

# Quarterly report for the first quarter of 2021

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*period from January 1 to March 31, 2021.*

*Warsaw, 17 May 2021.*

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

*Dear Shareholders and Business Partners,*

*As the main representative of the owners of Polaris IT group, I am also fulfilling the role of the Chairman of the Board of Directors of the Polaris IT group from February 1st, 2021. My goal is to provide a successful, growing path, just like I did in my work for the ISRV Zrt. that was bought by this company in the summer of 2020.*

*I believe in the success of long term building. I am convinced, that in the IT sector generally, but particularly in its special areas, the world is standing just at the front of is a huge development for the near future as well as for longer time period. This provides the companies with a rightfully promising vision for the future for companies working in these special areas. The special areas our company is working with and in which areas we wish to further develop and gain strength, are the following:*

### *I. Online education*

*Products developed for this area offer solutions to a wide target group of businesses. Whether it is public or private education, or education within companies, our products can be individualized, integrating a large number of functions, provide video-chat based education and communication platform that can also be operated in a closed system.*

### *II. Security Technology*

*Telecommunication should not be the only thing we think of, when we talk about growing digital communication. The rate of communication between machines is increasing exponentially. Just think about the sensory technology, whether it is used in manufacturing, agricultural, health or other important areas. More and more of us communicate digitally at more and more places, and we trust our lives, health, the control of our homes, our manufacturing solutions and company valuables, or the education of our children to digital solutions. However, because of this, more and more danger awaits us and our digital lives. Therefore the protection of our data and our digital existence should have the highest priority. Our goal is to deliver defensive solutions for the data-communication or locally stored data on the aforementioned areas.*

### *III. AI (or rather ML)*

*AI, artificial Intelligence is an expression used at an increasing frequency. Many people or companies say that they are developing in this area. We do not use this expression. We think, the expression of Machine Learning (in short ML) is more appropriate. We think, that nobody is actually working on the development of real, truly artificial intelligence. On the other hand ML is an exceptionally important area that is opening technological perspectives, which are unstoppable and seeping into almost every area of our lives. We see more and more opportunities on these areas and we wish to start more and more development beside of our existing developments, whether we talk about security technology, manufacturing processes, agriculture or digital education.*

*The areas mentioned earlier mean vast potential, however, we need hard work and continuous investment to reach our goals. The ISRV Zrt owned by our company can account for an exceptionally high increase of income, which growth-trend can be also seen from our 2021 Q1 results. According*

*to our expectations our developments will dominate our incomes. Our definite goal to continue our developments and increase the number of our experts. We plan to finance this development from our growing incomes and results and also involving external capitals.*

*Our developments are currently managed from Hungary. It is our intention to start the operation in Poland as soon as possible, for which we already made the necessary foundation steps. In this operation, besides creating the necessary conditions, we also aim to involve highly trained specialists, business partners and subcontractors.*

*Our company's homepage will be renewed, where, on the information pages and in the form of blogposts our visitors can not only read the mandatorily communicated news, but also learn about our current developments, research areas, and products we are working on and market.*

*Consolidated operating profit for the first quarter of 2021 amounted to over PLN 15.7 million. This was contributed by the sale of EDL (online education system) by the parent company.*

*In the first quarter we also delivered 300 ventilators ordered by the Hungarian National Centre for Health Care Services, and completed and delivered a HUF 150 million system project for the food industry for a Hungarian partner. Further elements of this excellent result are licenses purchased in 2020 and resold to a foreign buyer. All this was supplemented by individual software development tasks, therefore consolidated sales revenues amounted to over HUF 102 million.*

*For a correct interpretation of these excellent results, it should be added that a significant portion was obtained thanks to the activities and expenditures incurred last year, and the IT development currently underway still requires a large amount of investment, for which the funds obtained in the first quarter of 2021 will be used.*

*I invite you to read the report.*

*Gábor Kósa*

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

## 2. Quarterly consolidated financial statements

### a. Consolidated balance sheet

ASSETS	31.03.2021	31.03.2020
<b>A. FIXED ASSETS</b>	<b>76 185 555,68</b>	<b>265,64</b>
I. Intangible assets	17 949 555,25	265,64
1. Research and development costs	12 519 988,70	-
2 Goodwill	-	-
3. Other intangible assets	5 429 566,55	265,64
4. Advances for intangible assets	-	-
II. Goodwill of subsidiaries	47 971 068,87	-
1. Goodwill - subsidiaries	47 971 068,87	-
2 Goodwill - jointly controlled entities	-	-
III. Tangible fixed assets	10 264 931,56	-
1. Tangible assets	490 784,88	-
2. Tangible assets under construction	-	-
3. Advances for tangible assets under construction	9 774 146,68	-
IV. Long-term receivables	-	-
1. From related entities	-	-
2. From other entities in which the entity holds an equity interest	-	-
3. From other entities	-	-
V. Long-term investments	-	-
1. Real property	-	-
2. Intangible assets	-	-
3. Long-term financial assets	-	-
4. Other long-term investments	-	-
VI. Long-term deferred charges and accruals	-	-
1. Deferred tax assets	-	-
2. Other prepayments and accruals	-	-
<b>B. CURRENT ASSETS</b>	<b>10 614 798,69</b>	<b>411 174,27</b>
I. Inventory	418 907,81	-
1. Materials	-	-
2. Semi-finished products and work in process	-	-
3. Finished products	-	-
4. Goods	418 907,81	-

ASSETS	31.03.2021	31.03.2020
5. Advances on deliveries and services	-	-
II. Short-term receivables	7 445 725,70	237 617,87
1. Receivables from related entities	-	-
2. Receivables from other entities in which the entity holds an equity interest	-	-
3. Receivables from other entities	7 445 725,70	237 617,87
III. Short-term investments	2 382 181,06	170 533,19
1. Short-term financial assets	2 382 181,06	170 533,19
2. Other short-term investments	-	-
IV. Short-term prepayments and accruals	367 984,12	3 023,21
C. Payments due to share capital	-	-
<b>D. Own shares (stock)</b>	-	-
<b>TOTAL ASSETS</b>	<b>86 800 354,37</b>	<b>411 439,91</b>

EQUITY AND LIABILITIES	31.03.2021	31.03.2020
<b>A. EQUITY (FUND)</b>	<b>57 732 934,51</b>	<b>348 188,61</b>
I. Share capital (fund)	5 812 000,00	1 560 000,00
II. Supplementary capital (fund), including:	49 500 000,00	-
III. Capital (fund) from revaluation	-	-
IV. Other reserve capitals (funds)	-	-
V. Foreign exchange differences on translation	-	-
VI. Retained profit (loss) from previous years	(79 547,18)	(1 379 726,71)
<b>- consolidation adjustments (technical entry)</b>	<b>(10 955 982,33)</b>	-
VII. Net profit (loss)	13 456 464,02	167 915,32
VII. Write-offs from net profit during the financial year	-	-
B. MINORITY CAPITALS	-	-
C. NEGATIVE GOODWILL	-	-
I. Negative value - subsidiaries	-	-
II. Negative value - jointly controlled entities	-	-
<b>D. LIABILITIES AND PROVISIONS FOR LIABILITIES</b>	<b>29 067 419,86</b>	<b>63 251,30</b>
I. Provisions for liabilities	14 555 155,12	51 342,30
1. Provision for deferred income tax	14 555 155,12	-
2. Provision for retirement and similar benefits	-	-
3. Other provisions	-	51 342,30
II. Long-term liabilities	20 820,03	-

<b>EQUITY AND LIABILITIES</b>	<b>31.03.2021</b>	<b>31.03.2020</b>
1. To related entities	-	-
2. To other entities in which the entity holds an equity interest	-	-
3. To other entities	20 820,03	-
<b>III. Short-term liabilities</b>	<b>14 013 061,96</b>	<b>11 909,00</b>
1. Liabilities to related entities	-	-
2. Liabilities to other entities in which the entity holds an equity interest	-	-
3. Liabilities to other entities	14 013 061,96	11 909,00
4. Special funds	-	-
<b>IV. Prepayments and accruals</b>	<b>478 382,75</b>	<b>-</b>
1. Negative goodwill	-	-
2. Other prepayments and accruals	478 382,75	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>86 800 354,37</b>	<b>411 439,91</b>

## **b. Consolidated income statement**

<b>Profit and loss account</b>	<b>Q1 2021</b>	<b>Q1 2020</b>
<b>A. Net revenues from sales and their equivalents, including:</b>	<b>102 741 982,98</b>	<b>226 975,00</b>
- from related entities	-	-
I. Net revenues from sales of products	102 214 749,40	-
II. Change in stock of products	-	-
III. Costs of manufacturing products for internal purposes	527 233,58	-
IV. Net revenues from sales of goods and materials	-	-
<b>B. Operating costs</b>	<b>86 993 870,80</b>	<b>49 972,61</b>
I. Amortisation and depreciation	457 527,65	80,22
II. Material and energy consumption	330 135,26	-
III. External services	3 660 031,02	34 435,55
IV. Taxes and charges, including:	72 953,65	350,00
- excise duty	-	-
V. Payroll	464 077,99	15 000,00
VI. Social insurance and other benefits	-	-

<b>Profit and loss account</b>	<b>Q1 2021</b>	<b>Q1 2020</b>
VII. Other costs by type	366 066,83	106,84
VIII. Value of goods and materials sold	81 643 078,40	-
<b>C. Profit (loss) on sales (A-B)</b>	<b>15 748 112,18</b>	<b>177 002,39</b>
<b>D. Other operating revenues</b>	<b>38 800,95</b>	<b>-</b>
I. Gain on disposal of non-financial fixed assets	-	-
II. Subsidies	-	-
III. Revaluation of non-financial assets	-	-
IV. Other operating revenues	38 800,95	-
<b>E. Other operating costs</b>	<b>-</b>	<b>0,48</b>
I. Loss on disposal of non-financial fixed assets	-	-
II. Revaluation of non-financial assets	-	-
III. Other operating costs	-	0,48
<b>F. Operating profit (loss) (C+D-E)</b>	<b>15 786 913,13</b>	<b>177 001,91</b>
<b>G. Financial revenues</b>	<b>198 708,18</b>	<b>714,41</b>
I. Dividend and profit sharing	-	-
II. Interest	-	-
III. Gain on disposal of financial assets	-	-
IV. Revaluation of financial assets	-	-
V. Other	198 708,18	714,41
<b>H. Financial costs</b>	<b>1 078 851,99</b>	<b>-</b>
I. Interest	104,04	-
II. Loss on sales of financial assets	2 483,15	-
III. Revaluation of investments	-	-
IV. Other	1 076 264,80	-
I. Profit (loss) on the sale of all or part of shares of subordinates	-	-
<b>J. Profit (loss) on business activities (F+G-H+/-1)</b>	<b>14 906 769,32</b>	<b>177 716,32</b>
<b>K. Write-down of goodwill</b>	<b>120 809,79</b>	<b>-</b>
I. Goodwill write-down - subsidiaries	120 809,79	-
II. Write-down of goodwill - partially owned subsidiaries	-	-
L. Write-down of negative goodwill	-	-
I. Write-off of negative goodwill - subsidiaries	-	-
II. Write-off of negative goodwill - partially owned subsidiaries	-	-
M. Profit (loss) on shares in subsidiaries and affiliates accounted for using the equity method	-	-



Profit and loss account	Q1 2021	Q1 2020
<b>I. Gross profit (loss) (J-K+L+/-M)</b>	<b>14 785 959,53</b>	<b>177 716,32</b>
<b>J. Income tax</b>	<b>1 329 495,51</b>	<b>9 801,00</b>
I. Current part	1 329 495,51	9 801,00
II. Deferred portion	-	-
K. Other compulsory reductions in profit (increases in loss)	-	-
<b>L. Net profit (loss) (I-J-K)</b>	<b>13 456 464,02</b>	<b>167 915,32</b>

### c. Consolidated statement of changes in equity

Statement of changes in equity	Q1 2021	Q1 2020
<b>I. EQUITY (FUND) AT THE BEGINNING OF THE PERIOD (BO)</b>	<b>44 331 786,04</b>	<b>180 273,29</b>
I.a. Equity (fund) at the beginning of the period (BO) after adjustments	44 331 786,04	180 273,29
1. Share capital (fund) at the beginning of the period	5 812 000,00	1 560 000,00
1.1. Changes in share capital (fund)	-	-
1.2. Share capital (fund) at the end of the period	-	1 560 000,00
2. Supplementary capital (fund) at the beginning of the period	49 500 000,00	-
2.1. Changes in supplementary capital (fund)	-	-
2.2. Closing balance of supplementary capital (fund)	49 500 000,00	-
3. Opening balance of revaluation reserve (fund)	-	-
3.1. Changes in revaluation reserve (fund)	-	-
3.2. Revaluation reserve (fund) at the end of the period	-	-
4. Other reserve capitals (funds) at the beginning of the period	-	-
4.1. Changes in other reserve capital (funds)	-	-
4.2. Other reserve capital (funds) at the end of the period	-	-
5. Foreign exchange differences on translation	(55 315,55)	
6. profit (loss) from previous years at the beginning of the period	(79 547,18)	(1 379 726,71)
6.1. Opening balance of retained earnings	52 179,53	-
6.2. Opening balance of previous years' profit, after adjustments	52 179,53	-
6.3. Retained earnings at the end of the period	52 179,53	-
6.4. Opening loss from prior years,	131 726,71	1 379 726,71
6.5. Opening balance of loss brought forward, after adjustments	131 726,71	1 379 726,71

Statement of changes in equity	Q1 2021	Q1 2020
6.6. Loss brought forward at the end of the period	131 726,71	1 379 726,71
6.7. Profit (loss) from previous years at the end of the period	(79 547,18)	(1 379 726,71)
7. Net result	13 456 464,02	167 915,32
<b>II. EQUITY (FUND) AT THE END OF THE PERIOD (SB)</b>	<b>57 732 934,51</b>	<b>348 188,61</b>
<b>III. EQUITY (OWN FUND), AFTER PROPOSED DISTRIBUTION OF PROFIT (COVERAGE OF LOSS)</b>	<b>57 732 934,51</b>	<b>348 188,61</b>

#### d. Consolidated Statement of Cash Flows

Cash flow statement	Q1 2021	Q1 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES		
<b>I. Net profit (loss)</b>	13 456 464,02	167 915,32
<b>II. Total adjustments</b>	6 302 190,12	(109 406,38)
1. Minority profit (loss)	-	-
2. Gains (losses) on shares in entities accounted for using the equity method	-	-
3. Depreciation	457 527,65	80,22
4. Write-downs of goodwill	120 809,79	-
5. Write-downs of negative goodwill	-	-
6. Foreign exchange gains (losses)	-	-
7. Interest and shares in profits (dividends)	-	-
8. Profit (loss) on investment activities	-	-
9. Change in provisions	-	-
10. Change in inventories	81 911 877,00	-
11. Change in receivables	(1 534 225,29)	(118 492,39)
12. Change in short-term liabilities, except for loans and borrowings	(87 601 214,30)	11 909,00
13. Change in accruals	343 035,25	(2 903,21)
14. Other adjustments	(0,22)	-
<b>III. Net cash flows from operating activities (I+II)</b>	<b>7 154 273,90</b>	<b>58 508,94</b>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
I. Proceeds	-	-
1. Disposal of intangible and tangible fixed assets	-	-
2. Disposal of investments in real estate and intangible	-	-

Cash flow statement	Q1 2021	Q1 2020
assets		
3. Of financial assets, including:	-	-
4. Other investment income	-	-
II. Expenses	4 998 759,46	-
1. Acquisition of intangible and tangible fixed assets	4 998 759,46	-
2. Investments in real estate and intangible assets	-	-
3. For financial assets, including:	-	-
4. Other capital expenditure	-	-
<b>III. Net cash flows from investing activities (I-II)</b>	<b>(4 998 759,46)</b>	<b>-</b>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
I. Proceeds	-	-
1. Net proceeds from the issue of shares and other equity instruments and capital contributions	-	-
2. Loans and advances	-	-
3. Issuance of debt securities	-	-
4. Other financial inflows	-	-
II. Expenses	-	-
1. Purchase of own shares	-	-
2. Dividends and other payments to owners	-	-
3. Profit sharing expenses other than payments to owners	-	-
4. Repayment of credits and loans	-	-
5. Redemption of debt securities	-	-
6. Other financial liabilities	-	-
7. Payment of liabilities under finance leases	-	-
8. Interest	-	-
9. Other financial expenses	-	-
III. Net cash flows from financing activities (I-II)	-	-
<b>D. TOTAL NET CASH FLOWS (A.III.+B.III.+C.III)</b>	<b>2 155 514,44</b>	<b>58 508,94</b>
<b>E. BALANCE SHEET CHANGE IN CASH, INCLUDING:</b>	<b>2 155 514,44</b>	<b>58 508,94</b>
<b>F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>226 666,62</b>	<b>112 024,25</b>
<b>G. CASH AT THE END OF THE PERIOD (F+D)</b>	<b>2 382 181,06</b>	<b>170 533,19</b>

### 3. Quarterly separate financial statements

#### a. Separate balance sheet

ASSETS	Q1 2021	Q1 2020
<b>A. FIXED ASSETS</b>	<b>55 000 000,00</b>	<b>265,64</b>
I. Intangible assets	-	265,64
1. Research and development costs	-	-
2. Goodwill	-	-
3. Other intangible assets	-	265,64
4. Advances on intangible assets	-	-
II. Tangible fixed assets	-	-
1. Tangible assets	-	-
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	55 000 000,00	-
1. Real property	-	-
2. Intangible assets	-	-
3. Long-term financial assets	-	-
4. Other long-term investments	55 000 000,00	-
V. Long-term prepayments and accruals	-	-
1. Deferred tax assets	-	-
2. Other prepayments and accruals	-	-
<b>B. CURRENT ASSETS</b>	<b>359 535,78</b>	<b>411 174,27</b>
I. Inventory	-	-
1. Materials	-	-
2. Semi-finished products and work in process	-	-
3. Finished products	-	-
4. Goods	-	-
5. Advances on deliveries and services	-	-
II. Short-term receivables	315 234,21	237 617,87
1. Receivables from related entities	-	-
2. Receivables from other entities in which the entity holds an equity interest	-	-
3. Receivables from other entities	315 234,21	237 617,87
<b>III. Short-term investments</b>	<b>37 026,77</b>	<b>170 533,19</b>

ASSETS	Q1 2021	Q1 2020
1. Short-term financial assets	37 026,77	170 533,19
2. Other short-term investments	-	-
IV. Short-term prepayments and accruals	7 274,80	3 023,21
<b>C. Called-up share capital</b>	-	-
<b>D. Own shares (stocks)</b>	-	-
<b>TOTAL ASSETS</b>	<b>55 359 535,78</b>	<b>411 439,91</b>

EQUITY AND LIABILITIES	Q1 2021	Q1 2020
<b>A. EQUITY (FUND)</b>	<b>55 354 942,14</b>	<b>348 188,61</b>
I. Share capital (fund)	5 812 000,00	1 560 000,00
II. Supplementary capital (fund), including:	49 500 000,00	-
III. Capital (fund) from revaluation	-	-
IV. Other reserve capitals (funds)	-	-
V. Profit (loss) of previous years	(79 547,18)	(1 379 726,71)
VI. Net profit (loss)	122 489,32	167 915,32
VII. Write-off on net profit during the financial year	-	-
<b>B. LIABILITIES AND PROVISIONS FOR LIABILITIES</b>	<b>4 593,64</b>	<b>63 251,30</b>
I. Provisions for liabilities	-	51 342,30
1. Provision for deferred income tax	-	-
2. Provision for retirement and similar benefits	-	-
3. Other provisions	-	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	4 593,64	11 909,00
1. Liabilities to related entities	-	-
2. Liabilities to other entities in which the entity holds an equity interest	-	-
3. Liabilities to other entities	4 593,64	11 909,00
4. Special funds	-	-
IV. Prepayments and accruals	-	-
1. Negative goodwill	-	-
2. Other prepayments and accruals	-	-

EQUITY AND LIABILITIES	Q1 2021	Q1 2020
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>55 359 535,78</b>	<b>411 439,91</b>

## **b. Separate income statement**

Profit and loss account	Q1 2021	Q1 2020
<b>A. Net revenues from sales and their equivalents, including:</b>	<b>3 941 896,00</b>	<b>226 975,00</b>
- from related entities	-	-
I. Net revenues from sales of products	3 941 896,00	-
II. Change in stock of products	-	-
III. Costs of manufacturing products for internal purposes	-	-
IV. Net revenues from sales of goods and materials	-	-
<b>B. Operating costs</b>	<b>3 818 983,88</b>	<b>49 972,61</b>
I. Amortisation and depreciation	24,98	80,22
II. Material and energy consumption	60,00	-
III. External services	58 285,78	34 435,55
IV. Taxes and charges, including:	-	350,00
- excise duty	-	-
V. Payroll	15 000,00	15 000,00
VI. Social insurance and other benefits	-	-
VII. Other costs by type	811,69	106,84
VIII. Value of goods and materials sold	3 744 801,43	-
<b>C. Profit (loss) on sales (A-B)</b>	<b>122 912,12</b>	<b>177 002,39</b>
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	-	-
<b>E. Other operating costs</b>	-	0,48
I. Loss on disposal of non-financial fixed assets	-	-
II. Revaluation of non-financial assets	-	-
III. Other operating costs	-	0,48
<b>F. Operating profit (loss) (C+D-E)</b>	<b>122 912,12</b>	<b>177 001,91</b>
<b>G. Financial revenues</b>	<b>1 754,43</b>	<b>714,41</b>
I. Dividend and profit sharing	-	-

Profit and loss account	Q1 2021	Q1 2020
II. Interest	-	-
III. Gain on disposal of financial assets	-	-
IV. Revaluation of financial assets	-	-
V. Other	1 754,43	714,41
<b>H. Financial costs</b>	<b>120,23</b>	-
I. Interest	104,04	-
II. Loss on sales of financial assets	-	-
III. Revaluation of investments	-	-
IV. Other	16,19	-
<b>I. Gross profit (loss) (F+G-H)</b>	<b>124 546,32</b>	<b>177 716,32</b>
<b>J. Income tax</b>	<b>2 057,00</b>	<b>9 801,00</b>
I. Current portion	2 057,00	9 801,00
II. Deferred portion	-	-
K. Other mandatory decrease of profit (increase of loss)	-	-
<b>L. Net profit (loss) (I-J-K)</b>	<b>122 489,32</b>	<b>167 915,32</b>

### c. Separate statement of changes in equity

Statement of changes in equity	Q1 2021	Q1 2020
<b>I. EQUITY (FUND) AT THE BEGINNING OF THE PERIOD (BO)</b>	<b>55 232 452,82</b>	<b>180 273,29</b>
I. a. Equity (fund) at the beginning of the period (BO) after adjustments	55 232 452,82	180 273,29
1. Share capital (fund) at the beginning of the period	5 812 000,00	1 560 000,00
1.1. Changes in share capital (fund)	-	-
1.2. Share capital (fund) at the end of the period	-	1 560 000,00
2. Supplementary capital (fund) at the beginning of the period	49 500 000,00	-
2.1. Changes in supplementary capital (fund)	-	-
2.2. Closing balance of supplementary capital (fund)	49 500 000,00	-
3. Opening balance of revaluation reserve (fund)	-	-
3.1. Changes in revaluation reserve (fund)	-	-
3.2. Revaluation reserve (fund) at the end of the period	-	-
4. Other reserve capitals (funds) at the beginning of the period	-	-
4.1. Changes in other reserve capital (funds)	-	-

Statement of changes in equity	Q1 2021	Q1 2020
4.2 Other reserve capital (funds) at the end of the period	-	-
5. Opening balance of profit (loss) from previous years	(79 547,18)	(1 379 726,71)
5.1. Opening balance of profit from previous years	52 179,53	-
5.2. Opening balance of profit from previous years, after adjustments	52 179,53	-
5.3. Closing balance of profit from previous years	52 179,53	-
5.4. Opening balance of loss from previous years	131 726,71	1 379 726,71
5.5. Opening balance of loss from previous years, after adjustments	131 726,71	1 379 726,71
5.6. Closing balance of loss from previous years	131 726,71	1 379 726,71
5.7. Closing balance profit (loss) from previous years	(79 547,18)	(1 379 726,71)
6. Net result	122 489,32	167 915,32
<b>II. EQUITY (FUND) AT THE END OF THE PERIOD (SB)</b>	<b>55 354 942,14</b>	<b>348 188,61</b>
<b>III. EQUITY (OWN FUND), AFTER PROPOSED DISTRIBUTION OF PROFIT (COVERAGE OF LOSS)</b>	<b>55 354 942,14</b>	<b>348 188,61</b>

#### d. Separate Statement of Cash Flows

Cash flow statement	Q1 2021	Q1 2020
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
I. Net profit (loss)	122 489,32	167 915,32
II. Total adjustments	(151 378,62)	(109 406,38)
1. Amortisation and depreciation	24,98	80,22
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	(128 037,23)	(118 492,39)
8. Change in short-term liabilities, excluding loans and borrowings	(16 556,60)	11 909,00
9. Change in prepayments and accruals	(6 809,77)	(2 903,21)
10. Other adjustments	-	-
III. Net cash flow from operating activities (I+II)	(28 889,30)	58 508,94
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		



Cash flow statement	Q1 2021	Q1 2020
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)	-	-
<b>D. TOTAL NET CASH FLOWS (A.III±B.III±C.III)</b>	<b>(28 889,30)</b>	<b>58 508,94</b>
<b>E. BALANCE SHEET CHANGE IN CASH, INCLUDING</b>	<b>(28 889,30)</b>	<b>58 508,94</b>
<b>F. OPENING BALANCE OF CASH</b>	<b>65 916,07</b>	<b>112 024,25</b>
<b>G. CLOSING BALANCE OF CASH (F±D)</b>	<b>37 026,77</b>	<b>170 533,19</b>

## 4. 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.

### Consolidated Report.

The Company has determined the goodwill of its subsidiaries as of the date of formation of the group, July 6, 2020, in the amount of 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 amortization, so the Company adopted the amortization period of goodwill, which is 100 years. This means that in each financial year the amortization of goodwill will reduce the consolidated financial result by the amount of PLN 483,239.10. In the third quarter of 2020, goodwill amortization amounted to PLN 111,221.70.

The Company has decided to present the consolidated figures taking into account the results of the subsidiaries from the beginning of the fiscal year 2020 and not from the date of acquisition of control. As a result, an adjustment resulting from the consolidation procedure of - 1,629,796.99 has been included in the liabilities of the consolidated balance sheet. The net profit shown in the consolidated balance sheet as of September 30, 2020 corresponds to the result of the Group after the three quarters of 2020, including goodwill amortization

## 5. Shareholding

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

SHAREHOLDER	NUMBER OF SHARES	SHARE %	NUMBER OF VOTES	SHARE %
Bit Pyrite Ltd	38 500 000	66,24%	38 500 000	66,24%
Others	19 620 000	33,76%	19 620 000	33,76%
<b>SUMMARY</b>	<b>58 120 000</b>	<b>100,00%</b>	<b>58 120 000</b>	<b>100,00%</b>

## 6. Other information

### a. COVID-19 Impact Information

COVID-19 has a significant economic, business and development impact.

Due to the extended delivery time in international orders of necessary tools and parts, the group's product development has been extended.

The third wave of COVID-19 is also affecting sales activities. Conference and trade show opportunities are suspended, making it difficult to present products to potential customers. The risk in sales is higher as travel restrictions make it difficult to make in-person meetings. The Company is currently preparing and implementing an alternative marketing strategy to achieve planned business objectives. The situation around COVID-19 has also hindered the development of the business in Poland.

## **b. Employment information**

During the period covered by the report, Polaris IT Group SA did not employ any staff under a contract of employment and still does not employ anyone under a contract of employment. All work is carried out by business entities on behalf of the Company, or personally by the Management Board and the Proxy.

The iSRV subsidiary employed as of March 31, 2021. 18 full-time equivalent employees. The IAI subsidiary had no employees.

## **c. Research and development activities**

The Company, through its subsidiary iSRV, incurs research and development expenses for product and service development.

During the first quarter of 2021. iSRV continued to develop IT security systems, data processing and storage solutions, and enhance its proprietary online education platform. In the changed global economic environment, iSRV expects the market for such products and services to grow significantly.

The company is currently implementing a marketing plan that includes rebranding various online safety and education products and services to support international sales efforts.

## **d. Information about the capital group**

The company formed the capital group on July 6, 2020. Polaris IT Group SA holds 100% of the shares in Industrial Artificial Intelligence Kft. (IAI), and this company holds 100% of the shares of iSRV Zrt. (iSRV). IAI does not have any sales revenue generating activities, while iSRV is currently the company in Polaris IT Group with the largest scale of operations.

iSRV Zrt. is a company incorporated under Hungarian law, with its registered office in Budapest. Its legal form corresponds to that of a Polish joint-stock company (private - Hungarian law distinguishes private joint-stock companies and public listed companies). The financial statements are consolidated using the full method.

Industrial Artificial Intelligence Kft. is a Hungarian company, seated in Budapest. Its legal form corresponds to a Polish limited liability company.

IAI owns 100% of the shares of iSRV Zrt. and has no other operations.

## **7. Contact details**

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