

# Report

consolidated

for the second quarter of 2020

Dear Shareholders,

The Company's strategy is consistently based on Big Data analysis. Cloud Technologies remains one of the largest providers of anonymous profiles of Internet users that are further used for targeting online advertisements. One of the company's most precious resources is the data set with billions of anonymous profiles that belong to users of desktop computers and mobile devices from almost all over the world. This is the resource that had been created on our own from the beginning to the end, and that is the reason for it not to be included in these financial statements.

Being aware of dynamic changes on the international data market, the Company has taken actions to adapt both the business model and structure that temporarily impacted its financial performance. The Company's activity is focused on developing technologies, while activities in the scope of processing and selling data as well as performing services based on them are the tasks of specialized entities that constitute the Group.

The Company's crucial goal is at present to increase the scale of activities and further diversify the source of revenues, which, with relatively low level of variable costs, should result in positive margins achieved. Therefore, the Company is developing an OnAudience.com Data Alliance program that aims to increase our presence on data market. For the same reason, we have made new investments in the area of the DMP technology (Data Management Platform), as well as the DSP (Demand Side Platform).

It is worth noticing that, despite the ongoing COVID-19 pandemic, the second quarter of 2020 was a period of improved financial results in key areas of the Company's activities year-on-year, and the achieved revenue dynamics was again higher than the market growth rate. Despite a significant drop in revenues in April caused by markets collapse due to introduced sanitary restrictions, there was a significant increase in sales in May and June. The model of selling the DMP technology in the form of a long-term license also turned out to be a success, and new agreements have just come into force. The Company expects to conclude further agreements of this kind in the nearest future.

I have the pleasure to present to you, the report for the second quarter of 2020.

**Piotr Prajsnar**  
Chairman of the Board

## Selected financial data

Financial data (PLN million)	2Q2020	2Q2019	Change	1-2Q2020	1-2Q2019	Change
<b>Revenues on sales</b>	<b>10.7</b>	<b>9.7</b>	<b>11.0%</b>	<b>22.0</b>	<b>18.1</b>	<b>21.7%</b>
<b>Data Acquisition, including:</b>	<b>5.0</b>	<b>5.0</b>	<b>0.8%</b>	<b>11.6</b>	<b>9.7</b>	<b>20.0%</b>
- Affiliate networks	2.8	3.5	-20.0%	7.0	7.3	-3.8%
- Brokers of advertising spaces	2.2	1.4	51.9%	4.6	2.4	92.7%
<b>Data Consulting, including:</b>	<b>2.9</b>	<b>3.3</b>	<b>-10.2%</b>	<b>6.2</b>	<b>6.0</b>	<b>4.7%</b>
- Advertising agencies and media houses	2.2	2.2	-0.8%	4.5	4.1	9.5%
- Direct clients of advertising services	0.7	1.0	-30.9%	1.8	1.9	-5.7%
<b>Data Enrichment, including:</b>	<b>2.3</b>	<b>1.4</b>	<b>64.7%</b>	<b>3.7</b>	<b>2.4</b>	<b>52.1%</b>
- Data and technology distributors	2.3	1.4	64.7%	3.7	2.4	52.1%
<b>Other</b>	<b>0.4</b>	<b>0.0</b>	<b>-</b>	<b>0.4</b>	<b>0.0</b>	<b>-</b>
<b>EBITDA segments</b>	<b>0.3</b>	<b>-0.4</b>	<b>-</b>	<b>-0.4</b>	<b>-1.4</b>	<b>-</b>
<b>Net profit / loss</b>	<b>-0.9</b>	<b>-1.6</b>	<b>-</b>	<b>-1.7</b>	<b>-3.6</b>	<b>-</b>

- The second quarter of 2020 was the sixth consecutive period in which financial results improved in key areas of activity, including total revenues on sales (increase by 11% y/y) and EBITDA (increase by PLN 0.7 million y/y), and the net loss is mainly due to the high level of depreciation and amortization as well as negative exchange rate differences.
- In line with the strategic assumptions that justify the business transformation, the sales of data and technology to process the data are growing the fastest (growth by 65% y/y), despite the negative impact of the COVID-19 pandemic also noted in this segment.
- Systematic development of activities in the scope of purchasing advertising spaces in the RTB model (increase by 1% y/y) enables the acquisition of even more data that is the basis of activities in other areas.
- The Group increased the level of cash (to PLN 15.5 million), has a positive balance of operating cash flows, and continues investing activities according to the adopted schedule.
- The Board of Directors expects an improvement of financial results in the future, subject to the risks resulting from the development of the pandemic.

## Contents

<b>Introduction</b>	<b>5</b>
<b>Business model</b>	<b>7</b>
<b>Segments of activity</b>	<b>8</b>
<b>Description of activity</b>	<b>9</b>
<b>Group</b>	<b>12</b>
<b>Significant achievements</b>	<b>13</b>
<b>Employment information</b>	<b>15</b>
<b>Statement on the information provided</b>	<b>16</b>
<b>Other information</b>	<b>16</b>
<b>Board of Directors</b>	<b>17</b>
<b>Supervisory Board</b>	<b>17</b>
<b>Shareholders</b>	<b>17</b>
<b>Registration data</b>	<b>18</b>
<b>Contact details</b>	<b>18</b>

**Appendix – Condensed consolidated financial statement for the second quarter of 2020**

## Introduction

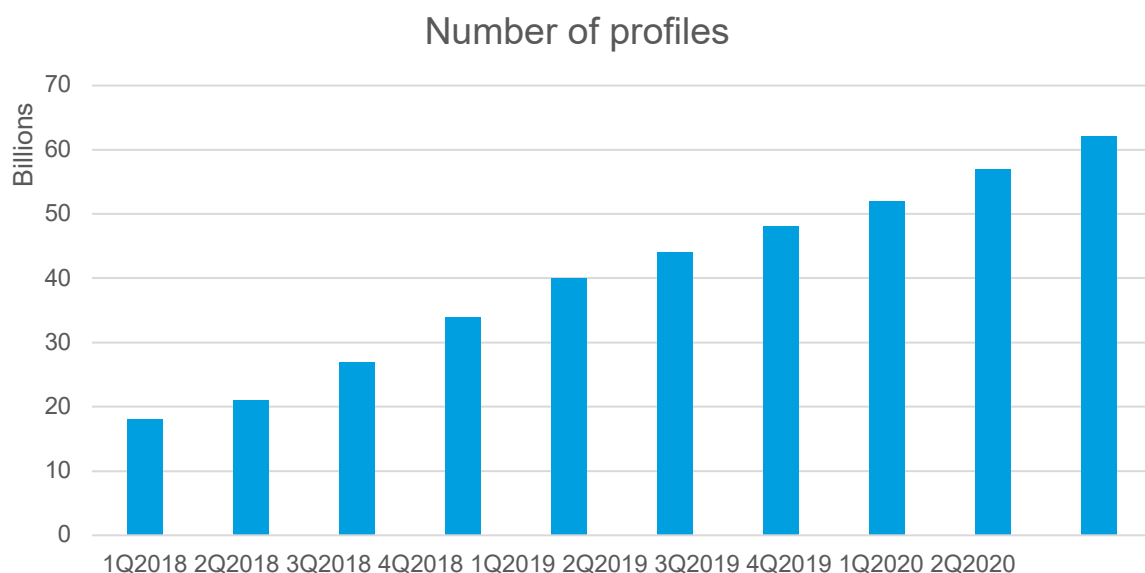
The Group provides services based on Big Data. The key resource having the greatest impact on its activities are sets of processed data that can be described in terms of the number of data, as well as geographic range.

Currently, the Company processes over 62 billions of anonymous profiles of online users using desktop computers and mobile devices. The data is collected from over 200 countries and territories with the EU and the USA markets being essential for the Company's activity.

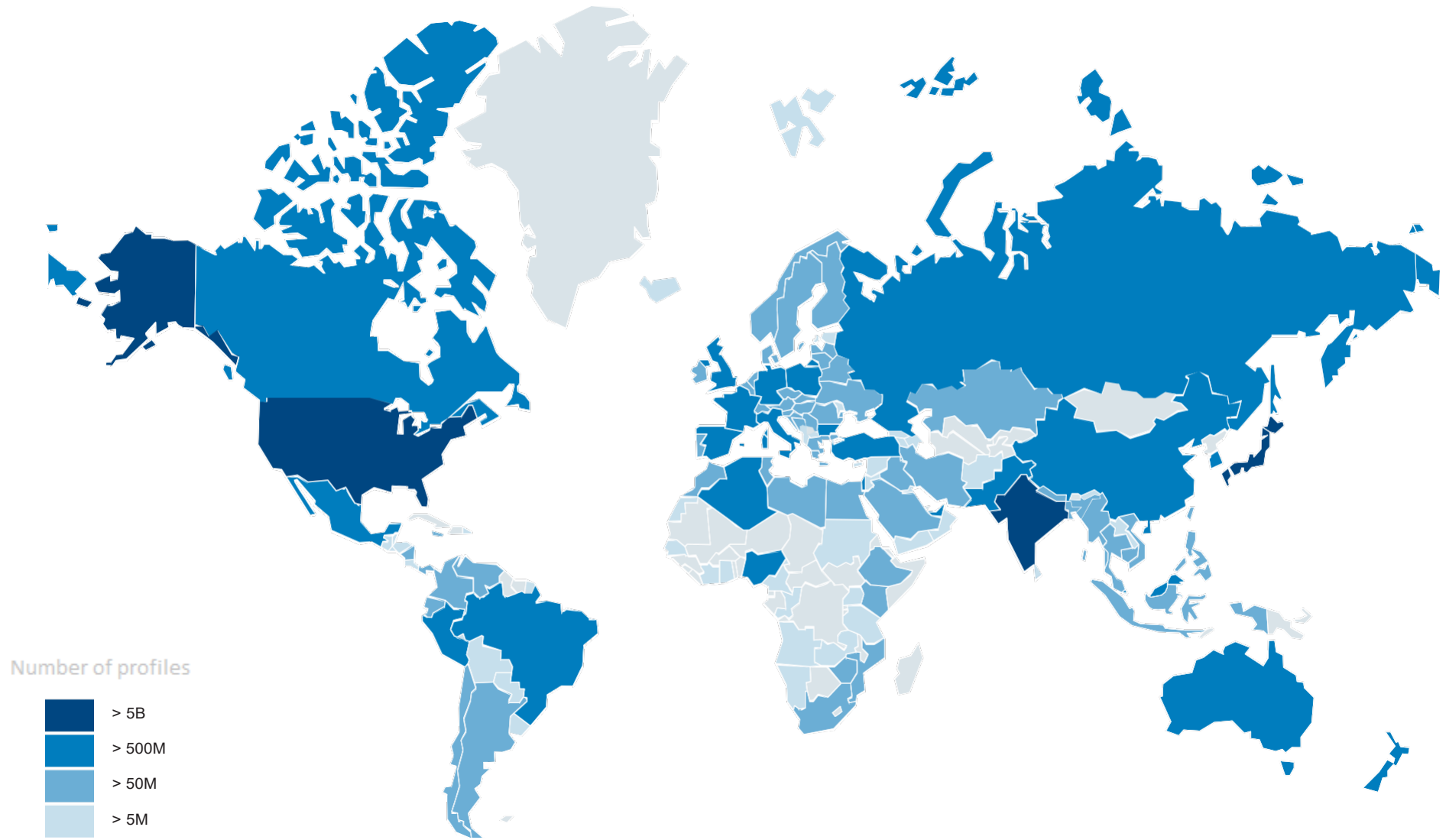
**The amount of data** has an impact on the scale of the provided services and, therefore, it affects the value of sales revenues. The basic criteria to state the amount of data is a number of profiles correlated to a number of devices and not people. Another important criteria is the definition of data that is the amount of information on a given profile.

**Geographical range** has an impact on the availability of services on individual markets, and at the same time, the base of potential clients. Saturation of individual markets with data, that are profiled users, is also significant.

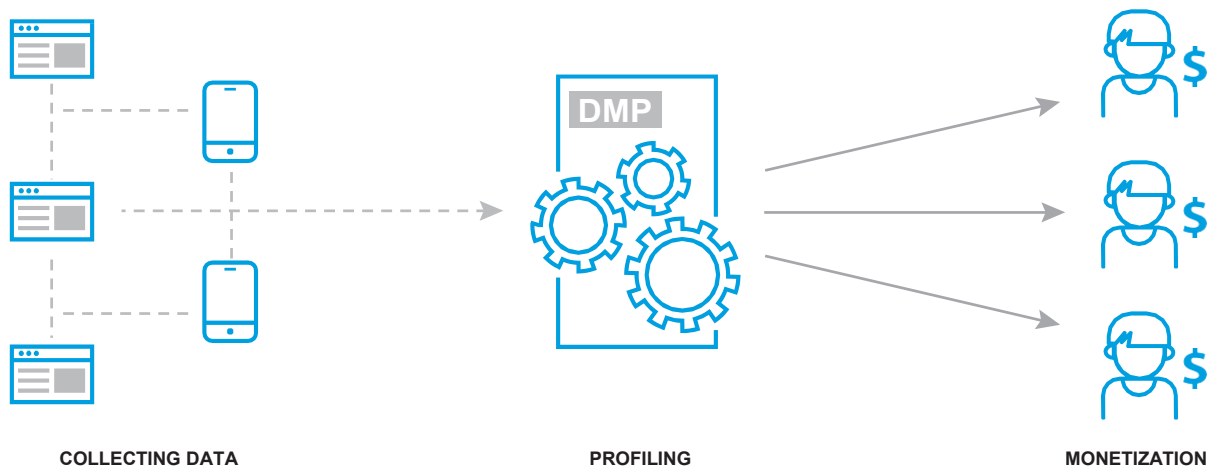
The ability to process raw data and distribution of those processed data has an impact on the efficiency of the data sets. That is why the Company created its own technology i.e. Data Management Platform that operates under the OnAudience.com brand. The company is systematically expanding sale channels, and that is why new trade relations are being established.



<sup>1</sup> **Number of profiles** is the product of the users number as well as segments to which they were classified



## Business model



### Collecting data

The first stage is collecting anonymous data about the activity of Internet users based on cookies, mobile identifiers, and similar technologies. The Company obtains data of the following types: 1st party (from own sources), 2nd party (from partners), and 3rd party (from suppliers).

Raw data is collected and, afterwards, it is a subject to a multi-stage analysis with the use of statistical methods and machine learning. The Company employs its own technologies that aim to use the whole potential hidden in the acquired data

### Data profiling

The second stage is data profiling. It aims to identify valuable information and then create anonymous profiles of users. Every user can be described with the help of even a few thousand of features that are regularly updated.

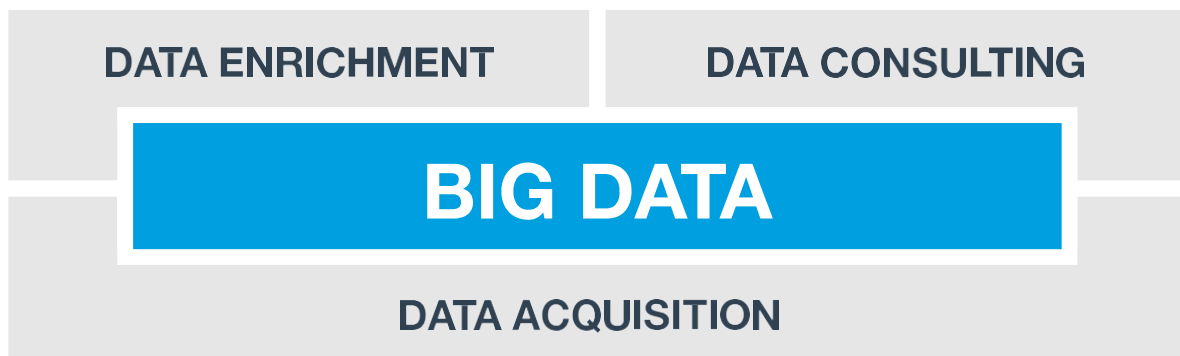
Profiling is aimed at classifying the user to appropriate segments, catalog of which is called a taxonomy. In this form, the data is prepared for further distribution and can be transferred to technological partners.

### Data monetization

The third stage is commercial use of the processed data in areas of the Group's activities.

## Segments of activity

In connection with significant organizational changes, division of company's operating segments has been updated. It allows better understanding of the business and changes that take place in it. Detailed information on the operating segments along with corresponding financial data can be found in the appendix.



### Data acquisition

Activity leading to acquiring anonymous data about Internet users, which are used in other segments of the Group's activities. Revenues in this segment come mainly from advertising campaigns run for affiliate networks and from brokerage of the purchase of an advertising space. The characteristic feature of this business segment is high turnover on the purchase of advertising space and relatively small margin.

### Data consulting

Service activities with the use of anonymous data about Internet users and own DMP technology (Data Management Platform). The provided services include especially the implementation of precisely targeted online advertising campaigns. The main clients of those services are advertising agencies as well as direct clients, mostly from the B2C segment.

### Data enrichment

Activity of enriching digital information by selling anonymous data about Internet users and selling licenses for own DMP technology (Data Management Platform). Data is sold on global market and it is mostly distributed via DSP systems (Demand Side Platform) and CRM (Customer Relationship Management).



## Description of activity

### Mission

The Company provides services based on Big Data and has one of the largest Data Management Platforms that processes anonymous profiles of Internet users from all around the world. For this purpose, it develops its own technologies based on Cloud Computing and employing methods of Machine Learning.

The Company has unique competences in the scope of optimizing advertising campaigns with the use of automatic media buying (Programmatic Buying, Real-Time Bidding). This activity connected to digital advertising allows the Company to acquire raw data and monetize the processed data.

### Vision

The Company pursues a global strategy that is based on the analysis of Big Data. Among the Company's services, there are technologies employing methods of Machine Learning, and using elements of Internet of Things. The Company continues investment activities focused on markets with a high growth potential and thus systematically accumulates value for Shareholders.

The position of market leader based on innovative technologies allows the Company to act as a consolidation center. Consistent increase in the scale of operations with the use of synergy effect enables the Company to develop dynamically, which is the source of permanent competitive advantage.

### Outline of strategic objectives

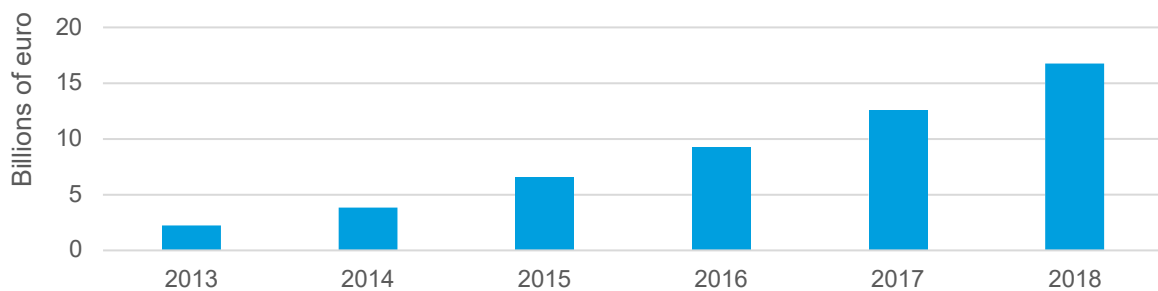
- 1. Globalization of innovative products and services, including:**
  - a. Technologies based on Big Data,
  - b. Technologies of Programmatic Buying.
- 2. Diversification of the port folio of products and services, including:**
  - a. Methods of Machine Learning,
  - b. Elements of Internet of Things.

## Digital advertising market

Programmatic Buying is a method of automatic media buying that, in particular, enables personalization of the advertised messages. Among advantages of this model there is the possibility to reach a wider group of users by employing standardized methods measuring statistics. Therefore, media buying systems based on RTB technology (Real-Time Bidding) are becoming more and more important. To optimize advertising campaign, they use external sources of data about Internet users. Desired emission parameters are determined on their basis. Those parameters have a crucial impact on the effectiveness of advertising campaigns.

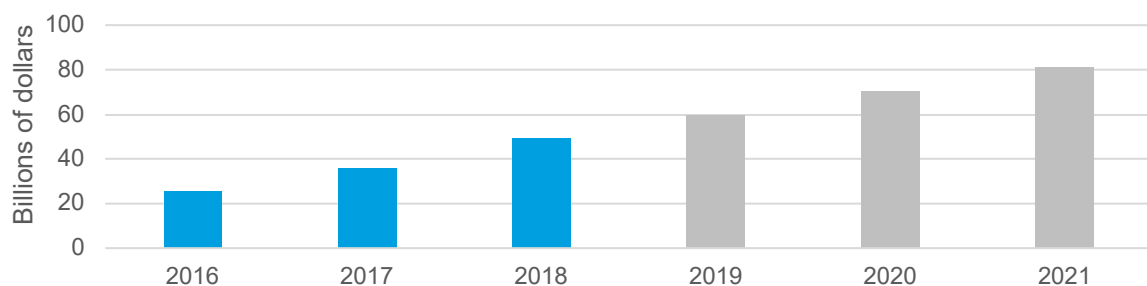
eMarketer estimates that in 2021 87.5% of US digital display advertising expenses will be implemented in the Programmatic Buying model. Moreover, IAB can observe similar trends in the EU and expects a dynamic development of the key markets. AdExchanger, on the other hand, predicts that in a long-time perspective, the value of external data will stabilize at the level of 20% of the value of media used for advertising campaigns emission.

### Value of Programmatic Buying market in the EU



Source: IAB

### Value of Programmatic Buying market in the USA



Source: eMarketer; gray – estimated data

## Data in digital advertising

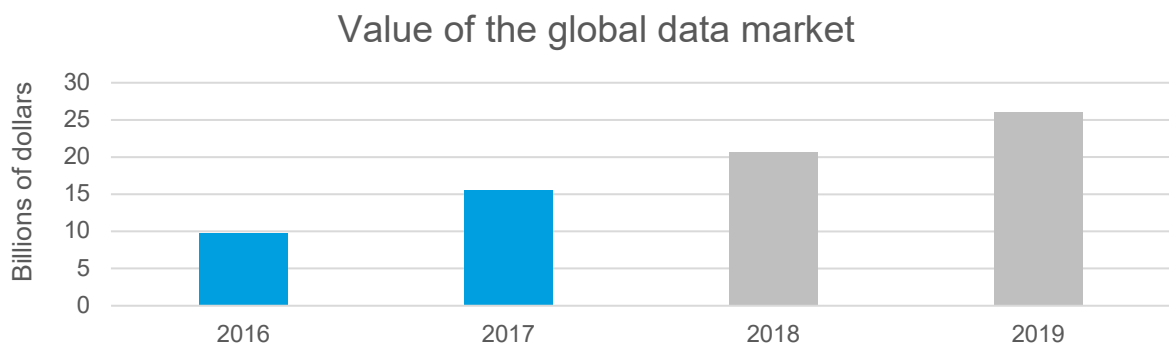
Along with the automation of media buying, the demand for data enabling targeting of digital advertising is increasing. An appropriate choice of a target group is crucial for the effectiveness of advertising campaigns run on the Internet.

Processing data used in digital advertising is possible due to DMP technology (Data Management Platform). It enables the exchange of data in RTB ecosystem (Real-Time Bidding) and ensures the protection of user's anonymity.

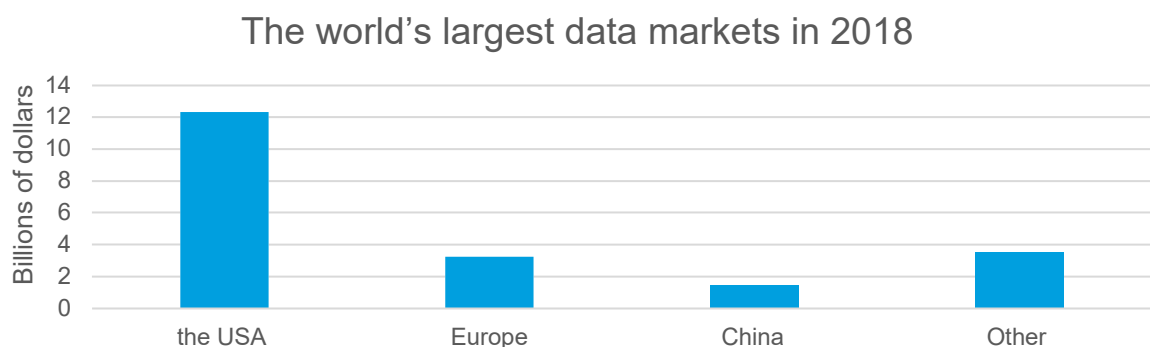
On the grounds of the source of data used in digital advertising, it can be divided into:

1. **1st party data** that is data owned by an advertiser,
2. **2nd party data** that is data acquired from partners,
3. **3rd party data** that is data acquired from external sources.

The Company is one of the largest data providers in the world in the 3rd party data segment.



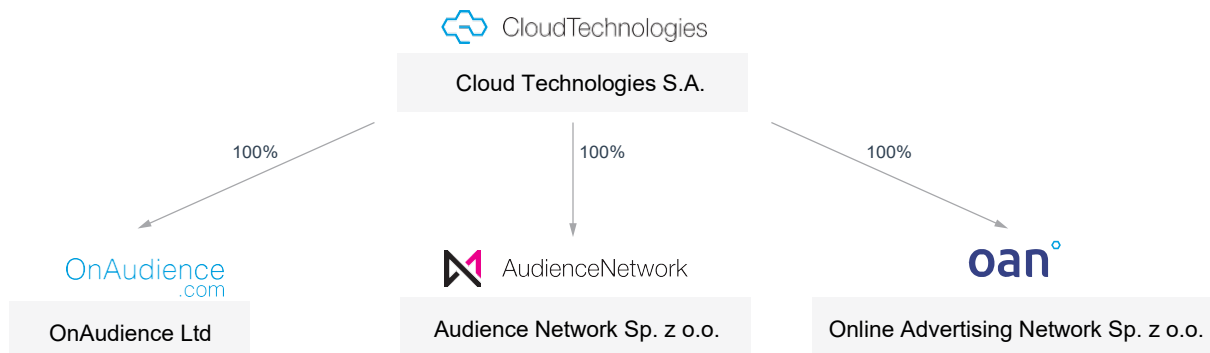
*Source: OnAudience.com; gray – estimated data*



*Source: OnAudience.com*

## Group overview

### Organizational structure



### Characteristics of the entities

Audience Network sp. z o.o. is based in Warsaw and provides services in the scope of data consulting. It specializes in precisely targeted digital advertising. The entity was established in 2014 by people with many years of experience in digital advertising and unique competences in the scope of commercial usage of products as well as services provided by the Group. The Company holds 100% of shares in the share capital as well as total number of votes and it is fully consolidated.

Online Advertising Network sp. z o.o. is based in Warsaw and provides services in the scope of digital advertising. It specializes in data monetization. The entity was established in 2017 to purchase an organized part of the OAN sp. z o.o. company. However, currently the company develops its activities on digital advertising market based on products and services provided by the Group. The Company holds 100% of shares in the share capital as well as total number of votes and it is fully consolidated.

OnAudience Ltd is based in London and develops international activities in the scope of distribution of data-based products. The entity operating under British law allows a proper branding on foreign markets and thus it has a positive impact on cooperation with key clients from the USA. The entity was established in 2016, however, it started operating in 2018 and, due to its strategic features, it began to play a crucial business role in the Group. The Company holds 100% of shares in the share capital as well as total number of votes and it is fully consolidated.

## Significant achievements

The Company has acquired new partners for the OnAudience.com Data Alliance program that aims to expand data acquisition and data distribution networks. One of the key assumptions of the program is to strengthen the cooperation with local partners and international clients.

The Company accomplished further technological integrations with global data distributor and started the process of selling data. Due to the characteristics of this market segment, reaching the targeted financial parameters with those new clients can last even up to several months.

The Company is monitoring changes in law (inter alia GDPR, CCPA), especially those concerning the EU and the USA, as well as systematically adjusts its activity to the changing market environment. The Company is one of the first signatories of the Code for Good Practices of Programmatic Advertising (polish: Kodeks Dobrych Praktyk Reklamy Programmatic) developed by IAB Polska, and is a member of Transparency & Consent Framework as part of IAB Europe.

The Company is monitoring technological changes (inter alia ITP, ETP), especially those concerning the handling of cookies and similar technologies, as well as it is systematically adjusting its activity to the changing market environment. The Company is following recommendations of browser developers and it has introduced the SameSite attribute which usage is required by Google from the beginning of this year.

The development of the COVID-19 pandemic so far had a negative impact on financial results in the second quarter of 2020, but after revenue decrease in April, the Company recorded revenue increase in May and June. Currently available information indicates that the above mentioned circumstances should not have a significant impact on Group's operations in the long term, subject to the risk arising from a possible further deterioration of the global economic situation.

On May 29, 2020, the Company received information about a positive decision on granting a financial subsidy in the amount of PLN 1 300 000 that is a part of the Financial Shield of the Polish Development Fund. The subsidy is reimbursed in 24 equal monthly installments, starting from the 13<sup>th</sup> calendar month and counting from the first full calendar month after the date the subsidy was granted. The amount of the subsidy reimbursement will be between 25% up to 100%, depending on meeting the financial performance and employment criteria, the remainder being waived.

On June 2, 2020, Audience Network sp. z o.o., a subsidiary entity of the Company, received information about a positive decision on granting a financial subsidy in the amount of PLN 2 100 000 being a part of the Financial Shield of the Polish Development Fund. The subsidy is reimbursed in 24 equal monthly installments, starting from the 13<sup>th</sup> calendar month and counting from the first full calendar month after the date the subsidy was granted. The amount of the subsidy reimbursement will be between 25% up to 100%, depending on meeting the financial performance and employment criteria, the remainder being waived.

Audience Network sp. z o.o., a subsidiary entity of the Company, is running a project called 'Implementation of new technology - OnAudience Big Data Analytics Platform' under the sub-measure 3.2.2. Loan for technological innovations of the Inteligentny Rozwój 2014 – 2020 Operation Program. The project assumes the creation of a platform that automated data management in digital advertising and is being implemented in the period from January 1<sup>st</sup>, 2019 to November 30<sup>th</sup>, 2020. The deadline extension aimed at reducing the risk associated with the selection of a contractor. The total cost of the project was approx. PLN 9,054,00 + VAT, and the amount of the grant is PLN 5,128,000.

Additional information with a commentary on the financial results can be found in the appendix.

## Employment information

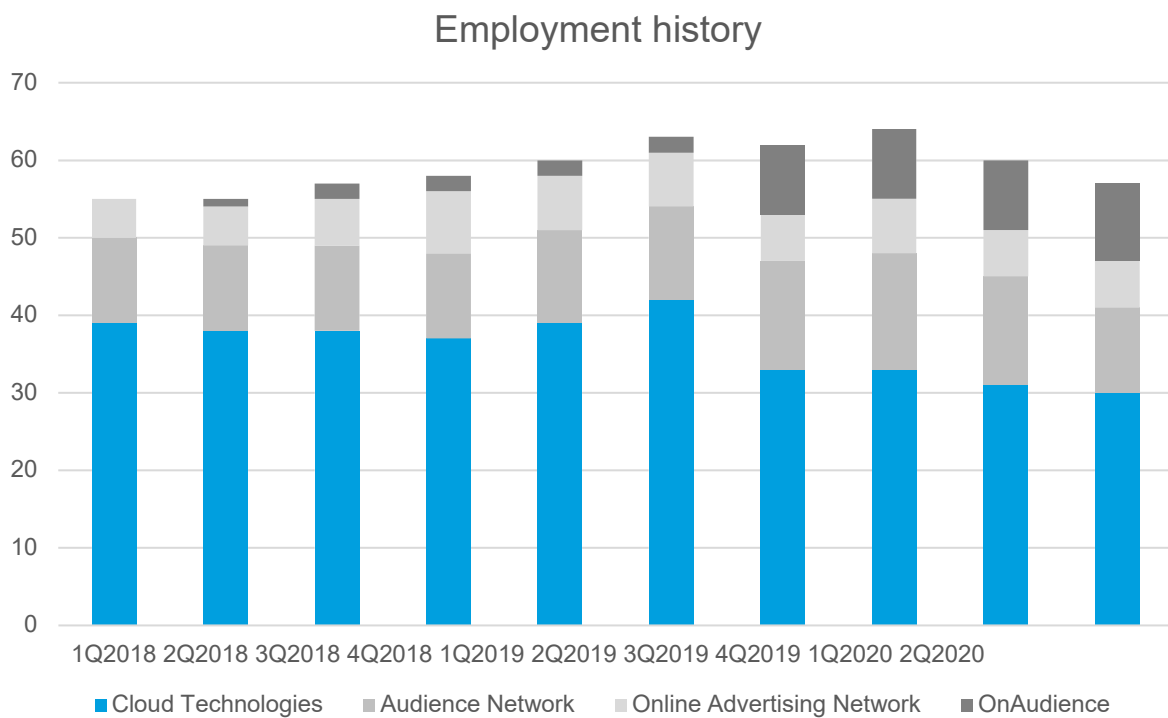
	Group	Company
<b>Number of employees</b>	60	32

The number of employees was estimated including:

1. Employment contracts,
2. Civil-law contracts,
3. Employee leasing,
4. Employee contracts,
5. Other forms of employment.

Based on F series, the Company implemented an incentive program addressed to employees and members of the bodies. The terms of the incentive program were prepared based on the criteria that included:

1. Implementation of business goals,
2. Loyalty and job seniority.



## Statement on the information provided

The Board of Directors declares that, to the best of its knowledge, the quarterly standalone and consolidated financial statement as well as comparable data were prepared in accordance to internationally recognized standards (including IAS 34), and that, in a true, reliable, and clear manner, they reflect the financial position of the Company and the Group as well as their financial result.

## Other information

Unless otherwise indicated, the information presented in the quarterly report, including data on the Group, employment, authorities and shareholders are valid at the date of the publication

The information document of April 18, 2018 did not contain information referred to in subsection 10, point 13a, Appendix 1 to the Alternative Trading System Regulations (polish Regulamin Alternatywnego Systemu Obrotu).

The Company upholds its plans to transfer to the Warsaw Stock Exchange main market, but currently does not meet the minimum capitalization criterion.

The company does not provide forecasts of financial results.



## Board of Directors

<b>Piotr Prajsnar</b>	Chairman of the Board
-----------------------	-----------------------

On June 29, 2020, the Supervisory Board adopted a resolution on appointing the Board of Directors with its current members for a new 4-year term office that expires with the date on which the financial statement for the year 2023 is approved.

## Supervisory Board

<b>Tomasz Zadroga</b>	Chairman of the Supervisory Board
<b>Aleksandra Szweryn-Prajsnar</b>	Member of the Supervisory Board
<b>Łukasz Krasnopolski</b>	Member of the Supervisory Board
<b>Kamil Bargiel</b>	Member of the Supervisory Board
<b>Szymon Okoń</b>	Member of the Supervisory Board

On June 29, 2020, the Ordinary General Meeting adopted a resolution on appointing the Board of Directors with its current members for a new 4-year term office that expires with the date on which the financial statement for the year 2023 is approved.

## Shareholders

<b>PERPETUM 10 FIZAN</b>	1 414 666 shares	30.75%
<b>Piotr Prajsnar</b>	1 277 000 shares	27.76%
<b>Oktawian Oźminkowski</b>	258 837 shares	5.22%
<b>Own Shares of Cloud Technologies S.A.</b>	299 400 shares	6.51%
<b>Shareholders with no more than 5% shares</b>	1 350 097 shares	29.35%
<b>Total</b>	<b>4 600 000 shares</b>	<b>100.00%</b>

Piotr Prajsnar, acting in an agreement with Aleksandra Szweryn-Prajsnar, holds a total of 1 317 000 shares that constitute 28.63% of the share capital.

## Registration data

Address of the registered office	<b>Cloud Technologies S.A. ul. Żeromskiego 7 05-075 Warszawa</b>
Registration files	<b>Sąd Rejonowy dla m.st. Warszawy w Warszawie XIII Wydział Gospodarczy Krajowego Rejestru Sądowego ul. Czerniakowska 100 00-454 Warszawa</b>
Share capital	<b>460,000,00 zł</b>
National Court Number (KRS)	<b>0000405842</b>
Tax Identification Number (NIP)	<b>9522106251</b>
National Business Registry Number (REGON)	<b>142886479</b>

## Contact details

Contact address	<b>Cloud Technologies S.A. ul. Marszałkowska 89 00-693 Warszawa</b>
Website	<b><a href="http://www.cloudtechnologies.pl">www.cloudtechnologies.pl</a></b>
E-mail	<b><a href="mailto:biuro@cloudtechnologies.pl">biuro@cloudtechnologies.pl</a></b>
Phone number	<b>+48 225353050</b>
Fax	<b>+48 225353070</b>