



OnAudience  
.com

 AudienceNetwork

oan<sup>o</sup>

## **Cloud Technologies Group**

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

## Condensed consolidated financial statement

### Approval of the condensed consolidated financial statement

On August 14, 2020, the Board of Directors of Cloud Technologies S.A. ("Company", "Issuer") approved the interim condensed financial statement of the Cloud Technologies Group ("Group"), prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" approved by the European Union (further "IAS 34") that includes:

- Condensed consolidated profit and loss statement for the period from April 1, 2020, to June 30, 2020, showing a loss in the amount of: PLN 928 203,
- Condensed consolidated statement of comprehensive income for the period from April 1, 2020, to June 30, 2020, showing total comprehensive income in the amount of: PLN - 985 841,
- Condensed consolidated statement of financial position (balance sheet) as of June 30, 2020, showing the total assets as well as liabilities and equity of: PLN 85 145 733,
- Condensed consolidated cash flow statement for the period from April 1, 2020, to June 30, 2020, showing an increase in net cash by the amount of: PLN 6 310 932,
- Condensed consolidated statement of changes in equity for the period from April 1, 2020, to June 30, 2020, showing a decrease in equity by the amount of: PLN 985 841,
- Notes to the interim condensed consolidated financial statement are provided in the PLN currency (unless otherwise stated)

Board of Directors of Cloud Technologies S.A., the Parent Company

**Piotr Prajsnar**

**Chairman of the Board**

Warsaw, August 14, 2020

### **Statement on compliance and general principles of reporting**

This interim condensed consolidated financial statement for the second quarter of 2020, ended on June 30, 2020, was prepared in compliance with IAS 34 "Interim Financial Reporting". Therefore, it does not include all information and disclosures required in annual financial statements. It should be read together with the Group's consolidated financial statement for the year ended on December 31, 2019 that was prepared in compliance with International Financial Reporting Standards approved by the European Union ("IFRS").

This interim condensed consolidated financial statement was prepared in compliance with accounting policies described in the annual consolidated financial statement of the Group for the year ended on December 31, 2019.

The interim data for 2019 was restated in selected places for a consistency with the data presented in the annual financial statement of the Group for the year ended on December 31, 2019. Detailed information on the changes is provided in Note 31.

The interim condensed consolidated financial statement was prepared on the assumption that the Company will continue its activities in the future.

The interim condensed consolidated financial statement was not audited by an auditing company.

## Consolidated profit and loss statement

Value in PLN	Note	II quarter of 2020 from April 1, 2020 until June 30, 2020	II quarter of 2020 from April 1, 2020 until June 30, 2020 <i>*restated data</i>	II quarters of 2020 from January 1, 2020 until June 30, 2020	II quarters of 2019 from January 1, 2019 until June 30, 2019 <i>*restated data</i>
<b>A. Net revenues from sales</b>	6	<b>10 732 358</b>	<b>9 670 303</b>	<b>22 000 743</b>	<b>18 080 321</b>
<b>B. Operating expenses</b>	8	<b>11 770 773</b>	<b>10 863 492</b>	<b>25 114 381</b>	<b>20 820 923</b>
I. Amortization and depreciation		1 364 522	753 708	2 691 083	1 312 236
II. Consumption of materials and energy		13 150	34 907	36 372	67 341
III. External services	9	9 915 832	9 606 378	21 474 164	18 456 871
IV. Taxes and charges		48 685	28 714	75 905	39 045
V. Payroll		347 028	307 978	614 957	623 459
VI. Social security and other benefits		44 526	64 714	89 466	95 910
VII. Other costs by type		37 030	67 093	132 434	226 061
VIII. Value of goods and materials sold		0	0	0	0
<b>C. Profit (loss) on sales</b>		<b>(1 038 415)</b>	<b>(1 193 189)</b>	<b>(3 113 638)</b>	<b>(2 740 602)</b>
D. Other operating revenues	10	652 047	48 107	1 057 479	61 218
E. Other operating expenses	10	306 962	124 054	567 026	256 232
<b>F. Profit (loss) on operating activities</b>		<b>(693 330)</b>	<b>(1 269 136)</b>	<b>(2 623 185)</b>	<b>(2 935 616)</b>
G. Financial revenues	11	7 314	35 938	516 626	38 985
H. Financial expenses	11	819 081	365 697	29 319	622 518
<b>I. Profit (loss) before tax</b>		<b>(1 505 097)</b>	<b>(1 598 895)</b>	<b>(2 135 878)</b>	<b>(3 519 149)</b>
J. Income tax	12	(576 894)	12 318	(460 076)	45 694
<b>K. Profit (loss) after tax including attributable to:</b>		<b>(928 203)</b>	<b>(1 611 213)</b>	<b>(1 675 802)</b>	<b>(3 564 843)</b>
- the owners of the parent company		(928 203)	(1 611 213)	(1 675 802)	(3 564 843)
- the non-controlling interest		0	0	0	0
Profit per share	13	(0.20)	(0.42)	(0.36)	(0.77)
- basic		(0.20)	(0.42)	(0.36)	(0.77)
- diluted		(0.20)	(0.42)	(0.36)	(0.77)

*\*in accordance with Note 31*

## Consolidated comprehensive income statement

<i>Value in PLN</i>	<b>II quarter of 2020</b> from April 1, 2020 until June 30, 2020	<b>II quarter of 2020</b> from April 1, 2020 until June 30, 2020	<b>II quarters of 2020</b> from January 1, 2020 until June 30, 2020	<b>II quarters of 2019</b> from January 1, 2019 until June 30, 2019
<b>Profit (loss) after tax</b>	<b>(928 203)</b>	<b>(1 611 213)</b>	<b>(1 675 802)</b>	<b>(3 564 843)</b>
<b>Other comprehensive income:</b>	<b>(57 638)</b>	<b>24 765</b>	<b>(45 656)</b>	<b>864 606</b>
Items that will be reclassified to profit and loss:	(57 638)	24 765	(45 656)	864 606
Exchange differences converted from OnAudience Ltd	(57 638)	24 765	(45 656)	864 606
<b>Total comprehensive income including attributable to:</b>	<b>(985 841)</b>	<b>(1 586 448)</b>	<b>(1 721 458)</b>	<b>(2 700 237)</b>
- the owners of the parent company	(985 841)	(1 586 448)	(1 721 458)	(2 700 237)
- the non-controlling interest	0	0	0	0

## Consolidated cash flow statement

<i>Value in PLN</i>	Note	II quarter of 2020 from April 1, 2020 until June 30, 2020	II quarter of 2019 from April 1, 2019 until June 30, 2019	II quarters of 2020 from January 1, 2020 until June 30, 2020	II quarters of 2019 from January 1, 2019 until June 30, 2019
<b>Cash flows from operating activities</b>					
I. Profit before tax		(1 505 097)	(1 598 895)	(2 135 878)	(3 519 149)
II. All adjustments	14	5 849 933	2 968 468	9 351 732	16 566 174
III. Tax paid		(138 588)	(75 000)	(255 982)	(384 611)
<b>IV. Net cash flows from operating activities</b>		<b>4 206 248</b>	<b>1 294 573</b>	<b>6 959 872</b>	<b>12 662 414</b>
<b>Cash flows from investing activities</b>					
I. Inflows	14	8 057	493 791	2 268 533	493 791
II. Outflows	14	1 233 636	3 742 608	1 750 297	20 872 286
<b>III. Net cash flows from investing activities</b>		<b>(1 225 579)</b>	<b>(3 248 817)</b>	<b>518 236</b>	<b>(20 378 495)</b>
<b>Cash flows from financial activities</b>					
I. Inflows		3 400 000	0	3 400 000	116
II. Outflows		69 737	184 446	157 298	252 931
<b>III. Net cash flows from financial activities</b>		<b>3 330 263</b>	<b>(184 446)</b>	<b>3 242 702</b>	<b>(252 815)</b>
Net cash flows		6 310 932	(2 138 690)	10 720 810	(7 968 896)
<b>Change in cash and cash equivalents</b>		<b>6 310 932</b>	<b>(2 138 690)</b>	<b>10 720 810</b>	<b>(7 968 896)</b>
Net exchange rates differences		(263 963)	(45 440)	(209 528)	(45 171)
<b>Cash opening balance</b>		<b>9 224 764</b>	<b>7 223 737</b>	<b>4 814 886</b>	<b>13 053 943</b>
<b>Cash closing balance</b>		<b>15 535 696</b>	<b>5 085 047</b>	<b>15 535 696</b>	<b>5 085 047</b>

## Consolidated statement of changes in equity

	Share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Exchange differences capital	Current net profit (loss)	Total equity
<b>As of April 1st, 2020</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>25 200 627</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>(5 908 953)</b>	<b>899 802</b>	<b>(747 599)</b>	<b>58 003 877</b>
Net profit (loss) distribution	0	0	(1 321 881)	0	0	0	1 321 881	0	0	0
Change of the exchange differences capital	0	0	0	0	0	0	0	(57 638)	0	(57 638)
Total current income	0	0	0	0	0	0	0	0	(928 203)	(928 203)
<b>As of June 30, 2020</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>23 878 746</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>(4 587 072)</b>	<b>842 164</b>	<b>(1 675 802)</b>	<b>57 018 036</b>

	Share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Exchange differences capital	Current net profit (loss)	Total equity
<b>As of April 1st, 2019</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>23 093 479</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>915 900</b>	<b>847 762</b>	<b>(1 953 630)</b>	<b>61 463 511</b>
Net profit (loss) distribution	0	0	2 107 148	0	0	0	(2 107 148)	0	0	0
Change of the exchange differences capital	0	0	0	0	0	0	0	24 765	0	24 765
Total current income	0	0	0	0	0	0	0	0	(1 611 213)	(1 611 213)
<b>As of June 30, 2019</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>25 200 627</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>(1 191 248)</b>	<b>872 527</b>	<b>(3 564 843)</b>	<b>59 877 063</b>

**Cloud Technologies Group**  
**Condensed consolidated financial statement for the second quarter of 2020**  
*(all amounts are provided in PLN unless otherwise stated)*



	Share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Exchange differences capital	Current net profit (loss)	Total equity
<b>As of January 1st, 2020</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>25 200 627</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>(1 191 248)</b>	<b>887 821</b>	<b>(4 717 705)</b>	<b>58 739 495</b>
Distribution to retained earnings	0	0	0	0	0	0	(4 717 705)	0	4 717 705	0
Net profit (loss) distribution	0	0	(1 321 881)	0	0	0	1 321 881	0	0	0
Change of the exchange differences capital	0	0	0	0	0	0	0	(45 657)	0	(45 657)
Total current income	0	0	0	0	0	0	0	0	(1 675 802)	(1 675 802)
<b>As of June 30, 2020</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>23 878 746</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>(4 587 072)</b>	<b>842 164</b>	<b>(1 675 802)</b>	<b>57 018 036</b>

	Share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Exchange differences capital	Current net profit (loss)	Total equity
<b>As of January 1st, 2019</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>23 093 479</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>51 834</b>	<b>7 921</b>	<b>864 066</b>	<b>62 577 300</b>
Distribution to retained earnings	0	0	0	0	0	0	864 066	0	(864 066)	0
Net profit (loss) distribution	0	0	2 107 148	0	0	0	(2 107 148)	0	0	0
Change of the exchange differences capital	0	0	0	0	0	0	0	864 606	0	864 606
Total current income	0	0	0	0	0	0	0	0	(3 564 843)	(3 564 843)
<b>As of June 30, 2019</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>25 200 627</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>(1 191 248)</b>	<b>872 527</b>	<b>(3 564 843)</b>	<b>59 877 063</b>

## Consolidated statement of financial position

### Assets

	Value in PLN	Note	June 30, 2020	December 31, 2019	June 30, 2019 <i>*restated data</i>
<b>I. Fixed assets</b>			<b>39 505 567</b>	<b>34 904 566</b>	<b>23 894 692</b>
Intangible assets		15	35 398 259	31 332 549	20 325 528
Goodwill		15	2 526 018	2 526 018	2 526 018
Tangible fixed assets		16	26 355	59 403	87 754
Lease assets		16	453 600	707 048	786 336
Long-term investments		17	40 348	12 951	17 698
Deferred tax assets		20	1 060 987	266 597	151 358
<b>II. Current assets</b>			<b>45 640 166</b>	<b>41 223 504</b>	<b>46 827 333</b>
Trade receivables		18	23 710 974	25 812 156	32 232 679
Other receivables		18	4 747 560	6 965 037	4 656 611
Income tax receivables		18	0	3 506 693	3 418 716
Short-term investments		19	15 567 926	4 825 630	5 095 791
Contract assets		21	632 152	56 275	752 959
Short-term prepayments		20	981 554	57 713	670 577
<b>III. Total assets</b>			<b>85 145 733</b>	<b>76 128 070</b>	<b>70 722 025</b>

### Equity and Liabilities

	Value in PLN	Note	June 30, 2020	December 31, 2019	June 30, 2019
<b>I. Total equity</b>			<b>57 018 036</b>	<b>58 739 495</b>	<b>59 877 063</b>
<b>Equity attributable to owners of the parent company</b>			<b>57 018 036</b>	<b>58 739 495</b>	<b>59 877 063</b>
Share capital			460 000	460 000	460 000
Own shares		22	(18 000 000)	(18 000 000)	(18 000 000)
Supplementary capital and other capital		23	32 976 674	37 694 379	37 694 379
Capital from the valuation of the incentive program		23	24 415 000	24 415 000	24 415 000
Reserve capital		22	18 000 000	18 000 000	18 000 000
Current profit			(1 675 802)	(4 717 705)	(3 564 843)
Exchange differences capital			842 164	887 821	872 527
<b>Non-controlling interests</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Long-term liabilities and provisions</b>			<b>562 234</b>	<b>551 668</b>	<b>714 962</b>
Provision for deferred income tax		24	165 268	56 739	248 619
Long-term lease liabilities		25	396 966	494 929	466 343
<b>III. Liabilities and provisions for liabilities</b>			<b>27 565 463</b>	<b>16 836 907</b>	<b>10 130 000</b>
Trade liabilities		26	10 110 773	6 154 477	8 901 703
Short-term lease liabilities		25	196 850	242 774	283 771
Credits and loans		25	3 400 000	0	0
Other liabilities		26	95 264	90 013	130 995
Deferred revenues		27	13 215 435	9 230 209	473 325
Other provisions		28	547 141	1 119 434	340 206
<b>III. Total equity and liabilities</b>			<b>85 145 733</b>	<b>76 128 070</b>	<b>70 722 025</b>

\*in accordance with Note 31

## Notes to the condensed consolidated financial statement

### Note 1. Significant events and transactions in the reported period

A detailed description of the activity of the Cloud Technologies Group ("Group") was included in the "Consolidated report for the second quarter of 2020".

In the II quarter of 2020, the following events or transactions considered by the Issuer as significant were recorded:

- (a) **COVID-19:** the outbreak of the COVID pandemic affected the Group's activities, but did not significantly interfere with its core operations. The nature of the services provided by the Group enables the employees and associates of the Group's subsidiary companies to work remotely. The business continuity was not disturbed in this quarter. As a result of the COVID-19 epidemic, there was a temporary decrease in revenues in the quarter (particularly in April). The decrease concerned mostly two areas of the activity: advertising activity on the Polish market (part of the industries receiving Group's services such as tourism or automotive significantly reduced their advertising budgets) and data sale on international markets (where there was observed a decrease in revenues primarily from the USA clients). In May and especially in June, the sales level has stabilized in most areas of the Group's operations.
- (b) **Signing agreements for the sale of the DMP technology:** in April 2020, the Parent Company finalized the license usage transaction of the proprietary Data Management Platform (DMP) technology – it was purchased by a Polish media company. The agreement was signed for a 5-year license period. The transaction amount was PLN 1.2 million net. The revenue from the transaction will be recognized by the Parent Company in line with the license period. The Parent Company signed two additional license sale agreements on similar terms. In total, 4 DMP license sale agreements have been signed since the beginning of the year for the total amount of PLN 4.8 million net.
- (c) **PFR financial subsidy:** in June 2020, the Parent Company as well as Audience Network subsidiary company received a financial subsidy in the total amount of PLN 3.4 million, which is a part of Financial Shield of the Polish Development Fund ("PFR"). The subsidy is reimbursed in 24 equal monthly installments, starting from the 13<sup>th</sup> calendar month after the date the subsidy was granted. The amount of the subsidy reimbursement will range from 25% to 100% of the support granted, depending on whether the company fulfills the criteria to continue its activities, the Company's financial results and employment level - the remaining part will be subject to cancellation. The granted subsidies are included in the balance sheet as a part of the equity and liabilities under "Credits and loans".
- (d) **General Meeting of Shareholders:** On June 29, 2020 the Ordinary General Meeting of the Issuer's Shareholders was held, under which customary resolutions were adopted on, inter alia, approval of the financial statement for 2019, covering the loss for 2019, and granting a vote of approval to members of the Company's bodies. Additionally, members of the Supervisory Board were appointed for a new term. On June 29, 2020, the Supervisory Board adopted a resolution appointing the Parent Company's Board of Directors for a new term.

### Note 2. Significant changes in estimated values

The most important accounting estimates and assumptions used to prepare this financial statement did not change significantly compared to the estimates and assumptions adopted in the consolidated financial statement for the year ended on December 31, 2019.

### Note 3. Fair value of financial instruments

As of the reporting date, the Group did not have any financial instruments measured at fair value.

At the same time, in case of financial instruments not being measured at fair value – no significant difference between their balance value and fair value was identified as of the reporting date.

### Note 4. Group and changes in the structure of the Group

#### I. The Group's structure

As of June 30, 2020, the Group consisted of the following entities:

- **Cloud Technologies S.A. – Parent Company**
  - Audience Network sp. z o.o. (100% share in votes and capital) – subsidiary company
  - Online Advertising Network sp. z o.o. (100% share in votes and capital) – subsidiary company
  - OnAudience Ltd (100% share in votes and capital) – subsidiary company

## II. Principles of consolidation

Subsidiary companies are fully consolidated.

## III. Changes in the Group's structure

In the second quarter of 2020, there were no changes in the Group's structure.

### Nota 5. Seasonal or cyclical nature of operations

The seasonality of operations is of the greatest importance for the activities of the subsidiary companies: Audience Network sp. z o.o. and Online Advertising Network sp. z o.o.. In results of both companies, there is visible seasonality typical for the entire digital advertising market that is generally characterized by:

- Relatively lower number of orders from January till March (Q1),
- Increased level of orders from April – June (Q2),
- The lowest level of orders from July till August, and increased number of orders in September (Q3),
- The greatest number of orders from October till December (Q4).

At the same time, it should be noted that in the period of the greatest interest in marketing campaigns (e.g. holiday periods), due to the high level of marketing agencies' activity, an average cost of advertising spaces is typically higher than it is usual. It means that campaigns run in those periods can be characterized by a higher level of profitability.

As a part of the activities related to data distribution that contains anonymous information about Internet users' behavior, the Group assesses the seasonality at a level similar to the advertising industry described above (being the main data recipients), that is - the lowest data sale can be observed in Q1, and the highest in Q4.

### Note 6. Revenues from contracts with clients

The Group's sale revenues for the Q2 of 2020 are presented in the table below:

Specification	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
<b>Continued operations:</b>		
Sale of services	10 732 358	9 670 303
Sale of goods and materials	0	0
<b>Revenue from continued operations</b>	<b>10 732 358</b>	<b>9 670 303</b>
<b>Revenue from discontinued operations</b>	<b>0</b>	<b>0</b>
<b>Total revenue from sale</b>	<b>10 732 358</b>	<b>9 670 303</b>

The Group's total revenue from sale amounted PLN 10.7 million and increased by 11% in the II quarter of 2020 compared to the II quarter of 2019.

The Group's revenue from sale for the II quarter of 2020 is cumulatively presented in the table below:

Specification	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
<b>Continued operations:</b>		
Sale of services	22 000 743	18 080 321
Sale of goods and materials	0	0
<b>Revenue from continued operations</b>	<b>22 000 743</b>	<b>18 080 321</b>
<b>Revenue from discontinued operations</b>	<b>0</b>	<b>0</b>
<b>Total revenue from sale</b>	<b>22 000 743</b>	<b>18 080 321</b>

The Group's sales revenue in total amounted PLN 22.0 million and increased by nearly 22% in the two quarters of 2020 compared to the two quarters of 2019.

## Revenues from sale of services by main types of recipients

The Group identifies the following main types of recipients of the Group's services:

- a. **Affiliate networks:** an affiliate network is a kind of an intermediary between an ordering entity and an entity running marketing campaigns (e.g. the Issuer). The campaigns that are run through affiliate networks were mostly settled in the efficiency model (the Issuer's remuneration was dependent on a specific result of a campaign, e.g. if a product was sold as a result of the campaign). The Group invoices affiliate networks periodically for all campaigns run via affiliate networks in a given period of time settled, which leads to a high concentration of recipients in this activity segment. An affiliate network acts as a campaign settling center. Running campaigns for clients from many different geographic markets, the Group is able to obtain anonymous data from those markets. Sales to this group of recipients are included as a part of *Data acquisition*.
- b. **Brokers of advertising spaces:** professional entities operating in the digital marketing industry to whom the Group provides brokerage services in the purchase of advertising spaces. The Group buys the media selected by a broker that are then re-invoiced to the broker, usually with a small margin (the Group acts as a "purchasing center"). This activity enables the acquisition of anonymous data. It also makes it possible to obtain a better bargaining position in terms of suppliers of advertising spaces. Sales to this group of recipients are included in the *Data acquisition* segment.
- c. **Advertising agencies and media houses:** a media house acts as an intermediary between an initial ordering a campaign (direct client), and an entity running the campaign (the Group). The Group invoices a given media house, usually on a monthly basis. Anonymous data about behavior of Internet users, processed by the Group, is used to run campaigns and increase their effectiveness. Sales to this group of recipients are reported as a part of the *Data consulting* segment.
- d. **Direct clients of advertising services:** various types of enterprises, mainly operating in the B2C model. Marketing campaigns run for direct clients are similar to campaigns run for advertising agencies and media houses. However, the lack of an intermediary allows creating a direct relationship with a client and potentially also obtaining a higher margin for the campaign implementation. Clients are usually invoiced on a monthly basis. Anonymous data about behavior of Internet users, processed by the Group, is used to run campaigns and increase their effectiveness. Sales to this group of recipients are reported as a part of the *Data consulting* segment.
- e. **Data and technology distributors:** clients purchasing from the Group only anonymous data about behavior of Internet users (without the services in the form of marketing campaigns), or access to a proprietary DMP technology. Data distributors are mainly technology platforms that deliver data to final clients (mainly from digital marketing industry and using data for better profiling of their campaigns). Contractors usually settle with the Group in the *revenue sharing* formula, i.e. they share with the Group the revenues from the sale of data acquired from the Group to final clients, usually no payment in advance are applied for the data acquisition. Sales to this Group of recipients are included in the *Data enrichment* segment.
- f. **Other recipients:** currently, mainly revenues from mobile games published by the Group, other services such as UnBlock, and barter settlements with the Group's clients. These revenues are a part of the *Other* segment.

Revenues from sale of the Group's services in the II quarter of 2020 (including data for the comparative period) by the main types of recipients are included in the table below:

Specification	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
Affiliate networks	2 829 992	3 538 158
Brokers of advertising spaces	2 189 540	1 441 644
Advertising agencies and media houses	2 231 391	2 249 718
Direct clients of advertising services	702 146	1 016 321
Data and technology distributors	2 338 812	1 420 002
Other recipients	440 477	4 460
<b>Total revenues from sales of services</b>	<b>10 732 358</b>	<b>9 670 303</b>

The structure of revenues from sales of the Group's services in the II quarter of 2020 was presented in the table below:

Specification	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
% of affiliate networks	26.4%	36.6%
% of brokers of advertising spaces	20.4%	14.9%
% of advertising agencies and media houses	20.8%	23.3%
% of direct clients of advertising services	6.5%	10.5%
% of data and technology distributors	21.8%	14.7%
% other recipients	4.1%	0.0%
<b>% of total revenues from sales of services</b>	<b>100.0%</b>	<b>100.0%</b>

Changes in revenues from the sale of the Group's services in percentages, compared to the comparative period are presented in the table below:

Specification	II quarter of 2020 vs II quarter of 2019
% change of sales to affiliate networks	-20.0%
% change of sales to brokers of advertising spaces	51.9%
% change of sales to advertising agencies	-0.8%
% change of sales to direct clients	-30.9%
% change of sales to data and technology distributors	64.7%
% change of sales to other recipients	9776.2%
<b>% change of revenues from services' sale in total</b>	<b>11.0%</b>

Total revenues from the sale of the Group's services increased by 11% in the II quarter of 2020 compared to the same period of 2019, despite the impact of the pandemic.

The Group recorded a significant increase of sales to brokers of advertising spaces. In particular, activities in this area have been expanded by the OnAudience Ltd subsidiary company. However, taking into consideration the small margin (a few percent) on this kind of activities, the increase in revenues from this area will not have a significant impact on the Group's result.

The Group also recorded a high increase in the "sale to other recipients" category. In the II quarter of 2020, a one-off re-invoice of programming and integrating expenses was recorded for one of the Group's clients.

The impact of the COVID-19 pandemic is visible particularly in the recorded decrease in revenues strictly from advertising activities run mainly in Poland. Sales to direct clients decreased by 31%, while sales to agency clients by nearly 1%. The limitation of orders from direct clients, including clients from industries such as tourism, entertainment or automotive, which occurred in the second quarter of 2020, is primarily due to the limited business activities caused by restrictions connected to COVID-19.

The most important from the Group's perspective was achieving a high, nearly 65%, growth rate of data and technology sales – crucial strategic direction of the Group's further development. In particular, sales of OnAudience Ltd – an entity dedicated to the expansions of the Group's data segment, increased. A significant increase was recorded despite the negative impact of COVID-19 pandemic that it had on data sales on key foreign markets, including the USA. The increase in revenues in this segment was also due to the impact of signed agreements for the sale of DMP licenses as well as barter transactions for the sale and purchase of data (that did not occur in the Q2 of 2019).

### The Group's revenues from sales for individual subsidiary companies

The share of individual companies in the Group's consolidated revenues according to the data for the II quarter of 2020 is presented in the table below:

Specification	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
Cloud Technologies S.A.	2.3%	9.5%
Audience Network sp. z o.o.	61.1%	75.1%
Online Advertising Network sp. z o.o.	8.1%	10.7%
OnAudience Ltd	28.5%	4.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The share of Audience Network sp. z o.o. is the result of a full acquisition of affiliate networks. As a result of the change in the Group's subsidiary companies competences, the parent company stopped providing services to external clients, focusing on another tasks, such as, the know-ho technology, and functions supporting the subsidiary companies. Subsidiary entities are entities providing services to external clients.

Sales revenues for individual segments of the Group are provided in Note 7.

### Note 7. Operating segments

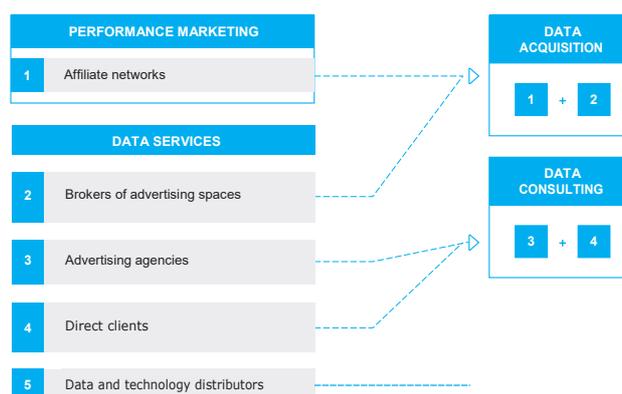
Presently, the Issuer identifies four main operating segments:

- Data acquisition
- Data consulting
- Data enrichment
- Other

Basic information on the operating segments is presented in the table below:

Name of the segment	Strategic purpose of the segment	Groups of clients	Typical level of margin	Expected dynamics of revenues
<b>(1) Data acquisition</b>	Achievement of anonymous data used to provide services of the whole Group	<ul style="list-style-type: none"> <li>• Affiliate networks</li> <li>• Brokers of advertising spaces</li> </ul>	Low	Low
<b>(2) Data consulting</b>	Running marketing campaigns with the use of data	<ul style="list-style-type: none"> <li>• Advertising agencies</li> <li>• Direct clients of advertising spaces</li> </ul>	Medium	Medium
<b>(3) Data enrichment</b>	International sale of data and technology segments mainly to advertising industry	<ul style="list-style-type: none"> <li>• Data distributors</li> <li>• Recipients of the CT technology</li> </ul>	High	High
<b>(4) Other</b>	Ensuring support to other segments	<ul style="list-style-type: none"> <li>• All other clients</li> </ul>	Negative margin (centre of expenses)	None

All changes in the reported operating segments, in comparison to previously distinguished segments are presented in the graphic below:



### The scope of financial data analyzed within a segment

Each segment is analyzed to the level of EBITDA profit (for the needs of given segments, the EBITDA profit does not include allocations of other operating activities).

Sales revenues from the following groups of clients were assigned to individual segments:

- (a) Affiliate networks and brokers of advertising space assigned to the *Data acquisition* segment,
- (b) Advertising agencies and direct clients assigned to the *Data services* segment,

- (c) Data and technology distributors assigned do the *Data enrichment* segment,
- (d) Other clients assigned to the *Other* segment.

For each segment, the following groups of operating expenses were distinguished:

- (a) Costs of purchasing data and advertising space;
- (b) Costs of tools, software licenses including the maintenance of the key software and servers (including the DSP platform as a part of the *Data acquisition* segment);
- (c) Remuneration of people directly involved in the provision of services for clients of a given segment;
- (d) Other expenses i.e. administrative and office expenses, bank fees and commissions, consultants, presence on the stock exchange, accounting, office space, promotion, marketing, equipment and business trips

Expenses presented within a segment are the direct operating expenses of the given segment, without allocations of overhead expenses of the Parent Company. All indirect operating expenses of the Group (Expenses of Cloud Technologies not prescribed to segments) are currently presented in the *Other* segment (except for items actually re-invoiced by Cloud Technologies to subsidiary companies), as a result of which:

- (a) expenses presented in the *Data acquisition* segment concern direct expenses for servicing clients of this segment as well as media expenses for servicing brokers of advertising space,
- (b) expenses presented in the *Data consulting* segment concern all operating expenses of Audience Network and Online Advertising Network subsidiary companies, excluding expenses for servicing brokers of advertising space as well as affiliate networks,
- (c) expenses presented in the *Data enrichment* segment concern all operating expenses of the OnAudience Ltd subsidiary company, as well as expenses of Cloud Technologies incurred for servicing data and technology distributors (mainly: data purchase, sale teams, programmers, hosting),
- (d) expenses presented in the *Other* segment concern other expenses incurred by Cloud Technologies, not allocated to the three previous segments, including primarily expenses of the Issuer's corporate bodies, back office, administrative and office expenses, accounting, office space lease for back office operations, expenses on advisors and experts, as well as marketing activities of the Group.

Assets of a given segment are understood as trade receivables from the group of clients who are serviced within the given segment.

EBITDA is understood as a profit on sale increased by amortization. The Group does not analyze and allocate the amortization expenses, as well as other operating revenues or expenses of individual segments.

The Group does not allocate liabilities or income tax to operating segments.

### **Detailed description of individual operating segments**

#### *1. Data acquisition*

Within this segment, two separate groups of clients are served: affiliate networks and brokers of advertising spaces

##### (a) Affiliate networks

For affiliate networks, the Group runs marketing campaigns primarily for e-commerce clients, using affiliate networks as an intermediary between the Group and final clients.

Campaigns run within affiliate networks are settled depending on their efficiency, while purchasing media mainly in the RTB (Real Time Bidding) formula, by the use of DSP (Demand Side Platform) that belongs to OnAudience Ltd subsidiary company, which is then sublicensed to companies from the Group when needed. Historically, the DSP platform was licensed from IIIT Sp. z o.o. Sp. k. – historically a related party to the Issuer.

Revenue is generated when the Group achieves a specific effect desired and specified by the final client at the time of determining campaign's parameters (e.g. purchase of a given product by a recipient of the advertising content, leaving contact details by an Internet user, etc.).

Affiliate networks collectively settle all campaigns run for e-commerce clients in a given period of time, usually quarterly. Due to the fact that affiliate networks are intermediaries in contact with final clients, the main office of the client does not have to correspond to the main office of Group's final client.

Campaigns for affiliate networks are commissioned by clients operating on approximately 30 geographic markets, most often located in Europe. The Group's final clients are usually entities of less recognizable brands, not having a strong market position, or entities that sell products in the *white label* model.

Historically, the Group's intention was to run as many campaigns as possible, selected in terms of potential margins. Currently, due to long-term settlements and delays in payments, the Group has adopted a strategy of implementing a limited number of campaigns aimed primarily at achieving data, not margins.

(b) Brokers of advertising spaces

Brokers of advertising space are Professional entities operating in the online marketing industry for which the Group provides brokerage services in terms of purchasing advertising space. The Group purchases media selected by the broker that are subsequently re-invoiced to the broker, usually with a small margin (the Group acts as a 'purchasing centre'). Clients also usually use a trade credit granted by the Group (up to 90 days). There is a considerable demand for this type of services also due to the fact that the main providers of advertising space and DSP platform operators (such as AdForm, Google) have a restrictive policy of suspending cooperation in the event of delayed payments.

This activity enables the achievement of anonymous data as well as obtaining a better bargaining position with suppliers of advertising space.

The activity in the *Data acquisition* segment (generated revenues and expenses) is conducted by Cloud Technologies, OnAudience, Online Advertising Network, and Audience Network.

## *II. Data consulting*

The Group sells data-based marketing services within this segment.

Within the Data consulting segment, the Group operates mainly through its subsidiary companies, that are Audience Network and Online Advertising Network. The entities mentioned above are oriented to carry out activities primarily on the Polish market, occasionally on neighboring markets.

The subsidiary companies focus on providing services from the online marketing industry, including running marketing campaigns, mostly in the Big Data as a Service model, for two main groups of clients: advertising agencies and media agencies (including the largest international entities on the Polish market), as well as direct clients (including large enterprises operating on the B2C markets). Services provided by the subsidiary companies use the Issuer's technological supply base, including data enabling the optimization of marketing campaigns' efficiency.

Data consulting services are mainly used by clients operating in the B2C model (that is entrepreneur-consumer relation) due to a dispersed group of their clients. Those clients are serviced by the Company either in a direct commercial relationship or through media agencies.

Activities in the *Data consulting* segment (generated revenues and expenses) is conducted by Audience Network and Online Advertising Network.

## *III. Data enrichment*

As a part of this segment, the Group sells anonymous data about behavior of Internet users as well as an access to the Group's technology. The commercial activity of the parent company on foreign markets is carried out under the brand name OnAudience.com. The segment shows sales generated by the Group as a part of Data exchange activity (direct sales of data about behavior of online users, mainly foreign distributors in Europe and on the USA market), as well as revenues from the DMP platform, that is analysis, enrichment, and inference on data on clients that are provided by external institutions. The segment also shows revenues from the sale of access to the DMP platform, made either in the Saas formula (Software as a Service, receiving access in exchange for a monthly 'subscription' based on an agreement with a maximum notice period of several months), and in the formula of purchasing a license by the contractor (usually for a period of up to 5 years, paid in advance for the entire period, with a limited possibility of terminating the license agreement).

Data exchange services are directed mainly to foreign distributors that are entities purchasing or selling high quality data about behavior of online users. Data Exchange services offered to clients under the OnAudience.com brand are among the most dynamically developing services offered by the Group and became a strategic pillar of further development of the Group. As a part of the service, the Group provides its foreign clients with appropriately segmented profiles of online users (e.g. according to its interests, purchasing intentions). Those profiles were previously a subject to anonymization process and grouped into 'packages' of at least several thousand records (thus they do not constitute personal data and do not allow the identification of a specific person). The Group's final recipients (that is clients of distributors) are mostly entities from online marketing industry that employ data for better profiling of their marketing campaigns. Clients settle with the Group mostly in the revenue sharing formula, that is they share with the Group revenues from the sale of the Group's data to final clients, usually not paying in advance for the access to the Group's data. The Group's intention in the coming months is to establish cooperation with a larger group of clients for the Data Exchange service and to complete the process of full technological integration with current clients.

Activities in the segment (generated revenues and expenses) are conducted by Cloud Technologies (under the OnAudience.com brand), and OnAudience Ltd, specialized subsidiary entity of the Issuer with its registered office in London, established to support international expansion of the Group in the Data enrichment segment. Revenues of other subsidiary companies from direct sale of data to external distributors are also included in this segment.

#### IV. Other

Among other services of the Group, there are mostly revenues from services supporting the sale of other segments, revenues from barter services, revenues from mobile games, as well as revenues from the UnBlock product

As a part of the segment, there are also shown all expenses of the Issuer, not directly prescribed to other operating segments, that are mainly general expenses on the management of the main office.

#### Segments results over time

Information about revenues from operating segments in periods covered in this report is presented in the table below:

	Data acquisition	Data consulting	Data enrichment	Other	Exclusions	In all
<b>01.04.2020 - 30.06.2020</b>						
<b>Total revenues, from which:</b>	<b>9 409 727</b>	<b>3 039 066</b>	<b>3 333 604</b>	<b>440 476</b>	<b>(5 490 516)</b>	<b>10 732 358</b>
(a) sales to external clients	5 019 532	2 933 537	2 338 812	440 476	-	10 732 358
(b) sales between segments	4 390 195	105 529	994 792	-	(5 490 516)	-
<b>01.04.2019 - 30.06.2019</b>						
<b>Total revenues, from which:</b>	<b>12 215 053</b>	<b>3 309 329</b>	<b>2 023 088</b>	<b>4 460</b>	<b>(7 881 627)</b>	<b>9 670 303</b>
(a) sales to external clients	4 979 802	3 266 039	1 420 002	4 460	-	9 670 303
(b) sales between segments	7 235 251	43 290	603 086	-	(7 881 627)	-
<b>01.01.2020 - 30.06.2020</b>						
<b>Total revenues, from which:</b>	<b>23 434 802</b>	<b>6 533 427</b>	<b>5 631 850</b>	<b>441 415</b>	<b>(14 040 752)</b>	<b>22 000 743</b>
(a) sales to external clients	11 642 017	6 248 293	3 669 019	441 415	-	22 000 743
(b) sales between segments	11 792 785	285 135	1 962 831	-	(14 040 752)	-
<b>01.01.2019 - 30.06.2019</b>						
<b>Total revenues, from which:</b>	<b>23 932 075</b>	<b>6 050 228</b>	<b>3 259 333</b>	<b>2 178</b>	<b>(15 163 492)</b>	<b>18 080 321</b>
(a) sales to external clients	9 699 264	5 962 770	2 416 110	2 178	-	18 080 321
(b) sales between segments	14 232 811	87 458	843 223	-	(15 163 492)	-

In terms of the whole Group, revenues from the sale of services to external clients increased by 11% in the second quarter of 2020 compared to the same quarter of 2019. The *Data acquisition* segment recorded an increase in sales to external clients by 0.8% (the increase in brokerage sale was higher than the decrease in sales to affiliate networks). The *Data consulting* segment recorded a decrease in sales to external clients by 10%, and the *Data enrichment* segment – an increase by nearly 65%.

Information on the results of operating segments in the second quarter of 2020 as well as in the second quarter of 2019, up to the EBITDA level, is presented in the table below:

	Data acquisition	Data consulting	Data enrichment	Other	Exclusions	In all
<b>01.04.2020 - 30.06.2020</b>						
<b>Total revenues</b>	<b>9 409 727</b>	<b>3 039 066</b>	<b>3 333 604</b>	<b>440 476</b>	<b>(5 490 516)</b>	<b>10 732 358</b>
<b>Total expenses from which:</b>	<b>9 486 365</b>	<b>2 921 063</b>	<b>2 866 142</b>	<b>737 733</b>	<b>(5 605 052)</b>	<b>10 406 251</b>
(a) media and data purchase	8 217 576	1 983 175	1 434 824	0	(4 750 663)	6 884 911
(b) personnel	137 299	676 062	443 137	445 573	0	1 702 070
(c) tools and licenses	1 114 893	12 736	870 729	8 557	(859 184)	1 147 731
(d) other	16 598	249 090	117 453	283 603	4 795	671 539
<b>EBITDA segment</b>	<b>(76 638)</b>	<b>118 003</b>	<b>467 462</b>	<b>(297 256)</b>	<b>114 536</b>	<b>326 107</b>
% of EBITDA margin	(0.8%)	3.9%	14.0%	(67.5%)		3.0%
<b>Segment's assets</b>	<b>56 205 148</b>	<b>3 567 987</b>	<b>5 153 311</b>	<b>947 716</b>	<b>(42 163 187)</b>	<b>23 710 974</b>
<b>01.04.2019 - 30.06.2019</b>						
<b>Total revenues</b>	<b>12 215 053</b>	<b>3 309 329</b>	<b>2 023 088</b>	<b>4 460</b>	<b>(7 881 627)</b>	<b>9 670 303</b>
<b>Total expenses, from which:</b>	<b>12 207 615</b>	<b>3 476 023</b>	<b>1 461 582</b>	<b>839 262</b>	<b>(7 874 698)</b>	<b>10 109 784</b>
(a) media data purchase	10 962 335	2 613 083	201 848	0	(7 458 851)	6 318 415
(b) personnel	123 319	615 278	686 836	447 403	0	1 872 836
(c) tools and licenses	1 121 961	2 424	413 359	9 618	(413 153)	1 134 208
(d) other	0	245 238	159 539	382 240	(2 693)	784 325
<b>EBITDA segment</b>	<b>7 438</b>	<b>(166 694)</b>	<b>561 506</b>	<b>(834 802)</b>	<b>(6 929)</b>	<b>(439 481)</b>
% of EBITDA margin	0.1%	(5.0%)	27.8%	-		(4.5%)
<b>Segment's assets</b>	<b>42 537 035</b>	<b>3 585 167</b>	<b>1 904 121</b>	<b>179 815</b>	<b>(15 973 459)</b>	<b>32 232 679</b>
<b>01.01.2020 - 30.06.2020</b>						
<b>Total revenues</b>	<b>23 434 802</b>	<b>6 528 284</b>	<b>5 636 993</b>	<b>441 415</b>	<b>(14 040 752)</b>	<b>22 000 743</b>
<b>Total expenses from which:</b>	<b>23 479 199</b>	<b>6 939 209</b>	<b>4 800 072</b>	<b>1 450 331</b>	<b>(14 245 513)</b>	<b>22 423 298</b>
(a) media and data purchase	21 014 818	4 999 039	2 043 642	0	(12 585 176)	15 472 322
(b) personnel	258 562	1 437 235	874 160	858 039	0	3 427 995
(c) tools and licenses	2 153 664	28 233	1 703 909	26 810	(1 674 907)	2 237 709
(d) other	52 156	474 702	178 362	565 482	14 570	1 285 272
<b>EBITDA segment</b>	<b>(44 397)</b>	<b>(410 925)</b>	<b>836 921</b>	<b>(1 008 915)</b>	<b>204 761</b>	<b>(422 555)</b>
% of EBITDA margin	(0.2%)	(6.3%)	14.8%	(228.6%)		(1.9%)
<b>Segment's assets</b>	<b>56 205 148</b>	<b>3 567 987</b>	<b>5 153 311</b>	<b>947 716</b>	<b>(42 163 187)</b>	<b>23 710 974</b>
<b>01.01.2019 - 30.06.2019</b>						
<b>Total revenues</b>	<b>23 932 075</b>	<b>6 050 228</b>	<b>3 259 333</b>	<b>2 178</b>	<b>(15 163 492)</b>	<b>18 080 321</b>
<b>Total expenses, from which:</b>	<b>23 892 662</b>	<b>6 452 299</b>	<b>2 753 563</b>	<b>1 562 179</b>	<b>(15 152 015)</b>	<b>19 508 687</b>
(a) media and data purchase	20 685 574	4 296 860	430 897	2 314	(14 039 355)	11 376 290
(b) personnel	237 847	1 380 725	1 405 202	855 653	0	3 879 427
(c) tools and licenses	2 969 241	10 527	593 569	22 392	(1 078 853)	2 516 876
(d) other	0	764 188	323 895	681 820	(33 808)	1 736 094
<b>EBITDA segment</b>	<b>39 413</b>	<b>(402 072)</b>	<b>505 770</b>	<b>(1 560 001)</b>	<b>(11 476)</b>	<b>(1 428 366)</b>
% of EBITDA margin	0.2%	(6.6%)	15.5%	-		(7.9%)
<b>Segment's assets</b>	<b>42 537 035</b>	<b>3 585 167</b>	<b>1 904 121</b>	<b>179 815</b>	<b>(15 973 459)</b>	<b>32 232 679</b>

Consolidated EBITDA result in the II quarter of 2020 – profit of PLN 0.3 million – was of almost PLN 0.8 million better compared to the same quarter of 2019 (loss of PLN 0.4 million).

*Data acquisition* and *Data enrichment* segments in the II quarter of 2020 recorded similar results to the II quarter of 2019. The total EBITDA result improved for the whole Group due to the improvement of Data services segment' results, as well as due to lower costs of the *Other* segment, and also as a result of the re-invoice of programming and integrative services expenses (included in the *Other* segment).

## Reconciliation of segments results before tax

Additional reconciliation of segments' results to the Group's results before tax is presented in the table below:

Specification	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
<b>Total EBITDA segments</b>	<b>326 107</b>	<b>(439 481)</b>
Depreciation and amortization	1 364 522	753 708
Adjustment for goods sale	0	0
Other operating revenues	652 047	48 107
Other operating expenses	306 962	124 054
<b>Results on operating activities</b>	<b>(693 330)</b>	<b>(1 269 136)</b>
Financial revenues	7 314	35 938
Financial expenses	819 081	365 697
<b>Result before tax</b>	<b>(1 505 097)</b>	<b>(1 598 895)</b>

## Note 8. Operating expenses

The structure, dynamics and share of the Group's operating expenses for the II quarter of 2020 are presented in the table below:

Specification	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019	change in %
Depreciation and amortization	1 364 522	753 708	81.0%
<i>as % of sales</i>	12.7%	7.8%	
Consumption of materials and energy	13 150	34 907	(62.3%)
<i>as % of sales</i>	0.1%	0.4%	
External services	9 915 832	9 606 378	3.2%
<i>as % of sales</i>	92.4%	99.3%	
Taxes and charges	48 685	28 714	69.6%
<i>as % of sales</i>	0.5%	0.3%	
Payroll	347 028	307 978	12.7%
<i>as % of sales</i>	3.2%	3.2%	
Social security and other benefits	44 526	64 714	(31.2%)
<i>as % of sales</i>	0.4%	0.7%	
Other costs by type	37 030	67 093	(44.8%)
<i>as % of sales</i>	0.3%	0.7%	
Value of goods and materials sold	0	0	-
<i>as % of sales</i>	0.0%	0.0%	
<b>Total operating expenses</b>	<b>11 770 773</b>	<b>10 863 492</b>	<b>8.4%</b>
<i>as % of sales</i>	109.7%	112.3%	

The table below presents corresponding data on the Group's operating expenses for the period of the two quarters of 2020 cumulatively:

Specification	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019	change in %
Depreciation and amortization	2 691 083	1 312 236	105.1%
<i>as % of sales</i>	12.2%	7.3%	
Consumption of materials and energy	36 372	67 341	(46.0%)
<i>as % of sales</i>	0.2%	0.4%	
External services	21 474 164	18 456 871	16.3%
<i>as % of sales</i>	97.6%	102.1%	
Tax and charges	75 905	39 045	94.4%
<i>as % of sales</i>	0.3%	0.2%	
Payroll	614 957	623 459	(1.4%)
<i>as % of sales</i>	2.8%	3.4%	
Social security and other benefits	89 466	95 910	(6.7%)
<i>as % of sales</i>	0.4%	0.5%	
Other costs by type	132 434	226 061	(41.4%)
<i>as % of sales</i>	0.6%	1.3%	
Value of goods and materials sold	0	0	-
<i>as % of sales</i>	0.0%	0.0%	
<b>Total operating expenses</b>	<b>25 114 381</b>	<b>20 820 923</b>	<b>20.6%</b>
<i>as % of sales</i>	114.2%	115.2%	

The most important item in the Group's operating expenses are still external services fully described in Note 9.

The increase in the value of the depreciation cost in 2020 compared to data from 2019 is primarily caused by the depreciation of the UnBlock system that was put into use in Q4 of 2019, as well as the depreciation of the new generation DMP platform.

### Note 9. External services

The most significant item of the Group's operating expenses are external services expenses, as a part of which the Group distinguishes:

- Cost of media purchase – includes mainly the purchase of advertising spaces or data only. In most cases, as a part of the advertising space purchase, the Group also acquires data without additional expenses. This data is directly related to the displayed advertisement for which the Group has paid.
- Costs of tools – include particularly the maintenance, support and development services as well as the costs of technical infrastructure (mainly the costs of renting and servicing servers) of the DSP platform (Demand Side Platform, enabling the purchase of media in the RTB – Real Time Bidding model), used by the Group to run a large part of its marketing campaigns.
- Costs of contractors – include the costs of people providing services for the Group's subsidiary companies based on B2B contracts as well as costs of external companies providing the Group with employee services. In order to determine the total Group's personnel costs, to the costs of employees should be added the following costs: payroll, insurance and social benefits (recognized in the profit and loss statement).
- Other external services include primarily: the costs of infrastructure outsourcing (services, hosting), costs of office space, media, costs of an external accounting office, as well as costs of consultants or experts.

The table below presents the main components of the Group's external services costs in the II quarter of 2020 covered by this report:

External services	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
Media and data purchase	6 884 911	6 305 081
Tools and licenses	1 147 731	1 134 208
Contractor costs	1 322 109	1 540 957
Other external services	561 081	626 132
<b>Total expense on external services</b>	<b>9 915 832</b>	<b>9 606 378</b>

The total cost of external services increased by 3% in the II quarter of 2020, compared to the II quarter of 2019. The most important increase in terms of value was recorded in "Media and data purchase" (9% annually, plus PLN 0.6 million). It is mainly due to the increase in revenues from brokerage media sales.

Decrease of more than 14% in employee costs is due to the capitalization of some personnel costs for the needs of developing a new version of the DMP technology panel (completed on April 1, 2020).

The items „Tools and licenses” as well as „Other external services” were at a similar level in Q2 of 2020 compared to the same quarter of the previous year.

The main components of the Group's external services costs in the two quarters of 2020 cumulatively are presented below, together with data for the comparative period:

<b>External services</b>	<b>01.01.2020 - 30.06.2020</b>	<b>01.01.2019 - 30.06.2019</b>
Media and data purchase	15 472 323	11 362 956
Tools and licenses	2 237 708	2 516 876
Contractor costs	2 614 403	3 222 384
Other external services	1 149 730	1 354 655
<b>Total external services cost</b>	<b>21 474 164</b>	<b>18 456 871</b>

#### **Note 10. Other operating revenues and expenses**

The value and structure of other operating revenues and expenses in the II quarter of 2020 are presented in the table below:

<b>Other operating revenues</b>	<b>01.04.2020 - 30.06.2020</b>	<b>01.04.2019 - 30.06.2019</b>
Government subsidies	378 662	24 000
Re-invoice of expenses	2 434	13 187
Different operating revenues	270 951	10 920
<b>Total</b>	<b>652 047</b>	<b>48 107</b>

<b>Other operating expenses</b>	<b>01.04.2020 - 30.06.2020</b>	<b>01.04.2019 - 30.06.2019</b>
Receivables' write-offs	12 363	105 920
List of receivables	6 434	1 120
Different operating expenses	288 165	17 014
<b>Total</b>	<b>306 962</b>	<b>124 054</b>

Corresponding data for the period of two quarters of 2020 cumulatively are presented in the table below:

<b>Other operating revenues</b>	<b>01.01.2020 - 30.06.2020</b>	<b>01.01.2019 - 30.06.2019</b>
Government subsidies	675 357	24 000
Re-invoice of expenses	8 853	26 185
Different operating revenues	373 269	11 034
<b>Total</b>	<b>1 057 479</b>	<b>61 219</b>

<b>Other operating expenses</b>	<b>01.01.2020 - 30.06.2020</b>	<b>01.01.2019 - 30.06.2019</b>
Receivables' write-offs	67 156	193 181
List of receivables	6 434	1 120
Different operating expenses	493 436	61 931
<b>Total</b>	<b>567 026</b>	<b>256 232</b>

In 2019, the Group started to recognize the awarded PARP grant for the implementation of the project under 3.2.1 Measure in the total amount of PLN 9.5 million. The grant will be recognized for the period of 7 years, starting from November 2019, except of the grant in the amount of PLN 24 thousand for the purchase of infrastructure, which was recognized in April 2019. As a result, the Group's net result will be influenced by the difference between amortization of the entire intangible assets value, and the recognition of the subsidy (granted in the amount of 60% of intangible assets. Additionally the item "government subsidies" in Q2 of 2020, includes a one-off, 50% exemption from payment of a ZUS obligation that was obtained by the parent company and the subsidiary company Audience Network, as a part of the instruments to prevent the effects of the COVID-19 pandemic.

As a part of ISFR 9, clients were divided into separate groups, then each of them was assigned with already made write-offs on the value of receivables. Moreover, the quality of the receivables portfolio within a given segment was analyzed. As a result, the level of expected losses was calculated (as % of receivables for a given clients' group) that, according to the Group, reflects a potential risk of future write-offs on losses of receivables and one-off Group's expense (presented as "Receivables' write-offs"). The assumptions as well as the level of expected losses is verified quarterly by the Group. The Group's current results in subsequent quarters include the difference between the expected losses level for a quarter compared to the previous quarter.

#### **Note 11. Financial revenues and expenses**

The structure of the Group's financial revenues and expenses for the Q2 of 2020 is presented in the tables below:

<b>Financial revenues</b>	<b>01.04.2020 - 30.06.2020</b>	<b>01.04.2019 - 30.06.2019</b>
Interests	7 314	1 758
Exchange gains	0	0
Other	0	34 180
<b>Total</b>	<b>7 314</b>	<b>35 938</b>

<b>Financial expenses</b>	<b>01.04.2020 - 30.06.2020</b>	<b>01.04.2019 - 30.06.2019</b>
Interests	6 438	7 884
Exchange losses	800 762	358 946
Other	11 881	(1 133)
<b>Total</b>	<b>819 081</b>	<b>365 697</b>

Data for the period of two quarters of 2020 cumulatively is presented in the table below:

<b>Financial revenues</b>	<b>01.01.2020 - 30.06.2020</b>	<b>01.01.2019 - 30.06.2019</b>
Interests	8 383	4 805
Exchange gains	508 243	0
Other	0	34 180
<b>Total</b>	<b>516 626</b>	<b>38 985</b>

<b>Financial expenses</b>	<b>01.01.2020 - 30.06.2020</b>	<b>01.01.2019 - 30.06.2019</b>
Interests	17 438	15 046
Exchange losses	0	593 862
Other	11 881	13 610
<b>Total</b>	<b>29 319</b>	<b>622 518</b>

Since the Group has practically no interests bearing debt, the main item of the Group's financial revenues and expenses are exchange differences.

The exchange differences are shown in a compact order, i.e. the balance of differences between the positive and negative exchange differences is shown a single item of financial revenues (positive balance of differences) or financial expenses (negative balance of differences).

The Group incurs production expenses mainly in the PLN currency (and to a lesser extent in USD), while the vast majority of revenues is generated in foreign currencies, mainly in EUR (to a lesser extent in PLN and USD). In case of weakening of the EUR or USD exchange rate to PLN (that took place in the second quarter of 2020), the Group may show significant negative exchange differences.

The level of differences also depends on the level of exchange differences between the moment of obtaining income from a foreign client and the level of exchange rate at the time of a foreign receivables inflow. Similarly, in case of foreign trade liabilities, mainly due to media purchase. The Group also performs a balance valuation of trade receivables and liabilities in foreign currencies as of the reporting date, which created another source of exchange rate differences. Taking into account the Group's activities that aim to reduce the total level of receivables, exchange rate differences should not be as significant as in the previous periods (assuming no significant changes of exchange rates).

Due to the fact that funds are received from clients mainly in foreign currencies, the Group regularly performs spot currency exchange transactions, as a result of which it can show the exchange rate differences on these transactions.

The effect of exchange rate differences on the valuation of currency positions is very important in the current quarter. Since the PLN currency strengthened compared to all main foreign currencies, the Group recorded negative exchange differences of over PLN 0.8 million. It should be noted that, at the end of the first quarter of 2020, due to the uncertainty on the currency market, the level of EUR/PLN, USD/PLN as well as GBP/PLN was record high.

## Note 12. Income tax

Information on the amount of the income tax as well as the possible deferred tax in the second quarter of 2020 is presented below:

Income tax	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
Current income tax	192 253	12 318
Deferred income tax	(769 147)	0
<b>Total</b>	<b>(576 894)</b>	<b>12 318</b>

Cloud Technologies and Audience Network pay CIT in advance. It should be added that the advances (calculated based on historical financial results) are paid in the same amount regardless of the companies' current financial results level, which generates income tax overpayment in case if the financial performance worsens (included in the receivables note).

Corresponding data for the period of two quarters of 2020 cumulatively are presented in the table below:

Income tax	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
Current income tax	238 279	8 718
Deferred income tax	(698 355)	36 976
<b>Total</b>	<b>(460 076)</b>	<b>45 694</b>

## Note 13. Profit per share

Basic profit per share is calculated by dividing the consolidated net profit for the period attributable to the Parent Company's ordinary shareholders by the average weighted number of ordinary shares in the period

Diluted profit per share is calculated by dividing the consolidated net profit for the period attributable to ordinary shareholders (after deducting interests on redeemable preferred shares convertible to ordinary shares) by the average weighted number of ordinary shares in the period (adjusted for the diluted options and diluted redeemable preferred shares convertible into ordinary shares). In the calculation of the diluted profit presented in the profit and loss statement, the redemption of the Parent Company's own shares was not included.

The hypothetical effect of including own shares in the calculation of the average weighted number of shares in the period (by subtracting the number of 299 400 own shares from the total number of the parent company's shares) on the diluted profit per share in the second quarter of 2020 is presented in the table below:

Specification	No redemption of own shares	Full redemption of own shares
Net profit for the period	(928 203)	(928 203)
Average weighted number of shares in the period	4 600 000	4 300 600
<b>Diluted profit per share</b>	<b>(0,20)</b>	<b>(0,22)</b>

## Note 14. Explanation of the main cash flows

The table below presents the main items included in the operating cash flow adjustments for the second quarter of 2020:

Specification	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
Amortization and depreciation	1 364 523	753 708
Interests and profit sharing	5 391	7 619
Change in provisions	(106 623)	38 164
Change in receivables	3 822 268	(809 899)
Change in short-term liabilities	3 596 128	3 510 812
Change in accruals	1 475 017	328 086
AN BGK software – to be paid	(4 780 000)	0
Other adjustments	473 229	(860 022)
<b>Total operating adjustments</b>	<b>5 849 933</b>	<b>2 968 468</b>

The main cash flow items from the Group's investing activities for the second quarter of 2020 are presented in the table below:

Specification	01.04.2020 - 30.06.2020	01.04.2019 - 30.06.2019
Subsidies and grants received	0	492 000
Other	8 057	1 791
<b>Total cash flows from investing activities</b>	<b>8 057</b>	<b>493 791</b>
Purchase of a license and development of DSP	8 186	0
UnBlock software	0	3 650 000
Development of the DMP platform	275 450	0
AN BGK software - paid	950 000	0
Purchase of other intangible and fixed assets	0	62 608
Loans granted	0	30 000
<b>Total cash flows from investing activities</b>	<b>1 233 636</b>	<b>3 742 608</b>

Data for the period of two quarters of 2020 cumulatively is presented below:

Specification	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
Amortization and depreciation	2 691 084	1 312 236
Interests and profit sharing	11 995	14 778
Change in provisions	(397 605)	25 586
Change in receivables	8 081 334	10 347 029
Change in short-term liabilities	3 961 546	4 477 918
Change in accruals	(631 040)	(359 043)
AN BGK software – to be paid	(4 780 000)	0
Other adjustments	414 418	747 670
<b>Total operating adjustments</b>	<b>9 351 732</b>	<b>16 566 174</b>

Specification	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
Subsidies and grants received	2 255 999	492 000
Other	12 534	1 791
<b>Total cash flows from investing activities</b>	<b>2 268 533</b>	<b>493 791</b>
Purchase of a license and development of the DSP	106 727	16 339 418
UnBlock software	0	4 430 000
The development of the DMP platform	624 688	0
AN BGK software - paid	950 000	0
Purchase of other intangible and fixed assets	8 882	72 868
Loans granted	60 000	30 000
<b>Total cash flows from investing activities</b>	<b>1 750 297</b>	<b>20 872 286</b>

In the II quarter of 2020, the Group recorded a total of positive net cash flows of PLN 6.3 million, including positive cash flows from operating activities (PLN 4.2 million), negative cash flows from investing activities (PLN -1.2 million), and positive cash flows from financial activities (PLN 3.3 million).

The most important events having a significant impact on the Group's cash flows in the second quarter of 2020 include:

- (a) Reimbursement of the CIT overpayment in the Parent Company in the amount of PLN 3.3. million (presented as a part of operating activities)
- (b) Audience Network collected a part of the completed software modules covered by the BGK subsidy for the total amount of PLN 5.7 million (from which PLN 950 thousand net was paid – presented as a part of the investing activities).
- (c) Loans granted by PFR in the amount of PLN 3.4 million (presented as a part of financial activities).

### **Nota 15. Intangible assets**

The table below presents the main items of intangible assets as at the reporting date:

<b>Specification</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2019</b>
DSP license	13 816 155	14 762 524	15 459 074
UnBlock 3.2.1.	14 458 704	15 599 676	4 430 000
Goodwill	2 526 018	2 526 018	2 526 018
Development of the DMP platform	275 450	671 723	0
AN BGK Software	5 730 000	0	0
OnAudience DMP platform	1 117 950	298 626	436 453
<b>Total</b>	<b>37 924 277</b>	<b>33 858 567</b>	<b>22 851 545</b>

The presented goodwill was recognized in the Q4 of 2017 as a result of the purchase of organized part of enterprise by Online Advertising Network subsidiary company that is a part of the Group.

License for the DSP platform was purchased in January 2019 by OnAudience Ltd subsidiary company and is a subject to amortization for the period of 8 years. In September 2019, the Group received development works (new functionalities and software improvements, increasing the scope of the license) concerning the DSP platform that were decided to be recognized as a new item of intangible assets (the value of the purchased platform development services is presented together with the net base value of the platform). Development works are amortized in compliance with remaining period of platform's amortization. The Group is planning to purchase new DSP license upgrades in the following periods, per demand of the platform's users.

In the 4Q of 2019, the UnBlock software, created with the help of PARP grant as a part of 3.2.1. project, was completed and received. The created system was recognized in the books in the amount of PLN 15.98 million, and is subject to amortization for the period of 7 years. The developed system will enhance the Group's product offer. Technical solutions developed as a part of creating this system should support other platforms and systems used by the Group.

Disclosed value of the completed development works concerns the OnAudience platform that is the second generation of the DMP platform (Data Management Platform), the technological basis of the Group's operations. Using DMP, the Company gathers, analyzes, processes and distributes anonymous data about behavior of online users. This platform enables the Group to generate revenues (inter alia from the *Data Exchange* service), and was initially presented by the Company as part of short term prepayments. The expected period of economic usefulness of the platform is at least 4 years.

Starting from July 2019, the Company began the process of improving of the currently used generation of the DMP platform. As a part of this process, the platform is planned to be expanded with new functionalities that will be offered to the Group's clients. The total expenses on development works on the DMP include personnel expenses, tools and servers' expenses, as well as directly attributable overhead expenses arising from the process. When the development works are completed, a separate asset (as a part of intangible assets) will be recognized. Moreover, in April 2020, the works on another generation of the DMP platform were started (presented in the II quarter of 2020 as "Development of the DMP platform").

In the II quarter of 2020, the subsidiary company Audience Network started an investment project co-financed by BGK, concerning the construction of a platform that automates data management in digital advertising. As of June 30, 2020, the Company received completed software modules for the amount of PLN 5.7 million gross, of which approximately PLN 1.2 million was paid by that date.

## Note 16. Fixed assets

The Group's main fixed assets, divided into balance sheet dates covered by this report, are presented in the table below:

Specification (net value):	30.06.2020	31.12.2019	30.06.2019
Machines and devices	13 489	17 396	207 147
Means of transport	12 866	32 117	658 813
Fixed assets under construction / advance payments	0	9 890	8 130
<b>In all</b>	<b>26 355</b>	<b>59 403</b>	<b>874 090</b>
Right-of-use assets	453 600	707 048	786 336
<b>Total</b>	<b>479 955</b>	<b>766 451</b>	<b>1 660 426</b>

The item „Machines and devices” includes primarily office and computer equipment purchased by the Group.

The item „Right-of-use assets” includes primarily net balance sheet value of the means of transport as of June 30, 2020, under lease agreements and rental agreements with an option to purchase. Starting from Q1 of 2019, this item also includes lease agreements of cars classified as lease (financial) in compliance with IFRS 16. Net value of the right-of-use of those assets was determined as of June 30, 2020 at PLN 454 thousand and is a subject to depreciation.

## Note 17. Long-term investments

The main items of the Group's long-term investments are presented in the table below:

Shares in the subsidiary companies	30.06.2020	31.12.2019	30.06.2019
loans granted	40 348	12 951	17 698
<b>Total</b>	<b>40 348</b>	<b>12 951</b>	<b>17 698</b>

The only item of the long-term investments are long-term, interests-bearing loans granted to clients of the Group's subsidiary company.

## Note 18. Short-term receivables

The amount and structure of the short-term receivables divided into balance sheet dates covered by this report are presented in the table below:

Specification	30.06.2020	31.12.2019	30.06.2019
<b>I. Receivables from related entities, of which:</b>	<b>37 047</b>	<b>128</b>	<b>234 620</b>
trade	0	0	97 709
other	37 047	128	136 911
<b>II. Receivables from other entities, of which:</b>	<b>28 421 487</b>	<b>32 777 065</b>	<b>36 654 670</b>
trade	23 710 974	25 812 156	32 134 970
due to taxes and social security, except of CIT	<b>1 732 810</b>	<b>1 802 275</b>	<b>1 627 822</b>
security deposit lease agreement	2 880 745	2 746 899	2 743 223
other	96 958	2 415 735	148 655
<b>III. Total short-term receivables</b>	<b>28 458 534</b>	<b>32 777 193</b>	<b>36 889 290</b>

Trade receivables (for deliveries and services) are the main component of the Group's short-term receivables.

Trade receivables from other entities decreased in the II quarter of 2020 by approximately PLN 2.1 million compared to December 31, 2019.

In the item „other receivables” there was presented historically granted, but not received, part of the PARP subsidy (in the amount of over PLN 2 million).

The aging of net trade receivables (after write-offs and expected losses in accordance with IFRS 9) as of the balance sheet dates is presented in the table below:

Specification	In all	Not overdue	Overdue				
			< 60 days	60 – 90 days	90 – 180 days	180 – 360 days	>360 days
<b>30.06.2020</b>	<b>23 710 974</b>	<b>7 822 504</b>	<b>4 713 979</b>	<b>37 617</b>	<b>4 002 941</b>	<b>7 133 933</b>	<b>0</b>
<i>Towards related entities</i>	0	0	0	0	0	0	0
<i>Towards other entities</i>	23 710 974	7 822 504	4 713 979	37 617	4 002 941	7 133 933	0
<b>31.12.2019</b>	<b>25 812 156</b>	<b>8 816 816</b>	<b>5 776 932</b>	<b>3 405 863</b>	<b>4 160 671</b>	<b>3 651 873</b>	<b>0</b>
<i>Towards related entities</i>	0	0	0	0	0	0	0
<i>Towards other entities</i>	25 812 156	8 816 816	5 776 932	3 405 863	4 160 671	3 651 873	0
<b>30.06.2019</b>	<b>32 232 679</b>	<b>10 665 194</b>	<b>973 087</b>	<b>4 384 430</b>	<b>4 746 894</b>	<b>11 365 365</b>	<b>97 709</b>
<i>Towards related entities</i>	97 709	0	0	0	0	0	97 709
<i>Towards other entities</i>	32 134 970	10 665 194	973 087	4 384 430	4 746 894	11 365 365	0

Trade receivables do not bear interests and usually have a payment term not exceeding 60 days. The exception are affiliate networks, for which the invoice payment deadline may exceed 180 days, due to the time-consuming process of settling the services provided by the Group in a given settlement period.

#### Nota 19. Short-term investments

The main short-term investment items as of the reporting date are presented in the table below:

Specification	30.06.2020	31.12.2019	30.06.2019
cash in hand and on accounts	15 535 696	4 814 886	5 085 047
loans granted	32 230	10 744	10 744
other short-term investments	0	0	0
<b>Total short-term investment</b>	<b>15 567 926</b>	<b>4 825 630</b>	<b>5 095 791</b>

The vast majority of free cash in hold in the PLN currency and, to a small extent, also in USD, GBP and EUR. The currency structure of cash reflects payments from the Group's clients, mostly the foreign ones. The current accounts on which the Group's free cash is held do not bear interest. In case of the EUR currency, the Group is charged with a commission cost for keeping the balance on accounts above the levels negotiated with the bank.

There are no restrictions on the disposal of cash by the Group.

#### Note 20. Active prepayments

Information on the main items of the current long-term settlements of prepayments as of the reporting date are presented in the table below:

Specification	30.06.2020	31.12.2019	30.06.2019
Deferred tax asset	1 060 987	266 597	151 358
<b>Long-term active RMK</b>	<b>1 060 987</b>	<b>266 597</b>	<b>151 358</b>

Information on the main items of the current short-term settlements of prepayments as of the reporting date are presented in the table below:

Specification	30.06.2020	31.12.2019	30.06.2019
Property insurance	44 300	34 219	54 116
car insurance	18 616	14 316	10 850
cost of creating new mobile games	0	0	595 194
other prepayments	918 638	9 178	10 417
<b>Current short-term RMP</b>	<b>981 554</b>	<b>57 713</b>	<b>670 577</b>

Historically important item of the active RMK were the costs of creating new, but yet unreleased mobile game, including mainly personnel, office, and tolls expenses. Due to the fact that the new title did not start generating revenues by the end of 2019, the Group made a one-off charge to the current results to the Q4 of 2019 by the historical production (worth PLN 595 thousand, included in "other expenses"). The Group is currently considering an attempt to resell the property rights to the developed titles to an entity specialized in the mobile gaming industry.

The increase in other accruals in the second quarter of 2020 results from long-term data purchase agreements signed by the subsidiary company OnAudience Ltd. Those agreements provide that the supplier is obliged to provide data to OnAudience for the period specified in the agreement (usually around 5 years). The cost of purchasing data is included in the profit and loss statement pro-rata in line with the contract period, with payment for the data is usually made in full as soon as the agreement is entered into.

#### **Note 21. Assets under contracts with clients**

Specification	30.06.2020	31.12.2019	30.06.2019
assets under contracts with clients	632 152	56 275	752 959
<b>Total</b>	<b>632 152</b>	<b>56 275</b>	<b>752 959</b>

Assets under contracts with clients concern those clients, in case of whom there is a monthly shift between the invoicing period, and providing of the settlements for services rendered, being the basis for the Group to issue the invoices. The established level of revenue provisions is an estimate of monthly revenues from those contracts and it is estimated every quarter. The revenues of a given quarter include the difference between the level of provisions estimated in a given quarter and the level of provisions established in the previous quarter.

#### **Note 22. Own shares and reserve capital**

As a result of the withdrawal of own shares carried out in December 2017, the Company withdrew 299 400 shares at an average price of PLN 60.12, with a total value of PLN 18 million.

Pursuant to IFRS, the acquired own shares are included in equity and presented separately as a negative item. Own shares are valued at purchase price. This value is not further updated.

As of the date of the report's publication, the Board of Directors did not take any binding steps to implement this resolution. As of the date of the report's publication, no relevant resolutions were adopted regarding the approval of a new incentive program or redemption of own shares.

#### **Note 23. Reserve capital and other capital**

Specification of the supplementary capital and other capital of the Group is presented in the table below:

Specification	30.06.2020	31.12.2019	30.06.2019
Reserve capital from profits from previous years	23 878 746	25 200 627	25 200 627
Supplementary capital from issuing shares above their nominal value	13 685 000	13 685 000	13 685 000
Capital from the valuation of the incentive program	24 415 000	24 415 000	24 415 000
Other retained earnings	(4 587 072)	(1 191 248)	(1 191 248)
<b>TOTAL</b>	<b>57 391 674</b>	<b>62 109 379</b>	<b>62 109 379</b>

#### **Note 24. Provisions for liabilities**

Historically, except of the provisions for deferred income tax, the Group does not show a significant level of provisions. The amount of the provisions for the deferred income tax as of June 30, 2020, is PLN 165 thousand.

#### **Note 25. Financial liabilities**

Historically, the only item of long-term liabilities were other financial liabilities towards other entities, relating to the long-term part of financial leases of passenger cars.

In accordance with provisions of IFRS 16, the Group analyzed contracts with clients in terms of recognizing selected contracts as leasing contracts according to the guidelines of the new standard. On the basis of the performed analysis, there were identified agreements considered to be lease agreements, including operating lease agreements and server lease agreements. As a part of the recognition, contractual obligations and the right to use assets were calculated.

As of June 30, 2020, the Group's total lease liabilities amounted PLN 594 thousand.

In June 2020, the Parent Company as well as the subsidiary company Audience Network were granted financial subsidy in the total amount of PLN 3.4 million, being a part of Financial Shield of the Polish Development Fund (polish – Tarcza Finansowa Polskiego Funduszu Rozwoju). The subsidy is reimbursed in 24 equal monthly installments, starting from the 13<sup>th</sup> calendar month after the date of granting the subsidy. The amount of the subsidy reimbursement will range from 25% to 100%, if the following conditions are met: the continuity of operations, financial performance, and employment criteria, with the remainder amortized. The total amount of the subsidy of PLN 3.4 million is presented in the Group's liabilities as "credits and loans".

The division of financial liabilities into the short-term part and long-term part is presented in the table below:

Specification	30.06.2020	31.12.2019	30.06.2019
Long-term lease liabilities	396 966	494 929	466 343
Short-term lease liabilities	196 850	242 774	283 771
Credits and loans	3 400 000	0	0
<b>Total financial liabilities</b>	<b>3 993 816</b>	<b>737 703</b>	<b>750 114</b>

As of June 30, 2020, the Group does not have other interest-bearing financial liabilities other than those indicated in the table above.

#### Note 26. Short-term liabilities

The amount and main items of the Group's short-term liabilities divided into balance sheet dates were presented in the table below:

Specification	30.06.2020	31.12.2019	30.06.2019
<b>I. Towards related entities, of which:</b>	<b>39 937</b>	<b>8 644</b>	<b>701 475</b>
for suppliers and services for the period	38 007	738	701 475
other	1 930	7 906	0
<b>II. Towards other entities:</b>	<b>10 166 100</b>	<b>6 235 846</b>	<b>8 331 223</b>
for suppliers and services	10 072 766	6 153 739	8 200 228
due to taxes and social security	65 745	71 518	51 651
for remuneration	22 537	3 817	59 756
other	5 052	6 772	19 588
<b>III. Total short-term liabilities</b>	<b>10 206 037</b>	<b>6 244 490</b>	<b>9 032 698</b>

Liabilities for deliveries and services concern mainly current, primarily non-overdue payments to the Group's clients, including mostly media suppliers (advertising spaces), and expenses for the maintaining of the DSP platform, as well as the costs of servers supporting the Group's technology. In the II quarter of 2020, those liabilities also include the value of received, but not paid invoices for the implementation of software covered by the subsidy in the subsidiary company Audience Network.

Additionally, the aging of the Group's short-term liabilities for supplies and services, divided into related and other entities is presented in the table below:

Specification	Total	Not overdue	Overdue				
			< 60 days	60 –90 days	90 – 180 days	180 – 360 days	>360 days
<b>30.06.2020</b>	<b>10 110 773</b>	<b>9 265 717</b>	<b>686 226</b>	<b>147 774</b>	<b>11 057</b>	<b>0</b>	<b>0</b>
<i>Towards related entities</i>	38 007	38 007	0	0	0	0	0
<i>Towards other entities</i>	10 072 766	9 227 710	686 226	147 774	11 057	0	0
<b>31.12.2019</b>	<b>6 154 477</b>	<b>3 228 450</b>	<b>1 332 578</b>	<b>455 589</b>	<b>1 027 679</b>	<b>110 181</b>	<b>0</b>
<i>Towards related entities</i>	738	0	738	0	0	0	0
<i>Towards other entities</i>	6 153 739	3 228 450	1 331 840	455 589	1 027 679	110 181	0
<b>30.06.2019</b>	<b>8 901 613</b>	<b>4 330 628</b>	<b>917 330</b>	<b>3 446 062</b>	<b>122 975</b>	<b>84 618</b>	<b>0</b>
<i>Towards related entities</i>	701 475	338 782	155 166	47 979	113 075	46 473	0
<i>Towards other entities</i>	8 200 138	3 991 846	762 164	3 398 083	9 900	38 145	0

The Group settles its trade liabilities up to date. Possible delays in payments usually relate to situations, when it is necessary to establish the correct balance of settlements with the client, which in case of foreign clients may be time-consuming.

#### **Note 27. Deferred income**

<b>Specification</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2019</b>
Granted, unsettled subsidies	8 597 210	9 230 209	468 000
Settlement of DMP licenses sold	4 618 225	0	0
Other	0	0	5 325
<b>Total deferred income</b>	<b>13 215 435</b>	<b>9 230 209</b>	<b>473 325</b>

The presented deferred income relates to, firstly, the grant for development of the UnBlock software, completed in November 2019 (in accordance with the information included in Note on intangible assets). The granted subsidy represents approximately 60% of the value of the asset purchased with the support of the subsidy. In accordance with the Group's accounting policy, the subsidy will be recognized in the same period as the expected useful life of the UnBlock software, i.e. 7 years.

Secondly, deferred income presents the total value of the sale of licenses for the access to the Group's DMP platform (PLN 4.8 million net as at the end of the II quarter of 2020), decreased by the already recognized revenues from those licenses. The license is granted for a period of 5 years, and at the same the Group recognizes revenue from the sale of this license in the same period (usually close to 60 months). Payment for the sold license is made once for the total amount, according to the date indicated on the invoice (usually up to 60 days).

#### **Note 28. Accruals**

The most significant items in the Group's accruals are presented in the table below:

<b>Specification</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2019</b>
Provision for expenses	547 141	1 119 434	340 206
<b>Total accruals</b>	<b>547 141</b>	<b>1 119 434</b>	<b>340 206</b>

The main item of the RMK accruals are provisions for expenses set up by the Group's entities, relating mainly to media expenses incurred for the implementation of campaigns, for which – as of the balance sheet date – the Group's subsidiary companies did not receive appropriate cost invoices.

#### **Note 29. Dividends**

There were no dividend payments recorded in the reporting period.

#### **Nota 30. Contingent liabilities**

As of June 30, 2020, the only significant contingent liabilities relate to the signed promissory notes in blanco, securing the Group's car leasing contracts.

#### **Nota 31. Change in the presentation of comparative data:**

In order to increase the informative value of the Issuer's financial statement, when preparing the statement for 2019, it was decided to detail and change the presentation of selected items of the Group's assets as well as equity and liabilities, with no introduced changes to the value of those assets. Changes were also made in the scope of shifting the costs of rent re-invoices and other re-invoices between the Group's subsidiary companies, between external services and other operating expenses. This change influences the reported EBITDA, however, it does not affect the Group's net result. There were also shifts in the Group's operating and investment flows (without changes in total cash flows).

The main changes in the presentation of assets, along with their reconciliation for presentation in the financial statement for the II quarter of 2019, are presented in the table below:

Assets	Was in the Q2 of 2019	Is in the Q2 of 2019
1. Short-term liabilities	40 308 006	
1.1 Trade liabilities		32 232 679
1.2 Other liabilities		4 656 611
1.3 Income tax liabilities		3 418 716
2. Short-term prepayments	5 853 537	
2.1 Assets under contracts with clients		752 959
2.2 Short-term prepayments		670 577
2.3 UnBlock 3.2.1 (intangible assets)		4 430 000

The presentation change in the scope of the profit and loss statement, along with its reconciliation for presentation in the financial statement for the II quarter of 2019 is presented in the table below:

Profit and loss statement	Was in the Q2 of 2019	Change	Is in the Q2 of 2019
1. Other operating expenses	233 658	(109 604)	124 054
2. Operating expenses, including	10 753 888	109 604	10 863 492
2.1 External services	9 496 774	109 604	9 606 378

The change of presentation change in the scope of cash flow statement, along with its reconciliation to be presented in the financial statement for the II quarter of 2019 was also presented below:

Cash flow statement	Was in the Q2 of 2019	Change	Is in the Q2 of 2019
1.1 Operating adjustments – change in RMK	(3 321 914)	3 650 000	328 086
1.2 Software expenses	3 650 000	(3 650 000)	0

### Note 32. Events after the balance sheet date

In the period from June 30, 2020, till the date this report was published, i.e. August 14, 2020, the following significant events that occurred after the balance sheet date were recorded:

- (a) **Signing of further agreements for the sale of the DMP technology licenses:** in the period from June 30, 2020, till the date this report was published, the Parent Company signed two more agreements for the sale of the DMP licenses for a total amount of PLN 3.1 million. The license period is 5 years, hence the Group will recognize the revenue from the sale of those licenses in line with the time of their duration.
- (b) **Implementation of a project co-financed under the agreement between Audience Network Sp. z o.o. and Bank Gospodarstwa Krajowego S.A.:** as of the day of the report's publication, the subsidiary company Audience Network received invoices for all other (i.e. not recognized as of June 30, 2020) software modules covered by the subsidy in the total amount of PLN 3.4 million net. The total value of the entire project was PLN 9.1 million net (PLN 11.2 million gross), of which the Group recognized an asset in the amount of PLN 5.7 million as of June 30, 2020 (according to the net value of invoices received). In the period from June 30, 2020, until the publication of the report, the subsidiary company Audience Network incurred a bank loan, received for the implementation of the project. In total, in the above-mentioned period of time, invoices were paid to the contractor of the project in the amount of PLN 5.9 million gross, of which nearly PLN 2.3 million came from own funds of Audience Network, and PLN 3.6 million from the bank loan. As of the publication date, invoices for the amount of PLN 4.2 million gross are to be paid, of which PLN 1.5 million is to be a part of the bank loan, and the remaining amount from the Group's funds. In order to implement the project, the Parent Company signed a loan agreement with the subsidiary company Audience Network. After the project implementation, the subsidiary company Audience Network will apply to Bank Gospodarstwa Krajowego for a grant in the amount of PLN 5.1 million, which will be used to repay the bank loan taken.

# Information about financial results of Cloud Technologies S.A.

For the II quarter of 2020

## Standalone profit and loss statement of Cloud Technologies S.A.

<i>Value in PLN</i>	<b>II quarter of 2020</b> from April 1st, 2020 until June 30, 2020	<b>II quarter of 2019</b> from April 1st, 2019 until June 30, 2019	<b>II quarters of 2020</b> from January 1st, 2020 until June 30, 2020	<b>II quarters of 2019</b> from January 1st, 2019 until June 30, 2019
<b>A. Net revenues from sales</b>	<b>2 744 940</b>	<b>5 060 318</b>	<b>6 939 427</b>	<b>9 916 682</b>
<b>B. Operating expenses</b>	<b>4 004 322</b>	<b>5 636 980</b>	<b>9 470 080</b>	<b>11 192 672</b>
I. Amortization and depreciation	790 405	175 709	1 543 771	310 236
II. Consumption of materials and energy	7 120	22 071	25 027	41 785
III. External services	2 897 820	5 122 586	7 314 339	10 219 892
IV. Taxes and charges	12 645	22 161	33 637	28 216
V. Payroll	250 003	248 397	423 971	505 583
VI. Social security and other benefits	29 899	19 661	62 285	38 864
VII. Other costs by type	16 430	26 395	67 050	48 096
<b>C. Profit on sales</b>	<b>(1 259 382)</b>	<b>(576 662)</b>	<b>(2 530 653)</b>	<b>(1 275 990)</b>
D. Other operating revenues	496 012	141 222	962 686	265 585
E. Other operating expenses	166 637	145 566	313 591	268 835
<b>F. Profit on operating activities</b>	<b>(930 007)</b>	<b>(581 006)</b>	<b>(1 881 558)</b>	<b>(1 279 240)</b>
G. Financial revenues	156 461	220 356	347 001	365 288
H. Financial expenses	271 348	345 416	8 434	563 751
<b>I. Gross profit before tax</b>	<b>(1 044 894)</b>	<b>(706 066)</b>	<b>(1 542 991)</b>	<b>(1 477 702)</b>
J. Income tax	(443 107)	(23 211)	(531 722)	(13 762)
<b>K. Profit after tax</b>	<b>(601 787)</b>	<b>(682 855)</b>	<b>(1 011 269)</b>	<b>(1 463 940)</b>
<b>Profit per share</b>	<b>(0.13)</b>	<b>(0.15)</b>	<b>(0.22)</b>	<b>(0.32)</b>
- basic	(0.13)	(0.15)	(0.22)	(0.32)
- diluted	(0.13)	(0.15)	(0.22)	(0.32)

## Standalone comprehensive income statement of Cloud Technologies S.A.

<i>Value in PLN</i>	<b>II quarter of 2020</b> from April 1st, 2020 until June 30, 2020	<b>II quarter of 2019</b> from April 1st, 2019 until June 30, 2019	<b>II quarters of 2020</b> from January 1st, 2020 until June 30, 2020	<b>II quarters of 2019</b> from January 1st, 2019 until June 30, 2019
Profit after tax	(601 787)	(682 855)	(1 011 269)	(1 463 940)
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>(601 787)</b>	<b>(682 855)</b>	<b>(1 011 269)</b>	<b>(1 463 940)</b>

## Standalone statement on cash flows of Cloud Technologies S.A.

<i>Value in PLN</i>	<b>II quarter of 2020</b> From April 1st, 2020 Until June 30, 2020	<b>II quarter of 2019</b> From April 1st, 2019 Until June 30, 2019	<b>II quarters of 2020</b> From January 1st, 2020 Until June 30, 2020	<b>II quarters of 2019</b> From January 1st, 2019 Until June 30, 2019
<b>Cash flows from operating activities</b>				
I. Profit before tax	(1 044 894)	(706 066)	(1 542 991)	(1 477 702)
II. All adjustments	4 423 824	3 374 051	9 650 176	14 890 916
III. Income tax paid	(36 894)	0	(61 490)	0
<b>IV. Net cash flows from operating activities</b>	<b>3 342 036</b>	<b>2 667 985</b>	<b>8 045 695</b>	<b>13 413 214</b>
<b>Cash flows from investing activities</b>				
I. Inflows	0	0	0	0
II. Outflows	275 450	4 426 888	824 688	21 034 898
<b>III. Net cash flows from investing activities</b>	<b>(275 450)</b>	<b>(4 426 888)</b>	<b>(824 688)</b>	<b>(21 034 898)</b>
<b>Cash flows from financial activities</b>				
I. Inflows	1 300 000	0	1 300 000	0
II. Outflows	52 222	166 115	121 570	216 386
<b>III. Net cash flows from financial activities</b>	<b>1 247 778</b>	<b>(166 115)</b>	<b>1 178 430</b>	<b>(216 386)</b>
Net cash flows	4 314 364	(1 925 018)	8 399 437	(7 838 070)
<b>Change in cash and cash equivalents</b>	<b>4 314 364</b>	<b>(1 925 018)</b>	<b>8 399 437</b>	<b>(7 838 070)</b>
Net exchange rate differences	(165 374)	(45 712)	(122 810)	(44 698)
<b>Cash opening balance</b>	<b>7 198 226</b>	<b>6 091 866</b>	<b>3 113 153</b>	<b>12 004 918</b>
<b>Cash closing balance</b>	<b>11 512 590</b>	<b>4 166 848</b>	<b>11 512 590</b>	<b>4 166 848</b>

## Standalone statement on changes in equity of Cloud Technologies S.A.

	Share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Current profit (loss)	Total equity
<b>As of April 1st, 2020</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>22 782 337</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>(1 321 881)</b>	<b>(409 482)</b>	<b>59 610 974</b>
Net profit (loss) distribution	0	0	(1 321 881)	0	0	0	1 321 881	0	0
Total current income	0	0	0	0	0	0	0	(601 787)	(601 787)
<b>As of June 30, 2020</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>21 460 456</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>0</b>	<b>(1 011 269)</b>	<b>59 009 187</b>

	Share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Current profit (loss)	Total equity
<b>As of April 1st, 2019</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>21 603 175</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>1 179 162</b>	<b>(781 085)</b>	<b>60 561 252</b>
Net profit (loss) distribution	0	0	1 179 162	0	0	0	(1 179 162)	0	0
Total current income	0	0	0	0	0	0	0	(682 855)	(682 855)
<b>As of June 30, 2019</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>22 782 337</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>0</b>	<b>(1 463 940)</b>	<b>59 878 397</b>

	Share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Current profit (loss)	Total equity
<b>As of January 1st, 2020</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>22 782 337</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>0</b>	<b>(1 321 881)</b>	<b>60 020 456</b>
Distribution to retained earnings	0	0	0	0	0	0	(1 321 881)	1 321 881	0
Net profit (loss) distribution	0	0	(1 321 881)	0	0	0	1 321 881	0	0
Total current income	0	0	0	0	0	0	0	(1 011 269)	(1 011 269)
<b>As of June 30, 2020</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>21 460 456</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>0</b>	<b>(1 011 269)</b>	<b>59 009 187</b>

	Share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Current profit (loss)	Total equity
<b>As of January 1st, 2019</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>21 603 175</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>0</b>	<b>1 179 162</b>	<b>61 342 337</b>
Distribution to retained earnings	0	0	0	0	0	0	1 179 162	(1 179 162)	0
Net profit (loss) distribution	0	0	1 179 162	0	0	0	(1 179 162)	0	0
Total current income	0	0	0	0	0	0	0	(1 463 940)	(1 463 940)
<b>As of June 30, 2019</b>	<b>460 000</b>	<b>(18 000 000)</b>	<b>22 782 337</b>	<b>13 685 000</b>	<b>24 415 000</b>	<b>18 000 000</b>	<b>0</b>	<b>(1 463 940)</b>	<b>59 878 397</b>

## Standalone statement on financial situation of Cloud Technologies S.A.

### Assets

<i>Value in PLN</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b> <i>*restated data</i>
<b>I. Fixed assets</b>	<b>38 964 090</b>	<b>38 496 377</b>	<b>25 585 640</b>
Intangible assets	16 052 103	16 570 025	4 866 453
Tangible fixed assets	25 053	56 640	82 907
Lease assets	245 396	414 972	410 408
Investments in subsidiary companies	504 885	504 997	504 733
Long-term loans granted	21 253 490	20 926 507	19 696 957
Deferred tax assets	883 163	23 236	24 182
<b>II. Current assets</b>	<b>36 482 960</b>	<b>32 454 029</b>	<b>41 011 826</b>
Trade receivables	22 010 167	19 751 644	28 931 623
Other receivables	2 931 803	6 211 082	3 747 513
CIT receivables	0	3 293 706	3 293 706
Short-term investments	11 512 590	3 113 153	4 166 848
Contract assets	0	54 089	248 000
Short-term prepayments	28 400	30 356	624 136
<b>III. Total assets</b>	<b>75 447 050</b>	<b>70 950 406</b>	<b>66 597 466</b>

## Equity and liabilities

<i>Value in PLN</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b> <i>*restated data</i>
<b>I. Total equity</b>	<b>59 009 187</b>	<b>60 020 456</b>	<b>59 878 397</b>
Share capital	460 000	460 000	460 000
Own shares	(18 000 000)	(18 000 000)	(18 000 000)
Supplementary capital and other capital	35 145 456	36 467 337	36 467 337
Capital from the valuation of incentive program	24 415 000	24 415 000	24 415 000
Reserve capital	18 000 000	18 000 000	18 000 000
Current profit	(1 011 269)	(1 321 881)	(1 463 940)
<b>II. Long-term liabilities and provisions</b>	<b>444 341</b>	<b>431 464</b>	<b>331 879</b>
Provision for deferred income tax	338 476	248 550	241 255
Long-term lease liabilities	105 865	182 914	90 624
<b>III. Short-term liabilities and provisions</b>	<b>15 993 522</b>	<b>10 498 486</b>	<b>6 387 190</b>
Trade liabilities	694 096	948 557	5 575 734
Short-term lease liabilities	111 513	150 471	227 160
Credits and loans	1 300 000	0	0
Other liabilities	642 478	75 763	116 296
Deferred revenues	13 215 435	9 230 209	468 000
Other provisions	30 000	93 485	0
<b>III. Total equity and liabilities</b>	<b>75 447 050</b>	<b>70 950 406</b>	<b>66 597 466</b>