

Quarterly report for the second quarter of 2021

for the period from 1 April to 30 June, 2021

Warsaw, 16 August 2021

Table of contents

1. Letter of the Management Board to the Shareholders	3
2. Quarterly consolidated financial statements	5
a. Consolidated Balance Sheet	5
b. Consolidated income statement.....	7
c. Consolidated statement of changes in equity	9
d. Consolidated Cash Flow Statement.....	10
3. Quarterly separate financial statements.....	11
a. Separate Balance Sheet	11
b. Separate income statement.....	14
c. Separate statement of changes in equity	15
d. Separate Statement of Cash Flows.....	16
4. Information about the principles adopted in the preparation of the report	17
5. Shareholders	21
6. Other information.....	21
a. COVID-19 impact information.....	21
b. Employment information.....	22
c. Research and development activities.....	22
d. Information about the capital group	22
7. Contact details	22

1. Letter from the Management Board to the Shareholders

Dear Shareholders!

Polaris IT Group SA and its subsidiary ISRV Zrt successfully implemented their plans for the first half of 2021. We are constantly working on previously launched projects for the development of computer hardware and encryption products, AI-based development, as well as our online education system.

After the end of the first half of the year, two exceptional events occurred in the life of our company. On the one hand, ISRV Zrt. received a non-repayable subsidy, under which we want to develop an innovative solution for 3D printing and precision casting of metals, supporting industrial production processes, supported by innovative radar technologies and AI-based algorithms ([link](#)). On the other hand, ISRV Zrt. is a member of a consortium that can participate in tenders for the purchase of high-value software for the Hungarian state ([link](#)). Consortium membership in itself does not imply a certain order yet, but we hope that this opportunity can bring business success, not only for commercial server products, but also for self-developed hardware solutions.

The main areas that our company deals with and in which we definitely want to strengthen and develop further are:

I. On-line training

Our products developed for this area offer solutions for a wide range of business target groups. Whether it is public education, private education or in-company training, our product group provides each target group with an individually personalised, multi-functional and even closed-system video chat-based education and communication platform.

II. Development of security technology

Under the more and more increasing digital communication nowadays, not only telecommunication is understood. Communication between machines is growing exponentially. Just think about the diffusion of sensors in industry, agriculture, health or other important areas. More and more people, in more and more places, are communicating digitally, just as we are increasingly entrusting our lives and health, the control of our homes, industrial solutions, corporate values or, indeed, our children's education to digital solutions, and in parallel to this we are exposed, we and our digital lives, to more and more dangers. Protecting our data and our entire digital existence is extremely important, so protecting the digital space is becoming increasingly valuable.. Our goal is to provide the markets with solutions that provide protection for data communications as well as locally stored data in the aforementioned areas.

III. AI (or rather ML)

AI, or artificial intelligence, is an increasingly common phrase. Many companies claim to be engaged in developing this area. We don't say that. We consider Machine Learning (ML) to be the correct expression. We believe that no one in the market is working on developing an actual system that can be called true artificial intelligence. ML, on the other hand, is an extremely important area that opens up incredible technological perspectives and penetrates unstoppably into almost all areas of life. We see numerous opportunities in this area and wish to initiate more

and more development work in addition to the projects already in progress. Whether it is security technology, industrial processes, agriculture or digital education.

These areas therefore have great potential, but hard work and continuous investment are also needed to achieve the goals. The company-owned ISRV Zrt. has reported revenue growth that can be considered outstanding in the recent period, and this upward trend is also visible in the results for the first half of 2021. In line with our expectations, our revenues will increasingly be dominated by sales of products developed by us. Our firm objective is to continue to develop and expand our highly qualified staff. We wish to finance this growth from our growing revenues and results and through the use of capital.

The consolidated operating result of the Capital Group amounted to PLN 2.07 million in the second quarter of 2021, and PLN 17.87 million in the entire first half of 2021. This is mainly due to the subsidiary iSRV Zrt.

The result of the half-year was mainly influenced by contracts executed in the first quarter, including the delivery of ventilators, ordered by the Hungarian State Hospital Directorate (formerly ÁEEK), the implementation of a system project for the food industry, the resale of licences purchased in 2020 for foreign customers. Total revenues for the first half of the year amounted to PLN 112.6 million.

For the correct interpretation of the result achieved for the first half of the year, it is still important to add that a significant part of it was used to compensate for obligations still arising in the previous year and, in addition, the source requirement for IT studies in progress is high, so that the result of ISRV Zrt. generated in the first quarter was definitely used in these two areas.

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	Q2 2021	Q2 2020
A. FIXED ASSETS	76 522 995,26	185,42
I. Intangible assets	18 185 635,08	185,42
1. Research and development costs	13 216 616,70	-
2 Goodwill		-
3. Other intangible assets	4 969 018,38	185,42
4. Advances for intangible assets	-	-
II. Goodwill of subsidiaries	47 679 547,92	-
1. Goodwill - subsidiaries	47 679 547,92	-
2 Goodwill - jointly controlled entities	-	-
III. Tangible fixed assets	10 657 812,26	-
1. Tangible assets	451 359,68	-
2. Tangible assets under construction	10 206 452,58	-
3. Advances for tangible assets under construction	-	-
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. CURRENT ASSETS	10 656 182,54	316 639,58
I. Inventory	543 431,07	-
1. Materials	-	-
2. Semi-finished products and work in process	-	-
3. Finished products	-	-
4. Goods	543 431,07	-

ASSETS	Q2 2021	Q2 2020
5. Advances on deliveries and services	-	-
II. Short-term receivables	9 962 903,05	244 856,14
1. Receivables from related entities	-	-
2. Receivables from other entities in which the entity holds an equity interest	-	-
3. Receivables from other entities	9 962 903,05	244 856,14
III. Short-term investments	131 875,83	69 830,75
1. Short-term financial assets	131 875,83	69 830,75
2. Other short-term investments	-	-
IV. Short-term prepayments and accruals	17 972,59	1 952,69
C. Payments due to share capital	-	-
D. Own shares (stock)	-	-
TOTAL ASSETS	87 179 177,80	316 825,00

EQUITY AND LIABILITIES	Q2 2021	Q2 2020
A. EQUITY (FUND)	59 428 422,52	261 978,26
I. Share capital (fund)	5 812 000,00	312 000,00
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)	(131 726,71)
- consolidation adjustments (technical entry)	(10 847 472,82)	-
VII. Net profit (loss)	15 043 642,52	81 704,97
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	-	-
D. LIABILITIES AND PROVISIONS FOR LIABILITIES	27 750 755,28	54 846,74
I. Provisions for liabilities	14 477 945,67	51 342,30
1. Provision for deferred income tax	14 477 945,67	-
2. Provision for retirement and similar benefits	-	-
3. Other provisions	-	51 342,30
II. Long-term liabilities	20 881,78	-

EQUITY AND LIABILITIES	Q2 2021	Q2 2020
1. To related entities	-	-
2. To other entities in which the entity holds an equity interest	-	-
3. To other entities	20 881,78	-
III. Short-term liabilities	12 589 637,91	3 504,44
1. Liabilities to related entities	-	-
2. Liabilities to other entities in which the entity holds an equity interest	-	-
3. Liabilities to other entities	12 589 637,91	3 504,44
4. Special funds	-	-
IV. Prepayments and accruals	662 289,92	-
1. Negative goodwill	-	-
2. Other prepayments and accruals	662 289,92	-
TOTAL EQUITY AND LIABILITIES	87 179 177,80	316 825,00

b. Consolidated income statement

Profit and loss account	Q2 2021	Q2 2020	H1 2021	H1 2020
A. Net revenues from sales and their equivalents, including:	9 853 770,86	-	112 595 753,84	226 975,00
- from related entities	-	-	-	-
I. Net revenues from sales of products	9 192 713,00	-	111 407 462,40	-
II. Change in stock of products	-	-	-	-
III. Costs of manufacturing products for internal purposes	661 057,86	-	1 188 291,44	-
IV. Net revenues from sales of goods and materials	-	-	-	-
B. Operating costs	7 813 715,48	88 400,34	94 807 586,28	138 372,95
I. Amortisation and depreciation	523 901,39	80,22	981 429,04	160,44
II. Material and energy consumption	465 533,76	477,20	795 669,02	477,20
III. External services	2 046 370,48	72 522,40	5 706 401,50	106 957,95
IV. Taxes and charges, including:	83 793,82	-	156 747,47	350,00
- excise duty	-	-	-	-
V. Payroll	543 018,61	15 000,00	1 007 096,60	30 000,00
VI. Social insurance and other benefits	-	-	-	-

Profit and loss account	Q2 2021	Q2 2020	H1 2021	H1 2020
VII. Other costs by type	74 194,62	320,52	440 261,45	427,36
VIII. Value of goods and materials sold	4 076 902,80	-	85 719 981,20	-
C. Profit (loss) on sales (A-B)	2 040 055,38	(88 400,34)	17 788 167,56	88 602,05
D. Other operating revenues	38 992,09	-	77 793,04	-
I. Gain on disposal of non-financial fixed assets	-	-	-	-
II. Subsidies	-	-	-	-
III. Revaluation of non-financial assets	-	-	-	-
IV. Other operating revenues	38 992,09	-	77 793,04	-
E. Other operating costs	-	0,21	-	0,69
I. Loss on disposal of non-financial fixed assets	-	-	-	-
II. Revaluation of non-financial assets	-	-	-	-
III. Other operating costs	-	0,21	-	0,69
F. Operating profit (loss) (C+D-E)	2 079 047,47	(88 400,55)	17 865 960,60	88 601,36
G. Financial revenues	4 242,46	2 190,20	202 950,64	2 904,61
I. Dividend and profit sharing	-	-	-	-
II. Interest	-	-	-	-
III. Gain on disposal of financial assets	-	-	-	-
IV. Revaluation of financial assets	-	-	-	-
V. Other	4 242,46	2 190,20	202 950,64	2 904,61
H. Financial costs	16 242,99	-	1 095 094,98	-
I. Interest	-	-	104,04	-
II. Loss on sales of financial assets	2 401,03	-	4 884,18	-
III. Revaluation of investments	-	-	-	-
IV. Other	13 841,96	-	1 090 106,76	-
I. Profit (loss) on the sale of all or part of shares of subordinates	-	-	-	-
J. Profit (loss) on business activities (F+G-H+/-1)	2 067 046,94	-	16 973 816,26	-
K. Write-down of goodwill	291 520,95	-	412 330,74	-
I. Goodwill write-down - subsidiaries	291 520,95	-	412 330,74	-
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	Q2 2021	Q2 2020	H1 2021	H1 2020
I. Gross profit (loss) (J-K+L+/-M)	1 775 525,99	(86 210,35)	16 561 485,52	91 505,97
J. Income tax	188 347,49	-	1 517 843,00	9 801,00
I. Current part	188 347,49	-	1 517 843,00	9 801,00
II. Deferred portion	-	-	-	-
K. Other compulsory reductions in profit (increases in loss)	-	-	-	-
L. Net profit (loss) (I-J-K)	1 587 178,50	(86 210,35)	15 043 642,52	81 704,97

c. Consolidated statement of changes in equity

Statement of changes in equity	Q2 2021	Q2 2020	H1 2021	H1 2020
I. EQUITY (FUND) AT THE BEGINNING OF THE PERIOD (BO)	57 732 934,51	348 188,61	44 331 786,04	180 273,29
I.a. Equity (fund) at the beginning of the period (BO) after adjustments	57 732 934,51	348 188,61	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	5 812 000,00	1 560 000,00
1.1. Changes in share capital (fund)	-	(1 248 000,00)	-	(1 248 000,00)
1.2. Share capital (fund) at the end of the period	5 812 000,00	312 000,00	5 812 000,00	312 000,00
2. Supplementary capital (fund) at the beginning of the period	49 500 000,00	-	49 500 000,00	-
2.1. Changes in supplementary capital (fund)	-	-	-	-
2.2. Closing balance of supplementary capital (fund)	49 500 000,00	-	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	108 309,51	-	52 993,96	-
6. profit (loss) from previous years at the beginning of the period	(79 547,18)	(131 726,71)	(79 547,18)	(131 726,71)
6.1. Opening balance of retained earnings	-	-	-	-
6.2. Opening balance of previous years' profit, after adjustments	-	-	-	-
6.3. Retained earnings at the end of the period	-	-	-	-

6.4. Opening loss from prior years,	79 547,18	131 726,71	79 547,18	131 726,71
6.5. Opening balance of loss brought forward, after adjustments	79 547,18	131 726,71	79 547,18	131 726,71
6.6. Loss brought forward at the end of the period	79 547,18	131 726,71	79 547,18	131 726,71
6.7. Profit (loss) from previous years at the end of the period	(79 547,18)	(131 726,71)	(79 547,18)	(131 726,71)
7. Net result	1 587 178,50	(86 210,35)	15 043 642,52	81 704,97
II. EQUITY (FUND) AT THE END OF THE PERIOD (SB)	59 428 422,52	261 978,26	59 428 422,52	261 978,26
III. EQUITY (OWN FUND), AFTER PROPOSED DISTRIBUTION OF PROFIT (COVERAGE OF LOSS)	59 428 422,52	261 978,26	59 428 422,52	261 978,26

d. Consolidated Statement of Cash Flows

Cash flow statement	Q2 2021	Q2 2020	H1 2021	H1 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Net profit (loss)	1 587 178,50	(86 210,35)	15 043 642,52	81 704,97
II. Total adjustments	(2 755 312,66)	(14 492,09)	(9 057 502,78)	(123 898,47)
1. Minority profit (loss)	-	-	-	-
2. Gains (losses) on shares in entities accounted for using the equity method	-	-	-	-
3. Depreciation	523 901,39	80,22	981 429,04	160,44
4. Write-downs of goodwill	291 520,95	-	412 330,74	-
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	119 667,33	(7 238,27)	82 031 544,33	(125 730,66)
11. Change in receivables	(2 302 584,34)	(8 404,56)	(3 836 809,63)	3 504,44
12. Change in short-term liabilities, except for loans and borrowings	(1 444 789,76)	1 070,52	(89 046 004,06)	(1 832,69)
13. Change in accruals	56 971,78	-	400 007,03	-
14. Other adjustments	(0,01)	-	(0,23)	-
III. Net cash flows from operating activities (I+II)	(1 168 134,16)	(100 702,44)	5 986 139,74	(42 193,50)
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 assets	-	-	-	-

Cash flow statement	Q2 2021	Q2 2020	H1 2021	H1 2020
3. Of financial assets, including:	-	-	-	-
4. Other investment income	-	-	-	-
II. Expenses	1 082 647,85	-	6 081 407,31	-
1. Acquisition of intangible and tangible fixed assets	1 082 647,85	-	6 081 407,31	-
2. Investments in real estate and intangible assets	-	-	-	-
3. For financial assets, including:	-	-	-	-
4. Other capital expenditure	-	-	-	-
III. Net cash flows from investing activities (I-II)	(1 082 647,85)		(6 081 407,31)	
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)	-	-	-	-
D. TOTAL NET CASH FLOWS (A.III.+B.III+C.III)	(2 250 782,01)	(100 702,44)	(95 267,57)	(42 193,50)
E. BALANCE SHEET CHANGE IN CASH, INCLUDING:	(2 250 782,01)	(100 702,44)	(95 267,57)	(42 193,50)
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2 382 657,84	170 533,19	227 143,40	112 024,25
G. CASH AT THE END OF THE PERIOD (F+D)	131 875,83	69 830,75	131 875,83	69 830,75

3. Quarterly separate financial statements

a. Separate balance sheet

ASSETS	Q2 2021	Q2 2020
A. FIXED ASSETS	55 000 000,00	185,42
I. Intangible assets	-	185,42
1. Research and development costs	-	-
2. Goodwill	-	-
3. Other intangible assets	-	185,42
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. CURRENT ASSETS	275 093,33	316 639,58
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	232 419,68	244 856,14
1. Receivables from related entities	-	-
2. Receivables from other entities in which the entity holds an equity interest	-	-
3. Receivables from other entities	232 419,68	244 856,14
III. Short-term investments	37 865,62	69 830,75

ASSETS	Q2 2021	Q2 2020
1. Short-term financial assets	37 865,62	69 830,75
2. Other short-term investments	-	-
IV. Short-term prepayments and accruals	4 808,03	1 952,69
C. Called-up share capital	-	-
D. Own shares (stocks)	-	-
TOTAL ASSETS	55 275 093,33	316 825,00

EQUITY AND LIABILITIES	Q2 2021	Q2 2020
A. EQUITY (FUND)	55 274 180,59	261 978,26
I. Share capital (fund)	5 812 000,00	312 000,00
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)	(131 726,71)
VI. Net profit (loss)	41 727,77	81 704,97
VII. Write-off on net profit during the financial year	-	-
B. LIABILITIES AND PROVISIONS FOR LIABILITIES	912,74	54 846,74
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	912,74	3 504,44
1. Liabilities to related entities	-	-
2. Liabilities to other entities in which the entity holds an equity interest	-	-
3. Liabilities to other entities	912,74	3 504,44
4. Special funds	-	-
IV. Prepayments and accruals	-	-
1. Negative goodwill	-	-
2. Other prepayments and accruals	-	-

EQUITY AND LIABILITIES	Q2 2021	Q2 2020
TOTAL EQUITY AND LIABILITIES	55 275 093,33	316 825,00

b. Separate income statement

Profit and loss account	Q2 2021	Q2 2020	H1 2021	H1 2020
A. Net revenues from sales and their equivalents, including:	-	-	3 941 896,00	226 975,00
- 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. Operating costs	78 751,08	88 400,34	3 897 734,96	138 372,95
I. Amortisation and depreciation	-	80,22	24,98	160,44
II. Material and energy consumption	-	477,20	60,00	477,20
III. External services	50 823,46	72 522,40	109 109,24	106 957,95
IV. Taxes and charges, including:	1 068,00	-	1 068,00	350,00
- excise duty	-	-	-	-
V. Payroll	23 392,35	15 000,00	41 392,35	30 000,00
VI. Social insurance and other benefits	-	-	-	-
VII. Other costs by type	466,77	320,52	1 278,46	427,36
VIII. Value of goods and materials sold	0,50	-	3 744 801,93	-
C. Profit (loss) on sales (A-B)	(78 751,08)	(88 400,34)	44 161,04	88 602,05
D. Other operating revenues	984,00	-	984,00	-
I. Gain on disposal of non-financial fixed assets	-	-	-	-
II. Subsidies	-	-	-	-
III. Revaluation of non-financial assets	-	-	-	-
IV. Other operating revenues	984,00	-	984,00	-
E. Other operating costs	-	0,21	-	0,69
I. Loss on disposal of non-financial fixed assets	-	-	-	-
II. Revaluation of non-financial assets	-	-	-	-
III. Other operating costs	-	0,21	-	0,69
F. Operating profit (loss) (C+D-E)	(77 767,08)	(88 400,55)	45 145,04	88 601,36
G. Financial revenues	563,90	2 190,20	2 318,33	2 904,61
I. Dividend and profit sharing	-	-	-	-

Profit and loss account	Q2 2021	Q2 2020	H1 2021	H1 2020
II. Interest	-	-	-	-
III. Gain on disposal of financial assets	-	-	-	-
IV. Revaluation of financial assets	-	-	-	-
V. Other	563,90	2 190,20	2 318,33	2 904,61
H. Financial costs	3 558,37	-	3 678,60	-
I. Interest	-	-	104,04	-
II. Loss on sales of financial assets	-	-	-	-
III. Revaluation of investments	-	-	-	-
IV. Other	3 558,37	-	3 574,56	-
I. Gross profit (loss) (F+G-H)	(80 761,55)	(86 210,35)	43 784,77	91 505,97
J. Income tax	-	-	2 057,00	9 801,00
I. Current portion	-	-	2 057,00	9 801,00
II. Deferred portion	-	-	-	-
K. Other mandatory decrease of profit (increase of loss)	-	-	-	-
L. Net profit (loss) (I-J-K)	(80 761,55)	(86 210,35)	41 727,77	81 704,97

c. Separate statement of changes in equity

Statement of changes in equity	Q2 2021	Q2 2020	H1 2021	H1 2020
I. EQUITY (FUND) AT THE BEGINNING OF THE PERIOD (BO)	55 354 942,14	348 188,61	55 232 452,82	180 273,29
I. a. Equity (fund) at the beginning of the period (BO) after adjustments	55 354 942,14	348 188,61	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	5 812 000,00	1 560 000,00
1.1. Changes in share capital (fund)	-	(1 248 000,00)	-	(1 248 000,00)
1.2. Share capital (fund) at the end of the period	5 812 000,00	312 000,00	5 812 000,00	312 000,00
2. Supplementary capital (fund) at the beginning of the period	49 500 000,00	-	49 500 000,00	-
2.1. Changes in supplementary capital (fund)	-	-	-	-
2.2. Closing balance of supplementary capital (fund)	49 500 000,00	-	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	Q2 2021	Q2 2020	H1 2021	H1 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)	(131 726,71)	(79 547,18)	(131 726,71)
5.1. Opening balance of profit from previous years	-	-	-	-
5.2. Opening balance of profit from previous years, after adjustments	-	-	-	-
5.3. Closing balance of profit from previous years	-	-	-	-
5.4. Opening balance of loss from previous years	79 547,18	131 726,71	79 547,18	131 726,71
5.5. Opening balance of loss from previous years, after adjustments	79 547,18	131 726,71	79 547,18	131 726,71
5.6. Closing balance of loss from previous years	79 547,18	131 726,71	79 547,18	131 726,71
5.7. Closing balance profit (loss) from previous years	(79 547,18)	(131 726,71)	(79 547,18)	(131 726,71)
6. Net result	(80 761,55)	(86 210,35)	41 727,77	81 704,97
II. EQUITY (FUND) AT THE END OF THE PERIOD (SB)	55 274 180,59	261 978,26	55 274 180,59	261 978,26
III. EQUITY (OWN FUND), AFTER PROPOSED DISTRIBUTION OF PROFIT (COVERAGE OF LOSS)	55 274 180,59	261 978,26	55 274 180,59	261 978,26

d. Separate Statement of Cash Flows

Cash flow statement	Q2 2021	Q2 2020	H1 2021	H1 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Net profit (loss)	(80 761,55)	(86 210,35)	41 727,77	81 704,97
II. Total adjustments	81 600,40	(14 492,09)	(69 778,22)	(123 898,47)
1. Amortisation and depreciation	-	80,22	24,98	160,44
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	82 814,53	(7 238,27)	(45 222,70)	(125 730,66)

8. Change in short-term liabilities, excluding loans and borrowings	(3 680,90)	(8 404,56)	(20 237,50)	3 504,44
9. Change in prepayments and accruals	2 466,77	1 070,52	(4 343,00)	(1 832,69)
10. Other adjustments	-	-	-	-
III. Net cash flow from operating activities (I+II)	838,85	(100 702,44)	(28 050,45)	(42 193,50)
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Inflows	-	-	-	-
1. Disposal of intangible assets and tangible fixed assets	-	-	-	-
2. Disposal of investments in real property and intangible assets	-	-	-	-
3. From financial assets, including:	-	-	-	-
4. Other inflows from investing activities	-	-	-	-
II. Expenses	-	-	-	-
1. Acquisition of intangible fixed assets and tangible fixed assets	-	-	-	-
2. Investments in real property and intangible assets	-	-	-	-
3. For financial assets, including:	-	-	-	-
4. Other investment expenses	-	-	-	-
III. Net cash flow from investing activities (I-II)	-	-	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Inflows	-	-	-	-
1. Net inflows from the issue of shares and other capital instruments and capital contributions	-	-	-	-
2. Loans and borrowings	-	-	-	-
3. Issue of debt securities	-	-	-	-
4. Other financial inflows	-	-	-	-
II. Expenses	-	-	-	-
1. Acquisition of own shares (stocks)	-	-	-	-
2. Dividends and other payments to shareholders	-	-	-	-
3. Expenses related to profit distribution other than payments to shareholders	-	-	-	-
4. Repayment of loans and borrowings	-	-	-	-
5. Redemption of debt securities	-	-	-	-

6. On the account of other financial liabilities	-	-	-	-
7. Payments of liabilities arising from financial leasing agreements	-	-	-	-
8. Interest	-	-	-	-
9. Other financial expenses	-	-	-	-
III. Net cash flows from financial activities (I-II)	-	-	-	-
D. TOTAL NET CASH FLOWS (A.III±B.III±C.III)	838,85	(100 702,44)	(28 050,45)	(42 193,50)
E. BALANCE SHEET CHANGE IN CASH, INCLUDING	838,85	(100 702,44)	(28 050,45)	(42 193,50)
F. OPENING BALANCE OF CASH	37 026,77	170 533,19	65 916,07	112 024,25
G. CLOSING BALANCE OF CASH (F±D)	37 865,62	69 830,75	37 865,62	69 830,75

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.

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%
SUMMARY	58 120 000	100,00%	58 120 000	100,00%

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 also had an impact on 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 June 30, 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 second 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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