the GINOP tender (a public tender partly funded by the EU). The first phase of the tender was completed in September 2018 and since then, with the allocation of significant resources, the platform has continued to actively evolve to best meet the rapidly changing (and growing) requirements of the market. The online learning platform offers online training for companies (for instance - internal training, educational companies - language schools), educational institutions (high schools, colleges, universities) to expand their customer base and regional reach. The changes over the past year during the pandemic period further demonstrate that iSRV offers an attractive, stable, well-scalable, modern and innovative education and communication system.

##### **3. Artificial intelligence (AI) solutions**

iSRV pays particular attention to the opportunities that the AI presents. The company seeks to strengthen its position and invest in this segment. An investment like this may yield far-reaching results. On the one hand, this could significantly support the marketability and competitiveness of existing products (for instance the possibility to analyse behavioural patterns through encrypted networks or the support in monitoring attention by artificial intelligence in an online education system). On the other hand, such knowledge can also be useful in completely new fields. Among other things, iSRV is exploring solutions that could be applied to healthcare research and reform, agriculture, forestry, urban management, and other areas of the economy.

##### **4. Software development**

Since iSRV has capabilities (employees, subcontractors) and professional contacts in the field of IT and industrial implementations as well as extensive project management experience, it provides assistance, as a prime contractor, in implementing customised IT systems under several projects.

##### **5. VOD Streaming**

iSRV has been developing and supporting backend modules used as streaming support solutions since 2016. The main reference in this field is the development and operation of the system of a Hungarian communication service provider, where it acts as a subcontractor. However, the management board expects the business potential of streaming back-end services associated to classic video services to decline. The streaming know-how is used in the development of the online learning platform.

##### **6. Health and Medical Products Division**

Last year, iSRV established a new division that covers health care. The company became involved in distribution of medical equipment to two Hungarian state institutions through a business partner.

In 2020, iSRV completed the first and second parts of the contract. The contract was fully executed in January 2021. iSRV intends to remain active in this segment by providing services associated with healthcare products.

## II. Certificates

Some products and services, offered by iSRV, must be certified. In H1 2020, the company renewed its SO 9001: 2015 Quality Management System certificate, passed the annual NATO supplier audit and expanded its military supply business license to include foreign trade. It has also received information security certifications in several categories: "Top secret!", "Secret!" EU, "Secret!" NATO, "Secret!" Paks II.

## III. GINOP grants

iSRV was granted funding in the GINOP contest for the construction of a electroplating plant, with an investment value of approximately HUF 760 million (for which iSRV received a grant of HUF 381 million). Construction of the electroplating plant will be completed in 2021. As a result of another GINOP project, started in 2021 will also see completion of a cloud-based biometric identification timekeeping system, implemented under another GINOP project, launched in 2019.

The value of the investment is HUF 373 million, and the grant obtained by iSRV was HUF 130 million.

## d. Research and Development activity.

Polaris IT Group SA, through its subsidiary iSRV, incurred R&D expenses in 2020 on development of products and services, primarily the online learning platform (EDL).

iSRV will continue allocating significant resources to research and development in the future. Work is underway on two products in the encryption market: an external encrypted storage device that fulfils military requirements, and a solution that can be used to build custom hardware-encrypted networks. In the field of radar technology, iSRV has identified several areas that are innovative and have significant market potential. These include, but are not limited to, improving safety solutions for rail, road and air transport, developing innovative adaptive manufacturing technologies based on 3D printing, and developing special sensory solutions for quality and production management in the food and agricultural industries.

The company also allocates funds for research and development of artificial intelligence (AI) solutions for use in security technology, education, agriculture and industry. Another goal is to engage in the development of telemedicine services for healthcare.

Considering different competences in a wide spectrum of activities, significant synergies between seemingly different are being identified, which will be a significant market advantage for the Company in the future.

## e. Financial situation of the company.

Unit sales revenue for 2020 amounted to PLN 317 519.00 while net profit to PLN 52 179.53. Consolidated sales revenue for 2020 amounted to PLN 144 309 542.61, net profit to PLN 2 303 572.65. EBITDA of the Capital Group was PLN 7 406 596.13 PLN

The main asset of Polaris IT Group SA is the 100% share in its subsidiary Industrial Artificial Intelligence Kft. based in Budapest, which holds 100% of shares in iSRV Zrt. based in Budapest. The value under long-term investments in the non-consolidated balance sheet amounts to PLN 55 000 000 and is the contribution in kind of shares in exchange for 55 000 000 series P shares at an issue price of PLN 1 per share. Prior to the contribution, enacted on 6 July 2020, the Management Board carried out a review of operations of IAI kft. and iSRV Zrt. and a valuation at the request of the Company, in which the fair value of the shares as at 31 March 2020 was determined to be PLN 60 799 789.60. As at the date of this report, the Management Board is of the opinion that no circumstances exist which could lead to revaluation of the shares held by the Company.

Simultaneously, in the consolidated financial statements, the Management Board determined the goodwill resulting from the difference between the fair value and the net asset value of iSRV Zrt. at PLN 48 323 910.15. In accordance

with the regulations, this value is subject to amortisation, and the Management Board has set the amortisation period of goodwill at 100 years thus calculating the amortisation charge. This long amortisation period is due to the fact that no reasons exist to reduce the value of shares in subsidiaries and the value remains unchanged in separate financial statements. Using a short depreciation period would lead to a situation where, although group companies are profitable, a loss would occur in the consolidated accounts as well as a rapid loss of capital. The consolidated financial statements are intended to reflect the Group's real position. According to Polish regulations, it is not possible to waive amortisation of goodwill (which is allowed under IAS), so the Management Board adopted an amortisation period reflects properly the Group's situation in the consolidated financial statements.

In the opinion of the management board, the capital group successfully implemented its financial plans despite external difficulties. Provided conditions do not deteriorate, the Management Board is confident that the Company will see further impressive growth in 2021.

#### **f. Own shares.**

The Company and the Group do not hold any treasury shares.

#### **g. Branches and facilities owned.**

The Company and the Group have no branches or establishments.

#### **h. Financial instruments.**

The Company and the Group do not hold any financial instruments.

#### **i. Principal risks and hazards.**

Risks due to COVID-19

In addition to its impact on public health, COVID-19 has a significant impact on the economy, fundamentally affecting business and development processes. The situation around COVID-19 has hampered business development and operations in Poland. Due to extended delivery times in international orders of essential tools and parts, iSRV product development now takes more time. Conference and trade show are on hold, making it difficult to demonstrate products to potential customers. The risk in sales is greater because travel restrictions make it difficult to meet in person. A prolonged pandemic could result a period of unknown challenges to all businesses, including Polaris IT Group SA.

Risk due to the volatility of currency exchange rates

Polaris IT Group SA operates globally, generating revenues and incurring costs in different currencies of the countries in which it operates, which exposes the Company to losses resulting from unfavourable foreign exchange differences that may reduce the margin earned on the sale of products and services. Although the Company's Management Board strives to limit this risk, it is impossible to eliminate it completely and fluctuations in currency exchange rates may affect the financial results achieved.

Risks due to loss of necessary permits and certificates.

For certain of the Company's important products and services, certifications and approvals associated with security and military supplies are required. Loss of certificates and permits could adversely affect financial results.

#### **j. Description of the principles of preparation of the annual financial statements.**

A description of the principles governing the preparation of annual financial statements can be found in those statements.

#### **k. Equity of the parent company.**

Following the registration of the capital increase through the issue of series P shares in September 2020, the share capital of the parent company increased to PLN 5 812 000 and the supplementary capital (with agio) was set at PLN 49 500 000.

The equity of the parent company at the end of 2020 amounted to PLN 55 232 452.82.

## I. Distribution of parent company profit for 2020.

The Management Board filed a proposal that the parent company's net profit for 2020 of PLN 52 179.53 be allocated to cover losses from previous years.

## 5. Declarations

### STATEMENT OF PERSONS ACTING ON BEHALF OF POLARIS IT GROUP SA ON THE RELIABILITY OF PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

*The Management Board of Polaris IT Group SA hereby declares that, according to its best knowledge, the annual financial statements and comparable data of the company have been prepared in accordance with legal regulations applicable to the Issuer and the applicable accounting principles.*

*The data presented reflect, in a true, reliable and clear manner, the material and financial situation of Polaris IT Group SA and its financial result. Moreover, the Management Board of Polaris IT Group SA declares that the report of the Management Board on its activities in 2020 gives a true picture of the Issuer's situation and its achievements, including a description of the main threats and risks.*

*Gábor Kósa, President of the Management Board,*

*Polaris IT Group SA*

*Lóránt Tókos, Member of the Management Board,*

*Polaris IT Group SA*

### STATEMENT OF PERSONS ACTING ON BEHALF OF POLARIS IT GROUP SA ON THE SELECTION OF THE ENTITY AUTHORISED TO AUDIT THE ANNUAL FINANCIAL STATEMENT

*The Management Board of Polaris IT Group SA declares that the entity authorised to audit the financial statements, auditing the financial statement for the year 2020, was selected in accordance with the law and that the entity and the auditors, conducting the audit of these statements, met the conditions to express an unbiased and independent opinion on the audit, in accordance with relevant provisions of the Polish law.*

*Gábor Kósa, President of the Management Board,*

*Polaris IT Group SA*

*Lóránt Tókos, Member of the Management Board,*

*Polaris IT Group SA*

## 6. Report on the audit of the annual financial statements

Polaris IT Group S.A. Capital Group  
Świeradowska 47, 02-662 Warsaw

### INDEPENDENT STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR 2020

Prepared by:

Bogdan Zegar  
Certified Auditor



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*Report on the audit of the annual consolidated financial statements of Polaris IT Group S.A. for 2020*

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## **INDEPENDENT STATUTORY AUDITOR'S REPORT ON THE AUDIT**

To the Meeting of Shareholders and the Supervisory Board of Polaris IT Group S.A.

### **Report on the audit of the annual consolidated financial statements**

#### **Audit opinion**

We have audited the annual consolidated financial statements of the capital group in which Polaris IT Group S.A. is the Parent Company ("the Parent Company") ("the Group"), which comprise the introduction to the consolidated financial statements, the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement for the financial year between 1 January and 31 December 2020 as well as additional information and explanations to the financial statements ("the consolidated financial statements").

In our opinion, the submitted consolidated financial statements:

- present a true and fair view of the Group's consolidated financial position as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the provisions of the Accounting Act of 29 September 1994 ("the Accounting Act" - Journal of Laws of 2021, item 217) and the adopted accounting principles (policy);
- are consistent in their form and content with the legal regulations binding on the Group and the Parent Company's articles of association.

#### **Grounds for the opinion**

We conducted our audit in accordance with the National Auditing Standards consistent with the International Auditing Standards adopted by the Resolution of the National Council of Statutory Auditors No. 3430/52a/2019 of 21 March 2019 on national auditing standards and other documents, with subsequent amendments ("NAS") and in accordance with the Act on statutory auditors, audit firms and public supervision of 11 May 2017 ("Act on Statutory Auditors" i.e. Journal of Laws of 2020, item 1415, with subsequent amendments). Our responsibility under these standards is further described in the section "Auditor's responsibility for the audit of the consolidated financial statements" of the report.



*Report on the audit of the annual consolidated financial statements of Polaris IT Group S.A. for 2020*

We are independent of the Group Companies in accordance with the Code of Ethics for Professional Accountants of the International Federation of Accountants ("IFAC Code") adopted by resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of 25 March 2019 on the principles of professional ethics for statutory auditors and with other ethical requirements applicable to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code of Conduct. In the course of the audit, the key statutory auditor and the audit firm remained independent from the Company in accordance with the independence requirements set forth in the Act on statutory auditors.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

**Key issues of the audit**

The key audit issues are those issues that, in our professional judgment, were most significant during the audit of the consolidated financial statements for the current fiscal year. These include the most significant, assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We have addressed these issues in the context of our audit of the consolidated financial statements as a whole and in forming our opinion and have summarised our response to these risks and, where we considered it appropriate, have provided key observations associated with these risks. We do not express a separate opinion on these issues.

| Key issue of the audit   | How our audit addressed this issue  |
|--|---|
| <b>I. Key issues concerning the Parent Company</b><br><b>1. Value of disclosed shares</b><br>As at 31 December 2020, the value of shares in related entities disclosed as long-term financial assets amounted to PLN 55 000.0 thousand<br>The Parent Company acquired 100% of the shares in Industrial Artificial Intelligence Kft (IAI). This valuation was based on IAI's 100% ownership of iSRV Zrt., group's subsidiary. The companies are registered in Hungary - Budapest. | Our audit procedures included:<br>- identification of documentation on assumption of the acquired shares in the Subsidiary,<br>- assessment of (annual) financial statements of Companies related by shares,<br>- review of the objectives and strategy pursued by the Company's Management Board with respect to Companies related by shares,<br>- evaluation of the assumed shares based on the reports by Grant Thornton Valuation Ltd., confirmed by the value of fair valuation by CHE Consulting Sp. z o.o. a Polish audit firm |

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|---|---|
| <p>Our risk identification associated with the above issue involves assessment of the level of value of the shares disclosed in the financial statements to confirm their value.</p> <p>According to the Management Board the ownership of shares in the Subsidiary is important for the strategy of management of the entire Capital Group.</p> <p>This issue is described in notes 2 and 10 of the financial statements.</p>  | <p>Following our audit procedures, we accepted and shared management's views on the management strategy of the Related Companies and made no adjustment to the financial statements.</p>  |
| <p><b>II. Key issues concerning the Capital Group</b></p> <p><b>1. Financial statements of subsidiaries</b></p> <p>Subsidiaries Industrial Artificial Intelligence Kft and iSRV Zrt. operate on the Hungarian market and form Polaris IT Group S.A. Capital Group. The financial statements of those companies were audited by a Hungarian certified auditor. The companies obtained an unqualified auditor's opinion. In addition, we identified issues associated with:</p> <ul style="list-style-type: none"> <li>- expenditure and cost accounting for IT projects,</li> <li>- evaluation of the implementation of the contract for the supply of medical goods,</li> <li>- valuation of account receivable and account payable in foreign currencies,</li> <li>- identification of remaining risks of the audit.</li> </ul> <p>We received a feedback from the auditor regarding the above issues.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- consultations with the statutory auditor of the consolidated Companies,</li> <li>- submitting that statutory auditor's opinion with our report on the audit of the Capital Group.</li> </ul> |

**Responsibility of the Management Board and Supervisory Board of the Parent Company for consolidated financial statements**

The Management Board of the Parent Company is responsible for the preparation of the consolidated financial statements that present a true and fair view of the Group's assets, financial position and financial performance in accordance with the provisions of the Accounting Act,

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adopted accounting principles (policy) adopted and applicable laws and regulations binding on the Group, and for such internal control as the Management Board of the Parent Company believes to be necessary to enable the Company to prepare consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board of the Parent Company is responsible for assessing the Group's ability to continue as a going concern, disclosing, where applicable, matters associated with going concern and adopting the going concern principle as the basis for accounting, except where the Management Board either intends to liquidate the Group or to discontinue operations or has no viable alternative to liquidation or discontinuation of operations.

The Management Board of the Parent Company and members of the Supervisory Board of the Parent Company are required to ensure that the consolidated financial statements fulfil the requirements provided for in the Accounting Act.

**Statutory auditor's responsibility for the audit of consolidated financial statements**

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole contain a material misstatement due to fraud or error and to issue an audit report that includes our opinion. Rational confidence is a high level of confidence, but does not guarantee that an audit carried out according to the National Council of Statutory Auditors in Poland will always detect any existing material misstatement. Misstatements may arise from fraud or error and are regarded as material when it can be reasonably expected that they, individually or collectively, would influence the economic decisions of users made on the basis of these consolidated financial statements.

The scope of the audit does not include assurances as to the future profitability of the Group or the effectiveness or efficiency of the management of its affairs by the Management Board of the Entity at present or in the future.

When carrying out our audit according to the National Council of Statutory Auditors in Poland, we apply professional judgment and maintain professional scepticism, as well as:

- we identify and assess the risks of material misstatement of consolidated financial statements that could arise from fraud or error, we design and perform audit procedures that are appropriate to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; The risk of a failure to detect a material misstatement resulting from fraud is greater than that resulting from error, since fraud may involve collusion, counterfeiting, intentional omissions, misrepresentation or circumvention of internal control;

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*Report on the audit of the annual consolidated financial statements of Polaris IT Group S.A. for 2020*

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- we obtain an understanding of the internal control relevant to the audit to design audit procedures that are appropriate in specific circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we assess the appropriateness of the applied accounting principles (policy) and the reasonableness of accounting estimates as well as related disclosures made by the Management Board of the Parent Company;
- we draw a conclusion as to whether the Management Board of the Parent Company should apply the going concern principle as the basis for accounting and, based on the evidence obtained, whether a material uncertainty exists that relates to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we are required to draw attention, in our report, to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report, however, future events or conditions may cause the Group to discontinue its operations;
- we assess the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present underlying transactions and events in a manner that gives a true and fair view;
- we obtain sufficient appropriate audit evidence about the financial information of entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and conduct of the Group's audit and remain solely responsible for our audit opinion.

We provide the Supervisory Board of the Parent Company with information on the planned scope and timing of the audit and on significant findings of the audit, including any significant weaknesses of internal control that we identify during the audit as well as other information.

We represent to the Management Board of the Parent Company that we have followed the applicable ethical requirements regarding independence and that we will make them aware of all relationships and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, make them aware of the safeguards in place.

Of the issues reported to the Supervisory Board of the Parent Company we identified those matters that were most significant to our audit of the consolidated financial statements for the current reporting period and, accordingly, we considered them to be key audit issues.

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*Report on the audit of the annual consolidated financial statements of Polaris IT Group S.A. for 2020*

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We describe these issues in our statutory auditor's report unless a law or regulation prohibits their public disclosure or if, in exceptional circumstances, we determine that the issue should not be presented in our report because the adverse consequences could reasonably be expected to outweigh the public interest benefits of such information.

**Other information, including the report on activities**

Other information includes the report of the Management Board on activities of the Group for the fiscal year ended on 31 December 2020 ("Report on Activities").

*Responsibility of the Management Board and Supervisory Board of the Parent Company*

The Management Board of the Parent Company is responsible for preparing the Report on Group's activities in accordance with legal regulations.

The Management Board of the Parent Company and members of the Supervisory Board of the Parent Company are required to ensure that the Report on Group's activities fulfil the requirements provided for in the Accounting Act.

*Responsibility of the Statutory Auditor*

Our opinion on the audit of the consolidated financial statements does not apply to the report on activities. When conducting the audit of the consolidated financial statements, we are required to review the Report on activities and in so doing, to consider whether or not it is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work performed, a material misstatement of the Report on activities is found, we have the duty to disclose this in our audit report. Our responsibility under the requirements of the Act on statutory auditors is also to express an opinion as to whether the Report on activities was prepared in accordance with the regulations and whether or not it is consistent with the information contained in the financial statements.

**Opinion on the Management Board's Report on activities**

Based on the work performed in the course of the audit, it is our opinion that the Report on Group's activities:

- was drafted in accordance with Article 49 of the Accounting Act,
- is consistent with the information contained in the consolidated financial statements.

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*Report on the audit of the annual consolidated financial statements of Polaris IT Group S.A. for 2020*

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In addition, we represent that in the light of the knowledge of the Group and its environment, obtained during our audit, we found no material misstatements in the Report on Group's activities.

The key statutory auditor responsible for the audit, the result of which is this report of an independent statutory auditor, is Bogdan Zegar.

Acting on behalf of Eureka Auditing Sp. z o.o. with its registered seat in Poznań, Marcinkowskiego 22, entered in the list of audit firms under number 137, on behalf of which the key statutory auditor audited the financial statements.

Bogdan Zegar



Signed by /  
Podpisano przez:  
Bogdan Stefan  
Date/Date: 2021-  
03-21 22:51

Key statutory auditor, registration number 5475

Performing the audit on behalf of:

Eureka Auditing Sp. z o.o.

Entity authorised to audit financial statements, reg. no. 137 President of the Management Board

Poznan, 21 March 2021

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Eureka Auditing Sp. z o.o.

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## **7. Contact details**

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