Cloud Technologies Group

Consolidated annual financial statement for 2020

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1 Statement of the Board of Directors

The Board of Directors of the Parent Company states that, to the best of its knowledge, the annual consolidated financial statement as well as the comparative data were prepared in compliance with the current accounting policy and that, in a true, reliable, and clear manner, they reflect the financial position of the Group and its financial result.

The Board of Directors of the Parent Company states that the report on the Group's operations presents a real picture on the developments, achievements, and situation of the Group, including the description of the basic threats and risks.

This consolidated annual financial statement was prepared in compliance with accounting principles, according to International Accounting Standards, International Financial Reporting Standards, and related interpretations announced in the form of European Commission regulations, as well as in the scope required by the document 'Current and periodic information provided in an alternative trading system on NewConnect Market' that constituted appendix 3 to the ATS Regulations. This report covers the period from January 1st to December 31st, 2020 and comparable period from January 1st to December 31st, 2019.

The Board of Directors states that, to the best of its knowledge, the choice of the audit firm conducting the annual review of the consolidated financial statements was made in accordance with all legal principles, including those concerning the choice and procedure for the choice of the audit firm. Both the firm and members of the audit team were able to prepare an unbiased and independent audit report on the annual consolidated financial statement in accordance with all legal principles, their professional standards, and professional ethics

In compliance with corporate governance principles adopted by the Company's Board of Directors, the audit company was chosen with a resolution on the choice of audit company from November 22nd 2019 by the Supervisory Board of the Parent Company. The Supervisory Board made the above choice ensuing a full independence and objectivity of the choice, as well as with regards to the performance of tasks by the auditor acting on behalf of the audit company.

Piotr Prajsnar
Chairman of the Board
of the Parent Company

Piotr Soleniec
Board Member
of the Parent Company

2 Selected financial data

Specification		Q1–Q4 2020 01.01.2020–31.12.2020		Q1–Q4 2019 01.01.2019–31.12.2019
PROFIT AND LOSS STATEMENT	**PLN**	**EUR**	**PLN**	**EUR**
Net revenues from sales	50 127 965	11 203 783	42 729 422	9 932 917
EBITDA profit (loss)	6 029 323	1 347 576	(1 132 582)	(263 281)
Profit (loss) on operating activities	(447 551)	(100 029)	(4 299 322)	(999 424)
Gross profit (loss)	111 418	24 902	(4 919 479)	(1 143 586)
Net profit (loss)	637 150	142 405	(4 717 705)	(1 096 682)
Number of shares*	4 600 000	4 600 000	4 600 000	4 600 000
Net profit (loss) per share (PLN/EUR)	0,14	0,03	(1,03)	(0,24)
STATEMENT OF FINANCIAL POSITION				
Fixed assets	47 341 825	10 258 695	34 904 566	8 196 446
Current assets	51 415 014	11 141 331	41 223 504	9 680 287
Equity	64 556 510	13 989 016	58 739 495	13 793 471
Long-term liabilities and reserves	20 330 062	4 405 405	8 467 353	1 988 342
Short-term liabilities and other	13 870 268	3 005 605	8 921 222	2 094 921
Carrying amount per share (PLN/EUR)	14,03	3,04	12,77	3,00
CASH FLOW STATEMENT				
Net cash flow from operating activities	10 890 059	2 426 968	18 387 978	4 274 485
Net cash flow from investing activities	(4 542 537)	(1 015 274)	(26 175 174)	(6 084 703)
Net cash flow from financial activities	6 644 640	1 492 101	(451 861)	(105 040)
EUR/PLN exchange rate		**2020**		**2019**
- for balance sheet data		4,6148		4,2585
- data for profit and loss, cash flows		4,4742		4,3018

*Does not include the capital increase by 400 000 G series shares registered in March 2021

The average exchange rate of the National Bank of Poland as at the balance sheet date was used to convert the data in the statement of financial position.

To convert the profit and loss items as well as the cash flow, an exchange rate that is the arithmetic mean of the National Bank of Poland exchange rates effective on the last day of each month of the period was used.

3 Consolidated annual financial statement for the period from January 1 till December 31, 2020.

GENERAL INFORMATION

I. Data of the Parent Company:

Name:	Cloud Technologies S.A.
Legal form:	Joint-stock company (Spółka Akcyjna)
Address of the registered office:	ul. Żeromskiego 7, 05-075 Warszawa
Registration country:	Polska
PKD:	
	- Software related activities
	- Data processing activities
	- Online advertising activities
National Court Number (KRS)	0000405842
Authority keeping the register:	Sąd Rejestrowy dla m.st. Warszawy w Warszawie, XIII Wydział Gospodarczy Krajowego Rejestru Sądowego
Business Registry Number (REGON)	142886479
Tax Identification Number (NIP)	9522106251

II. Duration of the Group

The Parent Company, Cloud Technologies S.A., and the Group's subsidiary companies were established for an indefinite period.

III. Periods presented

The annual consolidated financial statements contain data for the period from January 1, 2020 till December 31, 2020. Comparative data is presented as of December 31, 2019 for the consolidated statement on financial position as well as for the period from January 1, 2019 to December 31, 2019 for the consolidated statement of comprehensive income, consolidated statement of cash flows, and statement of changes in consolidated equity.

IV. Bodies of the Parent Company as of December 31, 2020.

Board of Directors:

Piotr Prajsnar - Chairman of the Board

Changes in the composition of the Board of Directors of the Parent Company

There were no changes in the composition of the Board of Directors of the Parent Company in the financial year. On February 26, 2021, by a resolution of the Company's Supervisory Board, Mr. Piotr Soleniec was appointed to hold the position of the Member of the Parent Company's Board of Directors.

Supervisory Board:

Tomasz Zadroga - Chairman of the Supervisory Board
Kamil Bargiel - Member of the Supervisory Board

Łukasz Krasnopolski	-	Member of the Supervisory Board
Szymon Okoń	-	Member of the Supervisory Board
Aleksandra Szweryn-Prajsnar	-	Member of the Supervisory Board
Marcin Brendota	-	Member of the Supervisory Board

Changes in the composition of the Supervisory Board of the Parent Company

On October 12, 2020, by a resolution of the Extraordinary General Meeting of the Company, Mr. Marcin Brendota was appointed to hold the position of the Member of the Company's Supervisory Board.

V. Auditor:

Ecovis System Rewident Sp. z o.o.
ul. Garażowa 5a, 02 -651 Warszawa
entered on the list of auditing companies under the number 1253

VI. Authorized Adviser:

IPO Doradztwo Kapitałowe S.A.
ul. Marszałkowska 126/134
00-008 Warszawa

VII. Listing on a regulated or alternative market:

1. **Information about the quotation market:**

Giełda Papierów Wartościowych w Warszawie S.A.
Alternatywny system obrotu NewConnect („NC")
ul. Książęca 4, 00-498 Warszawa

2. **Deposit and settlement system:**

Krajowy Depozyt Papierów Wartościowych S.A. (KDPW)
ul. Książęca 4, 00-498 Warszawa

3. **Contacts with investors:**

Inner Value Sp. z o.o.
Wilcza 46, 00-679 Warszawa

VIII. Significant shareholders of the Parent Company

The Shareholders of the Parent Company holding over 5% votes, as of December 31, 2020, were:

Shareholders	Number of shares	% of share capital	Number of votes	% of votes
Prajsnar Piotr	1 277 000	27.76%	1 277 000	27.76%
Perpetum 10 FIZ AN	1 414 666	30.75%	1 414 666	30.75%
Cloud Technologies S.A.*	299 400	6.51%	299 400	6.51%
Oktawian Oźminkowski	258 837	5.63%	258 837	5.63%
other up to 5%	1 350 097	29.35%	1 350 097	29.35%
Total	**4 600 000**	**100.00%**	**4 600 000**	**100.00%**

*own shares acquired by the Parent Company in 2017.

As at the publication date of this report, taking into account the registration of the capital increase in March 2021, the Shareholders of the Parent Company holding over 5% of votes were:

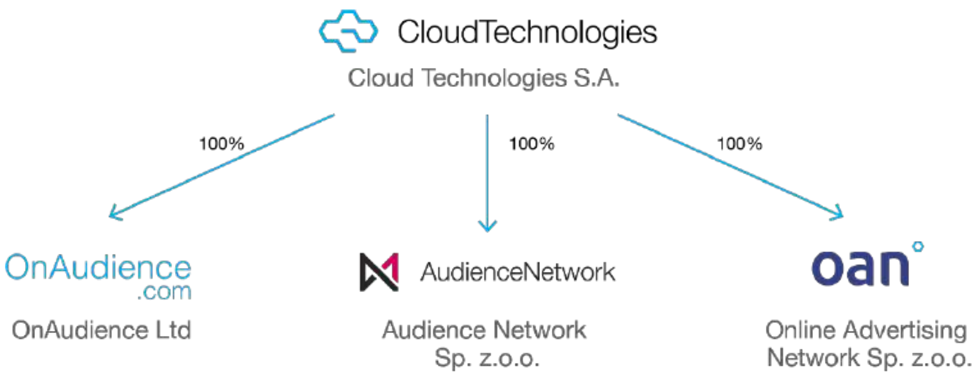
Shareholders	Number of shares	% of share capital	Number of votes	% of votes
Prajsnar Piotr	1 437 000	28.74%	1 437 000	28.74%
Perpetum 10 FIZ AN	1 414 666	28.29%	1 414 666	28.29%
Cloud Technologies S.A.*	299 400	5.99%	299 400	5.99%
Oktawian Oźminkowski	258 837	5.18%	258 837	5.18%
other up to 5%	1 590 097	31.80%	1 590 097	31.80%
Total	**5 000 000**	**100.00%**	**5 000 000**	**100.00%**

IX. Subsidiaries, co-subsidiaries and associated companies:

- Audience Network Sp. z o.o. (share in capital and voting rights: 100%),
- Online Advertising Network Sp. z o.o. (share in capital and voting rights: 100%),
- OnAudience Ltd. (share in capital and voting rights: 100%).

Subsidiary companies are fully consolidated. The consolidated financial statement for 2020 of the Cloud Technologies Group ('Group') includes data of all the subsidiary companies mentioned above.

X. Graphical presentation of the Group:



XI. Approval of the annual consolidated financial statement for publication:

The annual consolidated financial statement was approved for publication by the Parent Company's Board of Directors on April 30, 2021.

CONSOLIDATED ANNUAL FINANCIAL STATEMENT of the Cloud Technologies Group

Consolidated profit and loss statement

Continuous operations	Note	Q1–Q4 2020 01.01.2020–31.12.2020	Q1–Q4 2019 01.01.2019–31.12.2029
Revenues from sales	1	**50 127 965**	**42 729 422**
Operating expenses	3	**52 196 247**	**46 287 167**
Amortization and depreciation of subsidy projects	4	3 194 944	404 324
Amortization and depreciation of other assets	4	3 281 930	2 762 416
Consumption of materials and energy		100 013	155 251
Valuation of share-based payments	5	1 600 000	0
External services	6	42 175 646	40 966 700
Taxes and charges		131 176	102 609
Payroll		1 257 722	1 185 736
Social security and other benefits		160 175	181 316
Other costs by type		294 641	528 815
Value of goods and materials sold		0	0
Profit (loss) on sales		**(2 068 282)**	**(3 557 745)**
Other operating revenues - subsidies	7	2 012 330	297 791
Other operating revenues - other	7	525 864	113 001
Other operating expenses	7	917 463	1 152 369
Profit (loss) on operating activities		**(447 551)**	**(4 299 322)**
Financial revenues	8	658 424	53 115
Financial expenses	8	99 455	673 272
Profit (loss) before tax		**111 418**	**(4 919 479)**
Income tax	9	(525 732)	(201 774)
Net total profit (loss) attributable to:		**637 150**	**(4 717 705)**
- the owners of the Parent Company		637 150	(4 717 705)
- the non-controlling interest		**0**	**0**
Net profit (loss) per share (in PLN)			
Basic for the financial period	10	0,14	(1.03)
Diluted for the financial period	10	0,14	(1.03)

Warsaw, on April 30th, 2021

Board of Directors:
Piotr Prajsnar, Chairman of the Board

Piotr Soleniec, Member of the Board

Person responsible for keeping the books of accounts:
Piotr Kościańczuk, Tax Advisor

Consolidated other comprehensive income statement

	Q1–Q4 2020 01.01.2020–31.12.2020	Q1–Q4 2019 01.01.2019–31.12.2019
Profit (loss) after tax	**637 150**	**(4 717 705)**
Other comprehensive income:	**801 810**	**879 900**
Items that will be reclassified to profit and loss:	801 810	879 900
Exchange differences converted from OnAudience Ltd	801 810	879 900
Total comprehensive income including attributable to:	**1 438 960**	**(3 837 805)**
- the owners of the Parent Company	**1 438 960**	**(3 837 805)**
- the non-controlling interest	0	0

Warsaw, on April 30th, 2021

Board of Directors
Piotr Prajsnar, Chairman of the Board
Piotr Soleniec, Member of the Board

The person responsible for keeping the books of accounts:
Piotr Kościańczuk, Tax Advisor

Consolidated statement of financial position

ASSETS	Note	31.12.2020	31.12.2019
I. Fixed assets		**47 341 825**	**34 904 566**
Intangible assets	11	36 753 385	31 332 549
Goodwill	12	2 526 018	2 526 018
Tangible fixed assets	13	24 025	59 403
Lease assets	13	3 059 070	707 048
Long-term investments	17	42 590	12 951
Deferred tax assets	9, 15	1 568 075	266 597
Long-term prepayments	15	3 368 662	0
II. Current assets		**51 415 014**	**41 223 504**
Trade receivables	14	28 131 792	25 812 156
Other receivables	14	4 456 030	6 965 037
Income tax receivables	14	0	3 506 693
Cash and cash equivalents	17	17 807 046	4 814 886
Short-term investments	17	42 734	10 744
Contract assets	16	0	56 275
Short-term prepayments	15	977 412	57 713
III. Total assets		**98 756 840**	**76 128 070**

Equity and liabilities	Note	31.12.2020	31.12.2019
I. Total equity		**64 556 510**	**58 739 495**
Equity attributable to owners of the Parent Company		**64 556 510**	**58 739 495**
Share capital	18	500 000	460 000
Own shares	19	(18 000 000)	(18 000 000)
Supplementary capital and other capital	20	35 714 729	37 694 379
Capital from the valuation of the incentive program	20	26 015 000	24 415 000
Reserve capital	19	18 000 000	18 000 000
Net current profit (loss)		637 150	(4 717 705)
Exchange differences capital		1 689 631	887 821
Non-controlling interests		**0**	**0**
II. Long-term liabilities and provisions		**20 330 062**	**8 467 353**
Provision from deferred income tax	9	271 587	56 739
Long-term lease liabilities	21	1 764 889	494 929
Long-term credits and loans	21	2 550 000	0
Long-term subsidies	23	10 087 832	7 915 685
Long-term liabilities for services	23	5 655 754	0
III. Short-term liabilities and provisions		**13 870 268**	**8 921 222**
Trade liabilities	22	4 868 757	6 154 477
Short-term lease liabilities	21	1 516 891	242 774
Short-term credits and loans	21	1 823 534	0
Income tax liabilities	22	65 824	0
Other liabilities	22	119 931	90 013
Short-term subsidies	23	2 377 086	1 314 524
Short-term liabilities for services and prepayments	23	2 153 538	0
Other provisions	24	944 707	1 119 434
IV. Total equity and liabilities		**98 756 840**	**76 128 070**

Warsaw, on April 30th, 2021

Board of Directors

Piotr Prajsnar, Chairman of the Board

Piotr Soleniec, Member of the Board

The person responsible for keeping the books of accounts:

Piotr Kościańczuk, Tax Advisor

Consolidated statement of changes in equity

	Share capital	Unregistered share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Exchange differences capital	Current profit (loss)	Total equity
As of January 1st, 2020	**460 000**	**0**	**(18 000 000)**	**25 200 627**	**13 685 000**	**24 415 000**	**18 000 000**	**(1 191 248)**	**887 821**	**(4 717 705)**	**58 739 495**
Shares issue – supplementary capital	0	0	0	0	2 738 055	1 600 000	0	0	0	0	4 338 055
Shares issue – unregistered capital	0	40 000	0	0	0	0	0	0	0	0	40 000
Distribution to retained earnings	0	0	0	0	0	0	0	(4 717 705)	0	4 717 705	0
Net profit distribution	0	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	0	801 810	0	801 810
Total current income	0	0	0	0	0	0	0	0	0	637 150	637 150
As of December 31st, 2020	**460 000**	**40 000**	**(18 000 000)**	**23 878 746**	**16 423 055**	**26 015 000**	**18 000 000**	**(4 587 072)**	**1 689 631**	**637 150**	**64 556 510**

	Share capital	Unregistered share capital	Own shares	Supplementary capital	Share premium	Capital from the valuation of incentive program	Reserve capital	Retained earnings	Exchange differences capital	Current profit (loss)	Total equity
As of January 1st, 2019	**460 000**	**0**	**(18 000 000)**	**23 093 479**	**13 685 000**	**24 415 000**	**18 000 000**	**51 834**	**7 921**	**864 066**	**62 577 300**
Distribution to retained earnings	0	0	0	0	0	0	0	864 066	0	(864 066)	0
Net profit distribution	0	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	0	879 900	0	879 900
Total current income	0	0	0	0	0	0	0	0	0	(4 717 705)	(4 717 705)
As of December 31st, 2019	**460 000**	**0**	**(18 000 000)**	**25 200 627**	**13 685 000**	**24 415 000**	**18 000 000**	**(1 191 248)**	**887 821**	**(4 717 705)**	**58 739 495**

Warsaw, April 30th, 2021

Board of Directors
Piotr Prajsnar, Chairman of the Board Piotr Soleniec, Member of the Board

The person responsible for keeping the books of accounts:
Piotr Kościańczuk, Tax Advisor

Consolidated cash flow statement

Value in PLN	Note	Q1–Q4 2020 01.01.2020–31.12.2020	Q1–Q4 2019 01.01.2019–31.12.2019
Cash flows from operating activities	**25**		
Profit before tax		**111 418**	**(4 919 479)**
II. Total adjustments, including:		**7 780 102**	**27 135 792**
Amortization and depreciation		6 476 874	3 166 740
Interests and share in profits (dividends)		76 360	28 953
Change in reserves		40 120	630 844
Change in receivables		697 526	17 641 729
Change in liabilities, except for loans		(1 189 978)	1 777 639
Change in accruals		(8 567 468)	2 770 240
Change in service liabilities		7 651 833	0
Other adjustments		2 594 835	1 119 647
III. Cash from operating activities		**7 891 522**	**22 216 313**
Tax paid		2 998 537	(3 828 335)
IV. Net cash flows from operating activities		**10 890 059**	**18 387 978**
Cash flows from operating activities	**25**		
I. Inflows, including:		**6 457 149**	**7 279 163**
Subsidies received		6 426 072	7 272 000
Repayment of long-term loans granted		31 077	7 163
II. Expenses		**10 999 686**	**33 454 337**
License purchase and development of DSP		343 765	16 339 418
UnBlock 3.2.1 software		0	15 980 000
AN BGK software		9 146 496	0
OnAudience platform		1 178 787	671 723
Long-term loans granted		90 000	30 000
Other		240 638	433 196
III. Net cash flows from investing activities		**(4 542 537)**	**(26 175 174)**
Cash flows from financial activities	**25**		
I. Inflows		**11 343 606**	**0**
Shares issue		2 800 000	0
Bank loans		5 143 606	0
PFR loans		3 400 000	0
II. Expenses		**4 698 966**	**451 861**
Repayment of credits and loans		4 170 072	0
Payment of lease liabilities and interest		449 827	422 050
Interest		79 067	29 811
III. Net cash flows from financial activities		**6 644 640**	**(451 861)**
Net cash flows		**12 992 160**	**(8 239 057)**
Change in cash due to exchange rate differences		(404 337)	(39 913)
Cash opening balance		**4 814 886**	**13 053 943**
Cash closing balance		**17 807 046**	**4 814 886**

Warsaw, on April 30th, 2021

Board of Directors

Piotr Prajsnar, Chairman of the Board

Piotr Soleniec, Member of the Board

The person responsible for keeping the books of accounts:

Piotr Kościańczuk, Tax Advisor

4 Further information to the annual consolidated financial statement

This annual consolidated financial statement was prepared on the accrual basis. The Cloud Technologies S.A. company is the parent company of the Cloud Technologies Group and prepares both standalone and consolidated financial statements.

I. Compliance with International Financial Reporting Standards.

This annual consolidated financial statement was prepared in compliance with International Accounting Standards, International Financial Reporting Standards, and related interpretations issued by the International Accounting Standards Board (IAS Board) announced in the form of Regulations of the European Commission, hereinafter referred to as “EU IFRS”.

While preparing the annual consolidated financial statement for 2020, the Group adopted the same accounting standards that were applied while preparing the annual financial statement for 2019, except of changes in standards, new standards, and interpretations approved by the European Union for reporting periods beginning on or after January 1st, 2020. In 2020, the Group accepted all new and approved standards as well as interpretations issued by the IAS Board, valid on the territory of the EU, and that fit the Group’s operations and activities in the reporting periods from January 1st, 2020.

Similarly to the financial statements for 2019, the most important for the Group was the introduction of IFRS 9 and IFRS 16. The rules for the application of these standards are the same for the statements for 2020, compares to the statements for 2019.

In the opinion of the Board of Directors of the Parent Company, there are no cases of uncertain tax treatment in the Group, the uncertainty of which would need to be reflected in the report in accordance with IFRIC 23 Uncertainty of Income Tax Interpretations.

Standards and interpretations adopted by the IASB that have not duet been approved by the EU for application:
1. IFRS 16 ‘Lease’,
2. IFRIC 23 Uncertainty of interpretation regarding the income tax,
3. Changes to IAS 28 ‘Investments in associated companies and joint ventures’,
4. Changes to IFRS 9 ‘Financial instruments’ – Contracts having features of prepayments with negative compensation,
5. Changes to IFRS (2015-2017) – changes in the procedure of introducing annual improvements to IFRS,
6. Changes to IAS 19 ‘Employee benefits’.

The Group applied all the standards listed above for both financial data for 2020 and comparative data. The applied changes and amendments to standards and interpretations had no effect on this report. According to the Board of Directors of the Parent Company, there is no uncertain tax treatment occurring in the Group, the uncertainty of which would require to be reflected in the report according to IFRIC 23 uncertainty of income tax interpretation.

Standards and interpretations adopted by the IASB that have not yet been approved for use by the EU:

a) a) IFRS 14: Price regulated activities; balances of deferred items – valid in the reporting periods starting on or after January 1st, 2017. This standard was published as a part of a larger project called ‘Activity of regulated prices’ that is dedicated for the comparability of financial statements of entities operating in areas where prices are regulated by specific regulatory or supervisory authorities (depending on the jurisdiction, such areas often distribute electricity and heat, as well as energy, gas and telecommunication services, etc.). IFRS 14, in a broader scope, does not refer to accounting principles for regulated prices activities, but only states the rules for reporting items constitution either revenues or expenses that qualify for recognition under the current price regulation principles, and that do not meet other IFRSs conditions to be recognized as assets or liabilities. IFRS 14 can be applied when the entity operates in activities that are a subject to price regulations, and it included amounts

qualifying to be recognized as 'balances of deferred items' in its financial statements prepared in compliance with the earlier applied accounting principles.
In accordance with the published IFRS 14, such items should be presented in a separate item of the statement on financial position (balance sheet), respectively in assets and liabilities. Those items are not divided into current and non-current items, and are not referred to as assets or liabilities.
Therefore, 'deferred items' included in assets are known as 'balance due of deferred items', and those included in liabilities – as 'credit balances of deferred items'.
In the profit and loss statement and other comprehensive income, entities should present net changes in 'deferred items', respectively in the section of other comprehensive income, and in the section of profit and loss (or in the separate profit and loss statement).
This standard, as a transitional standard, following the decision of the European Commission, will not be a subject to the process of adoption.

b) IFRS 17 Insurance contracts – valid for reporting periods starting on or after January 1, 2021. IFRS 17 replaces IFRS 4 Insurance contracts. IFRS 17 introduces separate principles of recognition and valuation of insurance contracts as well as reinsurance at their present value. IFRS 17 requires insurance contracts to be presented based on current estimates and assumptions that reflect expected future cash flows as well as all uncertainties related to them. Revenues from the insurance contracts (contractual margin) are recognized along with the services arising from the insurance contract for the period of insurance. Changes in estimates of future cash flows between the balance sheet dates are recognized in the statement on the result or as an adjustment to the expected contractual margin, depending on the nature of the change as well as the reason of its occurrence. The entity can choose how to recognize some changes in the discount rate: in the statement on the result or in the statement of comprehensive income for a period. Application of IFRS 17 is possible provided that IFRS 9 and IFRS 15 are implemented.

c) Changes in the scope of references to the Conceptual Assumptions in IFRS – valid for the reporting periods beginning on or after January 1, 2020.

The Group intends to implement the regulations listed above till the dates provided for implementation by standards..
The Group estimates that the standards listed above, as well as interpretations and changes to those standards, will not have a significant impact on the consolidated financial statement of the Group.

Standards adopted by the IASB and endorsed by the EU in 2020:

a) Amendments to IFRS 3 'Connecting of ventures' – definition of a venture – effective for the reporting periods beginning on or after January 1, 2020.
b) Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting principles (policy), changes in accounting estimates and error correction – definition of the term „significant" – applicable to the reporting periods beginning on or after January 1, 2020.
c) Amendments to IFRS 16 Lease – Rent concessions related to COVID-19 – applicable to annual periods beginning on June 1, 2020 or later.

The Group implemented the above regulations within the time limits provided by the standards.
According to the Group, the above-mentioned standards and amendments to the standards do not have a significant impact on the Group's financial statement. In relation to the amendments to IFRS 16, the Group informs that in connection to COVID-19, It did not sign any annexes to the rental agreements, did not take any advantage of any reliefs, and did not suspend any fees. Therefore, the amendments to IFRS 16 do not affect the financial statements of the Group.

Standards adopted by the IASB and endorsed by the EU in 2021:

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – concerning the reform of interest rates (chase two) – effective for reporting periods beginning on or after January 1st, 2021,
b) Amendments to IFRS 4 Insurance contracts – deferral from IFRS 9 – effective for reporting periods beginning on or after January 1, 2021,
c) Amendments to IAS 1 regarding disclosures in the Accounting Policy,
d) Amendments to IAS 8 concerning the definition of accounting estimates.

The Group intends to implement the above regulations within the time limits provided for by standards or interpretations.

According to the Group's estimates, the above-mentioned standards, interpretations, and amendments to the standards will not have a significant impact on the Group's consolidated financial statements.

II. Assumption of continuation of the business activity and financial statements' comparability

The annual, consolidated financial statement has been prepared assuming that the business activity will be continued in the period of 12 months after the last balance sheet date, that is December 31st, 2020. As of the date of signing the report, the Board of Directors of the Parent Company does not state the existence of facts and circumstances indicating risks for the business activity continuation in the period of 12 months after the balance sheet data, and as a result of intentional or forced omission, or a significant limitation of the current activity, except for the potential impact of the COVID-19 epidemic described in Note 35.

Until the date the annual consolidated report for 2020 was prepared, there were no events that should have been, but were not included in the accounting books of the reporting period. Simultaneously, in the reporting period, there were no significant events concerning previous years included in this financial statement.

III. Principles of consolidation

The annual consolidated report of the Cloud Technologies Group consists of the financial statement of the Parent Company that is Cloud Technologies S.A., as well as subsidiary companies controlled by the Parent Company that are: Audience Network Sp. z o.o., Online Advertising Network Sp. z o.o. and OnAudience Ltd.

a) Subsidiary companies

Subsidiary companies are a subject to full consolidation from the very day the Group started controlling them. They cease to be consolidated on the date of the control's termination. The acquiring of the subsidiary companies by the Group is settled with the acquisition method.

Accounting standards applied by the subsidiary companies have been changed where necessary, to ensure the compatibility with the Group's accounting standards.

b) Companies included in the consolidated financial statement

Those consolidated financial statements for periods ending on December 31st, 2020 and December 31st, 2019 include the following companies that are a part of the Group:

Specification	Share in general number of votes (in %)	
	31.12.2020	31.12.2019
Cloud Technologies S.A.	Parent Company	
Audience Network Sp. z o.o.	100%	100%
OnAudience Ltd.	100%	100%
Online Advertising Network sp. z .o.o.	100%	100%

c) Exchange rates to convert data of OnAudience Ltd

To convert the foreign exchange rates of OnAudience Ltd data for consolidation purposes, the Parent Company applies the principles in compliance with IAS 21:

1) Assets and obligations are converted at the exchange rate from the end of each quarter (an average exchange rate of the National Bank of Poland NBP at the end of the quarter);

2) Equity capital is converted at the exchange rate from the day the capital was created (historical);

3) Revenues and expenses are converted at the average quarterly exchange rate;

4) Creates a balancing amount – it is a foreign exchange differences capital, and a change of this capital period to period is presented as a part of other comprehensive income;

5) In the scope of intangible assets as well as fixed assets, there are applied the following principles: baseline values are converted at the average exchange rate of the National Bank of Poland NBP from the last day of the quarter, when the acceptance into service took place, amortization is converted at the average quarterly exchange rate at the end of each quarter. The difference from such conversion and net value conversion according to the exchange rate from the end of each quarter is charged to the exchange differences capital.

IV. Description of the adopted accounting principles (policy), including the methods of assets and liabilities valuation as well as the valuation of revenues and expenses

The accounting principles (policy) presented below were applied for all periods presented in the financial statement of the Group.

This consolidated annual financial statement is presented in the Polish PLN currency, unless stated otherwise.

Presentation of statements including operating segments

An operating segment is a part of the Group engaged in the business activity in connection with which it can gain revenues and incur expenses, including revenues and expenses arising from transactions with other parts of the Group.

Operating results of each operating segment are regularly reviewed by the Group's main authority responsible for making operating decisions in the Group.

Operating results of each segment, reported to the authority responsible for making operating decisions in the Group, include items that can be directly prescribed to a specific segment (revenues, operating expenses, trade receivables). The Group analyzes segments' results to the EBITDA level (understood as a profit on sales, increased by amortization).

In case of changes in the classification of the Group's operating areas in individual segments during the reporting period, the Group transforms the comparable data to achieve the consistency with data for the current period.

Financial instruments different than derivative instruments

Loans, receivables, and deposits are put in the date of their creation. All remaining financial assets (including assets valuated in a fair value according to financial result) are put in the date of those transactions that is the day when the Group becomes a party to a mutual obligation concerning a given financial instrument.

The Group classifies financial instruments, other than derivative financial assets, into the following categories: financial assets valuated in a fair value according to financial result, assets/liabilities valuated according to amortization expense.

Financial assets valuated in a fair value according to financial result

Financial assets are classified as an investment valuated in a fair value according to financial result, if they are intended for trading or were appointed to be valuated in a fair value according to a financial result at the initial recognition. All profits as well as losses related to those investments are included in profits and losses of the current period.

Loans and receivables

Loans and receivables are financial assets of determined or possible to determine amounts of payments not listed on the active market. Those assets are initially put in a fair value increased by directly assignable transaction costs. Valuation of loans and receivables at a later date is made according to amortized cost taking into account estimated loss allowance. IFRS 9 introduces a new concept for estimating impairment loss of financial assets. The model of incurred losses resulting from IAS 39 was replaced by a model based on expected losses. The model of expected losses applies to financial assets valuated in amortized cost and financial assets valuated in a fair value through other total income with the exception of investments in equity instruments. In accordance with IFRS 9, the entity valuates the copy of loss allowance in the amount equal to 12-month loss allowance or loss allowance during the lifetime of a financial instrument. In case of trade receivables, the Group applies a simplified approach and valuates a copy for loss allowance in the amount equal to the loss allowance of the entire lifetime.

The Group has adopted the following rules for creating a copy of loss allowance depending on the past due period:

0 – 365 days	from 0% to 5%
>365 days	100%

The past due periods and percentages listed above constitute the judgment of the Board of Directors in the Parent Company based on historical data as well as the Board's subjective assessment regarding the creditworthiness of a client, as well as the probability of the payment of receivables. The Board of Directors is also grouping clients into separate categories. For selected groups of clients, the Board of Directors may apply derogation from the general provision introduced above. If there is information of potential issues arising from the impossibility to recover receivables, or there is a problem to start the process of external debt collection or legal proceeding, the Group may recognize loss allowance in the amount up to 100% of the receivables, despite the failure to achieve the past due date of 365 days.

Cash and cash equivalents

Cash and cash equivalents constitute cash in cash offices and bank deposits on demand of initial maturity date up to three months.

Transactions in foreign currencies are recognized after converting into functional currency (PLN) at the exchange rate from the day of the transaction preceding. Assets and liabilities in cash expressed in foreign currencies are demonstrated in exchange rates prevailing at the balance sheet date.

Profit and loss resulting from the change of exchange rates after transaction date are recognized as financial revenues or expenses in the profit and loss statement. The exchange rate differences are included in the profit and loss statement as net amounts. For the cash flow statements, cash and cash equivalents are defined in the same way as in the balance sheet.

Financial obligations

Issued debt instruments as well as subordinated liabilities are recognized by the Group at the day of their appearance. All other financial obligations, including obligations valuated in a fair value by the financial result and valuated in accordance to amortized cost, are recognized as at the date of transaction that is the day, when the Group becomes a party to an agreement requiring financial instrument issuance.

Other financial obligations include credits, loans, and other debt instruments, overdraft facilities.

Trade obligations and other obligations

Trade obligations and other obligations are valuated at amortized cost or nominal value if the valuation according to the amortization cost does not differ significantly from the nominal value.

Common shares

Common shares are included in equity. Expenses directly related to issuing common shares, adjusted of the tax, decrease the value of equity. Share capital is recognized in nominal value specified in the status, in compliance with the entry in Polish National Court Register KRS. Capital resulting from issuing shares in the reporting period, that was submitted for registration in the Polish National Court Register KRS, but was not registered, is recognized in a separate item. Own shares were valuated at their purchase price. This value is not further updated.

Purchase of own shares

In case of purchasing own shares, the amount paid on this account, including direct costs of transactions, adjusted of tax, is shown as a decrease of equity. The purchased own shares are recognized as a separate item of equity. At the moment of sale or re-issue, the amounts received are recognized as an increase in equity, and the acquired surplus or shortage from this transaction is recognized as equity from the issue of shares above their nominal value.

Tangible fixed assets

Components of tangible fixed assets are recognized in the books at their purchase price or production cost decreased by depreciation charge and impairment losses. The purchase price includes expenses directly related to the purchase of the asset.

Profit or loss on the disposal of a component of tangible fixed assets is determined based on the comparison of disposal revenues with balance sheet value of the disposed assets. They are provided in the net amount in the profit or loss statement for the current period, in the item other revenues or other expenses.

The amount of depreciation charges is determined based on the purchase price of a given component of assets.

The amortization cost is recognized in the profit or loss for a current period using the straight-line method for the estimated by the Group useful life of each item of the tangible fixed assets components.

In the financial statement for the reporting period and comparative periods, the Group assumes the following service lives for each category of the tangible fixed assets:

• Buildings – 10 years

• Technical equipment and machines – 2-5 years

• Means of transport – 5 years

At the end of each reporting period, the service life, amortization methods, and residual values of the tangible fixed assets are verified and if necessary – corrected.

Certain items of the tangible fixed assets were verified in 2020.

Applying the materiality principle, the Group recognizes fixed assets with an initial value of up to PLN 10 000 once in the profit and loss account, and in the period the expenditure was incurred.

Goodwill

Goodwill, which arises in connection with the acquisition of subsidiary companies, is recognized as an intangible asset. After the initial recognition, the goodwill determined in compliance with the acquisition method is decreased of accumulated impairment losses arising from tests of the value loss carried out in compliance with IAS 36. Those tests are prepared at least once, while preparing the annual consolidated report of the Group. The test on the loss of the goodwill consists in comparing the balance-sheet value of the unit to which the goodwill has been assigned with its recoverable value.

Other intangible assets

The value of the OnAudience.com platform was determined based on the production costs. The platform was accepted as an other intangible asset on January 1st, 2017, with the service life of 4 years.

The value of the DSP license was determined based on the purchase cost. The license was accepted as an other intangible asset on January 16th, 2019, with the service life of 7 years.

The value of the UnBlock was also determined based on the purchase cost. The system was accepted as an other intangible asset on December 1st, 2019, with service life of 7 years.

The value of the Big Data Analytics Platform system was also determined based on the purchase cost. The system was accepted as an other intangible asset on August 1st, 2020, with service life of 5 years.

Research and development

Expenses incurred during research works, with the goal to achieve new scientific or technical knowledge, are recognized in profit and loss statement of the current period and at the time they incurred.

The expenses on development works, after meeting the appropriate criteria making it probable to recover those costs, are recognized as intangible assets based on their purchase price or the production cost decreased by depreciation charge and impairment losses.

In compliance with IAS 36, the Group performs a test, at least once a year, to check whether a component of intangible assets of not stated service life did not lose its value. The same applies for a component of intangible assets that is not yet available for use. To do so, the Group compares its balance sheet value with the recoverable amount.

Estimated loss of financial expenses on completed development works and other intangible assets – the Group, in accordance with the adopted policy, performs individual analysis of all projects recognized as a part of the completed development works and other intangible assets in terms of the possibility of using them in operating activities, and expiration of rights to the hold assets. Based on the conducted analysis as well as professional assessments and judgments, and taking into account current projects, there are made copies arising from the loss of assets value to the amount the Group expects to be reached in the future from the use or sale of the asset’s component sale.

As at the balance sheet date, the Board of Directors of the Parent Company assessed whether there are any indications that there was a loss of the value of financial expenses on completed development works and other intangible assets. No such cases were found, therefore no test on the loss of value was carried out.

A copy arising from the loss of value in case of completed development works is recognized in the comprehensive income statement under the manufacturing cost of services sold. In case of ongoing development works, it is recognized in the comprehensive income statement under other operating expenses.

Amortization of intangible assets

Amortization copies are calculated based on the purchase price of a given asset.

The amortization expense is recognized in profit or loss statement of a current period using the straight-line method for the estimated by the Group useful life of each item of the intangible assets components, other than the goodwill, and from the time it was determined to be of a use.

The service life, amortization methods, and residual values of the intangible assets are verified at each balance sheet date, and if necessary – corrected.

Applying the materiality principle, the Group recognizes intangible assets with an initial value of up to PLN 10 000 once in the profit and loss statement, and in the period the expenditure was incurred.

Lease assets and lease obligations

As a part of its activity, the Group signed lease agreements, tenancy agreements, agreements of use, and leasing contracts that, in compliance with IFRS 16, met the conditions to be classified as a lease. In accordance with IFRS 16, in case of leasing agreements, in the statement on financial situation, the Group recognizes an obligation to reflect future lease payments ‘lease liabilities’ and the component of assets arising from ‘the right to use assets’. In the comprehensive income statement, the Group provides interests expenses from the lease liabilities and amortization of the assets’ component from the ‘right to use’.

At the commencement date, the lessee valuates the assets’ component arising from the right to use and in according to the expense. The expense of the assets’ component from the right to use includes:

a) the amount of the initial value of the lease liability in compliance with IFRS 16 clause 26,
b) any lease expenses paid on or before the commencement date, decreased by any granted lease encouragement,
c) any initial direct expenses incurred by the lessee,
d) estimated expenses to be incurred by lessee in connection with disassembling and removing of the base component of the assets, renovating the place it was located, or renovation of the base component of the assets to the state required by lease terms, unless those expenses were incurred to build inventory. Lessee is obliged

to cover those expenses at the commencement date, or as a result of the use of the base component of assets in a given period of time.

After the commencement date, lessee valuates the component of assets arising from the right to use in accordance to the expense decreased by depreciation charge (amortization) and total loss arising from the value loss as well as any adjusted lease obligation arising from any changes to the value.

Assets amortization arising from the right to use is calculated with the straight-line method. If, as a part of the lease, the ownership right to the base component of assets is transferred to the lessee at the end of the lease term, or if the expense of the component arising from the right to use includes the fact of lessee using the call option, the lessee depreciates the component of assets arising from the right to use, starting with the commencement date until the end of the useful service of the base component of the assets. Otherwise, the lessee depreciates the component of assets arising from the right to use from the day the lease was entered into, and until the end of the useful service of this component, or to the end of the lease period, depending on which of those dates was first.

Based on historical data, contract provisions, and the Board of Directors' assessment of the future use of the indicated agreements, the Group determined the estimated duration period of the lease for individual types of agreements, as follows:

- Car rental agreements – economic useful service of 3-5 years (determined individually per contract).
- Agreements on dedicated servers – economic useful service of 2 years.
- Office space lease agreement – economic useful service until August 2023.

The Group analyzes the duration of Its contracts in details, particularly in terms of extension options in selected contracts. The adopted period is a result of business rationality that may be used for the adopted analysis.

Copies arising from the value loss of assets

At the end of every reporting period, the Group assesses whether there are objective presumptions of the value loss of the financial assets' components other than the valuated in a fair value by the financial result. Financial assets are considered to lose value when after its initial recognition, there were objective presumptions indicating an event that can have a negative, reliably estimated impact on the value of future cash flows related to a given asset.

The Group assesses the presumptions about the loss of value of granted loans, receivables, or investment kept until the maturity date, both in the level of a single asset, and in relation to groups of assets.

The value loss in terms of financial assets valuated in accordance to depreciation expenses is estimated as a difference between their book value, and current value of the estimated, future cash flows discounted using the original, effective interest rate.

Share-based payments

The Parent Company introduced an incentive program for the Group's authorities and key associates. As a part of this program, the Group issues Its shares in their nominal price to be acquired by those entities. Fair value of shares is recognized as expenses arising from payrolls in correspondence with increased equity. The fair value is determined as at the date the shares were acquired, and it is included in the expenses of the period of the services' performance. The fair value of employee stock programs is estimated as at the day the shares were granted and on the basis of market value based on NewConnect ratings or the price of shares sale outside the NewConnect market at significant volume.

Provisions

Provisions are recognized when the Group has a present legal or customary obligation arising from past events, the value of which can be reliably estimated and it is possible that meeting this obligation will result in the outflow of economic benefits.

Revenues and expenses on operating activities

The Group recognizes revenues in compliance with IFRS 15 Revenues from Contracts with clients. This standard establishes the so-called Five Steps Model of recognizing revenues from contracts with clients. In accordance with IFRS 15, the revenues are recognized at the remuneration amount that – as expected by an entity – should be granted to this entity in exchange for the promised goods or services to a client.

The Group recognizes revenues when the performance obligation is met (or is being met) by transferring the promised good or service (that is the component of assets) to a client. The transfer of the component of assets takes place when the client obtains a control over this asset.

Revenues from sales include the received or due amount from the sale of services (after discount). Revenues from sales are recognized in net amount, that is without VAT.

Revenues arising from the provision of services (mainly online advertising campaigns settled on the basis of their effectiveness, as well as the sale of anonymous data of Internet users) are recognized at the moment the service is provided.

Expenses incurred during the basic activity are classified to expenses on operating activities that are treated like costs by type.

Other revenues, expenses, profits, and losses

Other operating revenues and expenses are expenses and revenues not directly connected to the basic activity.

Other financial revenues and expenses are mostly exchange rate differences and, to a lesser extent, also interests.

Profit and loss arising from exchange rate differences is presented in net amount as financial revenues of expenses, depending on their total net position.

Subsidies

Subsidies are recognized only at the moment, when there is a reasonable belief that the enterprise will fulfill the conditions related to the subsidy, and the subsidy will be received. Subsidies in the form of costs compensation are recognized as revenues over one or more periods. At the time the subsidy is received, it becomes a part of liabilities under the item ‘deferred revenues’. Subsequently, the subsidy is gradually recognized as other operating revenue in the period equal to depreciation period of the fixed assets on creation of which the subsidy was granted

Income tax

Income tax includes current and deferred tax. The current and deferred income tax is recognized in the profit and loss statement of a current period, except when it relates to the combination of items directly recognized in the equity or as other comprehensive income.

Deferred tax is recognized in connection with temporary differences between the balance sheet value of assets and liabilities, and their value determined for tax purposes.

Deferred tax is valuated with the use of tax rates that are expected to be applied when the temporary differences are reversed, and the tax regulations, legally or factually in force till the reporting date, are recognized to be the basis.

A deferred tax asset, used to transfer the not-settled tax loss, and the not-employed tax credit, as well as deductible temporary differences, are recognized to the extent there is a possibility for a future taxable income that would allow creation of their copies.

Deferred tax assets are valuated at each reporting date and reduced to the extent that it is not probable that the related income tax benefits will be implemented.

Profit per share

The Group presents basic and diluted profit per share for common shares. The basic profit per share is calculated by the division of profit or loss attributed to the common shares' owners by weighted average number of common shares for a year, adjusted for the parent company's own shares. The diluted profit per share is calculated by the division of the adjusted profit or loss attributed to the common shares' owners by weighted average number of common shares, adjusted for the shares' owners, and by diluted effects of potential shares that include bonds convertible into shares, as well as options on shares granted to employees.

Liability to perform services

The Company offers Its clients the possibility to purchase long-term license agreements for the *Data Management Platform* (DMP) technology that is owned by the Company. Licenses are paid once, in advance. The client gains full access to the DMP as soon as the license agreement is signed. Revenue from the sale of licenses is recognized in the same way as the license period, i.e. it is gradually charged to the profit and loss statement. The remaining revenue is presented in the liabilities and equity as the liability to perform services.

Functional and presentation currency

a) Functional and presentation currency

Items included in the financial statement are valuated in the currency of primary economic environment in which the Group operates ('functional currency'). The financial statement includes amounts in Polish zloty (PLN) that is functional and presentation currency of the Group.

b) Transactions and balances

Transactions in foreign currencies are calculated into functional currency at the exchange rate valid on the transaction date. Exchange profit and loss from the settlement of those transactions, as well as the balance sheet valuation of cash assets and liabilities in foreign exchange are recognized in profit and loss statement, unless they are deferred in the equity, when they qualify as a cash flow hedge and a hedge of interests in net assets.

V. Significant values based on professional judgement and presumptions

To prepare the financial statement, the Board of Directors of the Parent Company is required to make certain presumptions and assumptions that are reflected in this statement, as well as in additional information and explanations to this statement.

Accounting judgments and presumptions result from previous experiences and other factors, including predictions concerning future events that seem to be justified in a given situation.

Presumptions and related to them assumptions are verified. The change of accounting presumptions is recognized in the period in which the presumptions were changed, or in current and future periods, if those changes concern both the current and future periods.

a) Professional judgement

In the process of applying the accounting principles (policy) to the issues listed below, apart from the accounting principles, the professional judgment on the authorities was the most important.

Classification of lease agreements

From the beginning of 2019, in compliance with IFRS 16 provisions, all lease agreements are revealed by analogy to principles concerning current financial lease. The element of judgment remains with the regard to whether an individual agreement can be or cannot be qualified as a lease under IFRS 16. An agreement is recognized as lease or contains lease if it provides the right to control the use of an identified assets component for a specific period of time, and in exchange for payroll. The entity reassesses whether this agreement is lease or if it contains lease only, when terms of this agreement are changed.

In case of permanent employment contract, the estimated lease period is a subject to professional judgment of the Board of Directors based on historical data analysis.

Analysis of estimated expected credit losses

The Group estimated and recognized a copy of estimated credit losses based on judgment regarding the risk of such losses. This judgment assumes a risk of non-performance of overdue receivables for individual groups distinguished based on the number of overdue days or client's specification. The judgment is based on historical data.

Expenses on development works

The expenses on creating an intangible asset with in-house resources are determined and capitalized in compliance with the accounting policy of the Group.

The Group begins to activate expenditure on development works when it can be proved that the development works will result in probable future economic benefits and provided that the Group owns sufficient funds to finish, use, and obtain benefits arising from the intangible asset. The fulfillment of both the criteria, that is if there is possibility to achieve future economic benefits and the Group owns sufficient funds, is based on estimates of the Board from market analysis, as well as the analysis of the Group's financial situation.

The period of economic service life of capitalized intangible assets

The Board of Directors estimates the service life, and thus the amortization rates for the incurred development expenses in the item of intangible assets. Those estimates are based on the expected economic service life of those assets. In case of circumstances causing change of the expected service life (e.g. technological changes, decommissioning from use, etc.) can change amortization rates.

b) Uncertainty of estimates

Basic assumptions concerning the future and other key sources of uncertainty existing as at the balance sheet date, the assumptions that may carry a significant risk of essential adjustments on the value of balance sheet assets and liabilities in the next financial period are discussed below.

Receivables write-offs

The Group assesses, whether there is any objective evidence that the value of a receivable component or group of receivables is lost. If the recoverable amount of an asset is lower than its balance sheet value, the Group creates a copy updating the current value of the planned cash flows.

At the same time, the Group divides clients into main groups in compliance with IFRS 9, and subsequently, there are cyclically analyzes of the risk of default of given receivables for each group. If a default is considered probable, an estimation of 'expected losses' is made, that is the level of probable future write-offs for receivables recognized in the Group's result at the estimation date. The level of the calculated 'expected losses' is periodically checked and updated.

Deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that there will be generated future tax profit that will allow its use. Deterioration of obtained tax results could make the assumption unjustified in the future.

Amortization rates

The amount of amortization rates is determined on the basis of the predicted period of economic service life of the tangible fixed assets and intangible assets. The Group verifies the adopted economic service life periods annually, taking current estimates for a basis.

Impairment of assets

The Group carried out tests for impairment of intangible assets – goodwill. It required the estimation of the use value of cash-generating unit to which the goodwill was assigned. Estimation of this value consists in determining future cash flows generated by this unit, and requires a number of assumptions concerning potential long-term financial results of the given unit. Actual financial results of the unit may significantly differ from assumptions adopted for the needs of the asset impairment test. The Group also performed tests for impairment of fixed assets. The performed tests did not indicate any need for updating copies.

VI. Changes in accounting principles (policy)

In the period covered by the report, the Group did not update the accounting policy.

5 Additional notes and interpretations to the consolidated financial statement

Note 1. REVENUES FROM CONTRACTS WITH CLIENTS

Revenues from contracts with the Group's clients in 2020 as well as comparable data for 2019 are as follows:

Specification	Q1–Q4 2020	Q1–Q4 2019
Continuous activity		
Sale of services	50 127 965	42 729 422
Sale of goods and materials	0	0
Revenue from continuous activity	**50 127 965**	**42 729 422**
Revenue from discontinuous activity	**0**	**0**
Total revenue from sale	**50 127 965**	**42 729 422**

Group's total revenues from sale in 2020 amounted PLN 50.1 million and increased by approximately 17% if compared to 2019. There have been important changes in the structure of recipients of Group's services. Inter alia, the Group significantly increased data sale. Detailed information on the above change can be found in the following sections of this note.

There were no revenues from discontinuous activity.

Total revenues of the Group are as follows:

	Q1–Q4 2020	Q1–Q4 2019
All revenue from sales	50 127 965	42 729 422
Other operating revenues	2 538 194	410 792
Financial revenues	658 424	53 115
TOTAL revenues in all	**53 324 583**	**43 193 329**

A more detailed description of the services offered by the Group is included in Note 2.

Revenues from sale of services divided into main types of recipients

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

a. **Affiliate networks:** An affiliate network is a kind of intermediary between the entity ordering advertising campaigns and the entity running those campaigns (e.g. the Issuer). Campaigns run through affiliate networks were mostly settled based on their efficiency (the Issuer's compensation was dependent on the result and effect of a given campaign, e.g. if a product was sold). The Group periodically invoices the affiliate network for all campaigns run in a given period of time through affiliate network that leads to a high concentration of recipients in this segment of activity. The affiliate network is a centre of settling a campaign. Running campaigns for clients from many different geographic markets, the Group can acquire anonymous data from those markets. Historically, sale to this group of recipients was included in the Performance marketing segment, presently it is a part of the *Data acquisition* segment.

b. **Brokers of advertising spaces:** professional entities operating in digital marketing to whom the Group provides brokerage services in terms of purchasing advertising spaces. The Group purchases media selected by the broker that are furthered re-invoiced to the broker, usually with a small margin (the Group acts as a 'purchase centre'). This activity makes it possible to acquire anonymous data as well as obtain a better bargaining position with suppliers of advertising spaces. Historically, sales to this group of recipients was included in the *Data services* segment, currently it is a part of the *Data acquisition* segment.

c. **Advertising agencies and media agencies:** A media agency acts as an intermediary between the original entity ordering a campaign (direct client), and entity running the campaign (the Group). The Group invoices the given media agency, usually on a monthly basis. To run campaigns and increase their efficiency, anonymous data about the behavior of online users, processed by the Group, is employed. Historically, sales to those recipients was reported in the *Data services* segment, currently it is included in *Data consulting* segment.

d. **Direct clients of advertising services:** various types of enterprises, mainly operating in the B2C model. The types of marketing campaigns carried out for direct clients are similar to campaign carried out for advertising and media agencies. However, lack of an intermediary enables the creation of direct relationship with a client, potentially it can result in obtaining a greater margin for the campaign. Clients are usually invoiced on a monthly basis. Anonymous data about behavior of online users processed by the Group is used to run campaigns and increase their efficiency. Historically, sales to those recipients were reported in the *Data services* segment, currently they are included in the *Data consulting* segment.

e. **Data and technology distributors:** clients who buy from the Group only anonymous data about behavior of online users (without the service of running marketing campaigns), or an access to its proprietary DMP technology. Data distributors are mainly technology platforms providing data to final clients (mainly from the online marketing industry, and employing data for better campaign profiling). Clients settle with the Group mostly in the form of *revenue sharing*, that is they share revenues from sale of this data to final clients, usually not paying in advance for access to this data. Historically, sales to this group is included in the *Data services* segment, currently, due to increasing scale of operations and strategic nature of this category of services, revenues from this title were included in a new, *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. Other revenues are included in the *Other* segment.

Revenues from the sale of Group's services in 2020 and comparative data for 2019 divided into main types of recipients are as follows:

Specification	**Q1–Q4 2020**	**Q1–Q4 2019**
Affiliate networks	11 941 357	15 133 077
Brokers of advertising spaces	7 656 899	6 070 633
Advertising agencies and media agencies	11 594 288	9 148 883
Direct clients of advertising services	4 326 792	5 182 796
Data and technology distributors	13 376 160	7 181 481
Other recipients	1 232 467	12 553
Total revenues from sale of services in all	**50 127 965**	**42 729 423**

The structure of revenues from the Group's sale of services in 2020 and comparative data for 2019 are presented in the table below:

Specification	**Q1–Q4 2020**	**Q1–Q4 2019**
% of affiliate networks	*23.8%*	*35.4%*
% of brokers of advertising spaces	*15.3%*	*14.2%*
% of advertising agencies and media agencies	*23.1%*	*21.4%*
% of direct clients of advertising services	*8.6%*	*12.1%*
% of data and technology distributors	*26.7%*	*16.8%*
% of other recipients	*2.5%*	*0.0%*
Total revenues from sale of services in all	***100.0%***	***100.0%***

The percentage change of revenues from the sale of Group's services for 2020 compared to the comparative period presented in the table below:

Specification	***2020 vs 2019***
% change of sales to affiliate networks	*(21.1%)*
% change of sales to brokers of advertising spaces	*26.1%*
% change of sales to advertising agencies	*26.7%*
% change of sales to direct clients	*(16.5%)*
% change of sales to data and technology distributors	*86.3%*
% change of sales to other recipients	*9719.1%*
% total change of revenues from sale of services in all	***173%***

In total, revenues from sales of the Group's services increased by 17% in 2020 compared to 2019.

The most significant decrease in terms of the achieved revenues was recorded in sales from the affiliate network segment – a change by over 21% year-on-year. Sales to the affiliate networks continue the trend visible in the previous accounting periods and is characterized by negative dynamics, in line with the Group's policy assuming gradual reduction in this area of activity and increasing the efficiency of data use. The COVID-19 pandemic was an additional factor accelerating the decline in turnover with this group of clients (only foreign entities). The Group generates a small level of margin on this group of recipients, nevertheless, cooperation with affiliate networks is an important source of obtaining anonymous data.

The Group recorded a significant increase of sales to brokers of advertising space, however, taking into account a small (several percent) margin on this type of activity, the increase in revenues in this area will not have a significant impact on the Group's results. The Group's activity in this area is one of the methods of obtaining monetized data for sale to other customer groups.

In case of revenues from strictly advertising activities (sales to advertising agencies and direct clients), conducted mainly in Poland, a decrease in sales to direct clients is visible (sales to direct clients decreased by almost 17% in 2020). The limitation of orders from direct clients including clients from industries such as tourism and entertainment results primarily from the reduced opportunities for these companies to do business due to the restrictions in connection with COVID-19 (which may persist in the following quarters). Another trend was recorded in case of sales to advertising networks and agencies – in this group of clients, after a temporary suspension of orders in the first quarters of the year, in particular in Q4 2020, the full release of previously unused advertising budgets was visible. Ultimately, the Group recorded an over 26% increase in sales to advertising agencies.

From the Group's perspective, the most important achievement is a high, almost 85%, data and technology sales growth - strategically a key direction for future development of the Group. In particular, an increase in sales of OnAudience Ltd was recorded, an entity dedicated to the expansion of the Group's data segment. This increase was achieved both through increased sales to the existing group of clients, as well as through the acquisition of new technology partners. The increase in revenues in this segment was also caused by the impact of the gradual settlement of the signed agreements for the sale of DMP licenses by the Parent Company in 2020 (which was not the case in 2019) – in total, six such agreements were signed in 2020 for a total amount of PLN 7.9 million. The level of revenues from data and technology monetization of over PLN 13 million achieved in 2020 is the best annual result in this area of activity in the history of the Group. For the first time in the Group's history, the sale of data and technology account for the largest % share in the Group's revenue structure. Since sales to this group of customers are characterized by the highest margin, this increase has a measurable impact on the overall profitability of the Group.

Geographic structure of the Group's sales

The detailed geographical structure of revenues is presented in the table below:

		Q1–Q4 2020		**Q1–Q4 2019**
	in PLN	in %	in PLN	in %
Country	**18 298 760**	***36.5%***	**13 799 989**	***32.3%***
Export, including:	**31 829 205**	***63.5%***	**28 929 433**	***67.7%***
The European Union	8 201 711	***16.4%***	4 801 654	***11.2%***
the USA	5 297 623	***10.6%***	2 826 026	***6.6%***
Asia	17 940 460	***35.8%***	21 301 753	***49.9%***
Other	389 411	***0.8%***	0	***0.0%***
Total	**50 127 965**	***100.0%***	**42 729 422**	***100.0%***

The geographic structure of sales was determined based on the main office of a given client. Vast majority of revenues generated by the Group concerns the export activities. Domestic sales mainly relate to online marketing campaigns run by subsidiary companies. Due to the fact that most of the services are provided to intermediaries in settlements with end users of the Group's services, the geographical structure presented does not have to correspond to the seat of the Group's final customers (for example, the Group distributes data using a contractor registered in the USA whose recipients are entities from the EU).

In 2020, the share of sales to one recipient exceeded 10% of the Group's sales value. Sales to this customer amounted to PLN 17.6 million (35% of total revenues). In 2019, the share of sales to one recipient exceeded 10% of the Group's sales value. Sales to this customer amounted to PLN 20.7 million (48% of total revenues).

Note 2. 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
(1) Data acquisition	Achievement of anonymous data used to provide services of the whole Group	• Affiliate networks • Brokers of advertising spaces	*Low*	*Low*
(2) Data consulting	Running marketing campaigns with the use of data	• Advertising agencies • Direct clients of advertising spaces	*Medium*	*Medium*
(3) Data enrichment	International sale of data and technology segments mainly to advertising industry	• Data distributors • Recipients of the CT technology	*High*	*High*
(4) Other	Ensuring support to other segments	• All other clients	*Negative margin (centre of expenses)*	*None*

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 spacer assigned to the *Data acquisition* segment,
(b) Advertising agencies and direct clients assigned to the *Data services* segment,
(c) Data and technology distributors to the *Data enrichment* segment,
(d) Other clients assigned to the *Other* segment.

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

(a) Expenses of purchasing advertising spaces and data;

(b) Expenses of tools, including the maintenance of the key software and servers (including the DSP platform as a part of the *Data acquisition* segment);
(c) Personnel expenses of people directly involved in the provision of services for clients of a given segment;
(d) Other expenses that are the so-called administrative and office expenses, band 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 expenses of the Parent Company Issuer's Board of Directors. 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 spacer,
(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 spaces 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, servers, and 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, partially also lease, expenses on advisors and experts, as well as marketing activities of the Group.

Assets of a given segment are understood as trade and service 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 expenses of individual segments.

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

Detailed description of individual operating segments

I. 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 run 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 in the efficiency model, when 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 them sublicensed to companies from the Group when needed.

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 spacer are professional entities operating in the online marketing industry for which the Group provides brokerage services in terms of purchasing advertising spaces. 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 mercantile 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 spaces 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 at suppliers of advertising spaces

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

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II. Data consulting

Within this segment, the Group sells data-based marketing services.

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 marked, occasionally on neighboring markets.

The activity of the subsidiary companies focuses on providing services from the online marketing industry, including running marketing campaigns, mostly in the *Big Data* as the *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. These clients are serviced by the Company either in a direct commercial relationship or through media agencies.

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), Data stream activity (direct sale of anonymous data not processed into interest segments), as well as revenues from the DMP platform (i.e. analysis, enrichment and insights about customer data provided by external institutions). The segment also show 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' payment based on a contract with a maximum notice period of several months), and in the purchase of a license by the contractor of the license (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 strategically and perceptively valuable are 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). These 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.

Results of segments in a period

Information about revenues from operating segments in periods covered by this report are presented in the tables below:

	Data acquisition	Data consulting	Data enrichment	Other	Exclusions	In all
Q1–Q4 2020						
Total revenues, from which:	**38 851 609**	**16 596 400**	**20 995 279**	**1 233 140**	**(27 548 464)**	**50 127 965**
(a) sales to external clients	19 598 257	15 921 080	13 376 160	1 232 467	0	**50 127 965**
(b) sales between segments	19 253 352	675 320	7 619 119	673	(27 548 464)	**-**

	Data acquisition	Data consulting	Data enrichment	Other	Exclusions	In all
Q1–Q4 2019						
Total revenues, from which:	**50 661 843**	**14 907 864**	**12 409 158**	**12 553**	**(35 261 996)**	**42 729 423**
(a) sales to external clients	21 203 709	14 331 679	7 181 481	12 553	-	42 729 423
(b) sales between segments	29 458 134	576 185	5 227 677	-	(35 261 996)	-

In terms of the whole Group, revenues from the sale of services increased in 2020 by 8% compared to 2019. The *Data acquisition* segment noted a decrease in sales to external clients by 11%, while the *Data consulting* segment noted an increase in sales by 11%, and *Data enrichment* segment by 86%. The increase in the last two segments significantly compensated for the decrease in sales in the *Data acquisition* segment. Additionally, unlike in 2019, the Group recorded PLN 1.2 million in sales in *Other* segment, which was mainly due to revenues from commercialization of the Unblock technology and several one-off transactions of programming services performed,

Information on the results of operating segments in 2020 as well as 2019, up to the EBITDA level, are presented in the tables below:

	Data acquisition	Data consulting	Data enrichment	Other	Exclusions	In all
Q1–Q4 2020						
Revenues in all	**38 851 609**	**16 596 400**	**20 995 279**	**1 233 140**	**(27 548 464)**	**50 127 964**
Expenses in all, from which	**39 171 377**	**16 406 762**	**13 438 334**	**4 645 215**	**(27 942 315)**	**45 719 373**
(a) media and data purchase	34 323 456	12 167 132	5 751 176	0	(22 801 811)	**29 439 953**

(b) personnel	522 798	3 139 281	1 990 673	1 988 520	(104 000)	**7 537 272**
(c) tools and licenses	4 285 303	70 180	5 107 700	62 972	(5 049 120)	**4 477 035**
(d) other	39 820	1 030 169	588 785	2 593 723	12 617	**4 265 114**
EBITDA segment	**(319 768)**	**189 638**	**7 556 946**	**(3 412 075)**	**393 851**	**4 408 591**
% of EBITDA margin	-	*1.1%*	*36.0%*	-		*8.8%*
Segment assets	**43 202 892**	**6 097 426**	**20 280 274**	**1 704 244**	**(43 153 044)**	**28 131 792**

	Data acquisition	Data consulting	Data enrichment	Other	Exclusions	In all
Q1–Q4 2019						
Revenues in all	**50 661 843**	**14 907 864**	**12 409 158**	**12 553**	**(35 261 996)**	**42 729 422**
Expenses in all, from which	**50 186 733**	**15 518 241**	**9 337 901**	**3 311 800**	**(35 234 248)**	**43 120 427**
(a) media and data purchase	44 486 125	11 246 114	2 471 880	(23 579)	(30 772 369)	**27 408 171**
(b)personnel	482 361	2 789 037	2 391 230	1 920 574	0	**7 583 201**
(c) tools and licenses	5 218 247	21 160	4 015 034	53 258	(4 447 894)	**4 859 806**
(d) other	0	1 461 930	459 758	1 361 547	(13 986)	**3 269 249**
EBITDA segment	**475 110**	**(610 377)**	**3 071 257**	**(3 299 247)**	**(27 748)**	**(391 005)**
% of EBITDA margin	*0.9%*	-	*24.7%*	-		-
Segment assets	**39 753 152**	**4 552 652**	**13 764 791**	**312 156**	**(32 570 595)**	**25 812 156**

Consolidated EBITDA in 2020 – a profit of PLN 4.4 million – was much higher compared to the corresponding result in 2019 (loss of PLN 0.4 million). The highest increase in profitability was recorded in the *Data enrichment* segment (increase by PLN 4.5 million). The increase in sales in this segment with a partially fixed cost base allowed a significant increase in profitability at the EBITDA level.

In the *Data acquisition* segment, both the decrease in sales and the worsening in profitability were recorded. It is mainly due to a further reduction in the scale of campaigns for affiliate networks. Currently, the segment's profitability should be expected to oscillate around zero, with the possibility of a negative profitability in the event an increase in the scale of the obtained data (monetized in other segments).

In 2020, the *Data consulting* segment recorded a low level of EBITDA (PLN 0.2 million). The segment's results were significantly affected by the downturn on the Polish advertising market in 2020 as a result of the COVID-19 pandemic. However, despite these unfavorable factors, the segment manager to improve its results compared to 2019.

In the *Data enrichment* segment, EBITDA increased twice in 2020 compared to 2019. With a very significant increase in sales (including due to the commencement of sales of the long-term licenses for the DMP technology) and partially stable nature of costs, the operating leverage effect in the segment is visible.

The loss in the „Other" segment (mainly general costs of the Group's operations, not allocated to other segments) was similar in 2020 to 2019.

Reconciliation of segment results before tax

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

Specification	Q1–Q4 2020	Q1–Q4 2019
all EBITDA segments	**4 408 591**	**(391 005)**
Amortization	6 476 874	3 166 740
Adjustment goods sale	0	0
Other operating revenues	2 538 194	410 792
Other operating expenses	917 463	1 152 369
Results on operating activities	**(447 552)**	**(4 299 322)**
Financial revenues	658 424	53 115
Financial expenses	99 455	673 272

Result before tax	**111 417**	**(4 919 480)**

Note 3. OPERATING EXPENDITURES

The table below show the structure, dynamics, and share of the Group's operating expenses in the revenues in 2020, however, for the sake of consistency in the presentation, the following data in 2020 was adjusted for the costs of share issue valuation (PLN 1.6 million):

Specification	**Q1–Q4 2020**	**Q1–Q4 2019**	***% change***
Amortization	6 476 874	3 166 740	*104.5%*
as % of sales	*12.9%*	*7.4%*	
Consumption of materials and energy	100 013	155 251	*(35.6%)*
as % of sales	*0.2%*	*0.4%*	
External services	42 175 646	40 966 700	*7.3%*
as % of sales	*84.1%*	*95.9%*	
Taxes and charges	131 176	102 609	*27.8%*
as % of sales	*0.3%*	*0.2%*	
Payroll	1 257 722	1 185 736	*6.3%*
as % of sales	*2.5%*	*2.8%*	
Social security and other benefits	160 175	181 316	*(11.7%)*
as % of sales	*0.3%*	*0.4%*	
Other costs by type	294 641	528 815	*(44.3%)*
as % of sales	*0.6%*	*1.2%*	
Value of goods and materials sold	0	0	-
as % of sales	*0.0%*	*0.0%*	
Total OPEX without valuation of the share issue	**50 596 247**	**46 287 167**	***13.2%***
as % of sales	*100.9%*	*108.3%*	
Total OPEX without amortization	**44 119 373**	**43 120 427**	***6.5%***
as % of sales	*88.0%*	*100.9%*	

The most important item in the Group's operating costs are external services described in detail in Note 6. Depreciation costs are described in detail in Note 4. Description and calculation of the costs of valuation of share-based payments (valuation of share issue) were prepared under Note 5.

Note 4. Amortization and depreciation

The Group's amortization and depreciation for Q1-Q4 2020 cumulatively is presented in the table below:

Specification		Q1-Q4 2020	Q1-Q4 2019
Amortization of intangible assets with a subsidy		**3 194 944**	**380 324**
	CT UnBlock	2 281 944	380 324
	AN Big Data Analytics Platform	913 000	0
Amortization of other intangible assets		**2 569 986**	**2 175 655**
	OnAudience LTD DSP	2 102 901	1 900 000
	CT DMP platform	467 085	275 655
	Other intangible assets	0	0
Amortization of fixed assets with a subsidy		**0**	**24 000**
Amortization of other fixed assets:		**711 944**	**586 761**
	Assets from the right to use	636 774	452 705
	Other fixed assets	75 170	134 056
Total amortization cost		**6 476 874**	**3 166 740**

In total, amortization increased to PLN 6.5 million in 2020, from PLN 3.2 in 2019. The high level of amortization is one of the main factors affecting the level of the result on sales and the Group's net result (although, by definition, without affecting the level of cash flows).

The increase in the value of amortization in 2020, compared to data for 2019, results from the following main factors:

(a) Depreciation of the UnBlock system, put into use during Q4 2019 (in Q4 2020 the asset was depreciation throughout the quarter, hence the increase in the cost level),
(b) Start of depreciation of the BigData Analytics Platform system in Audience Network, put into use in July 2020 (no assets in 2019),
(c) Start of depreciation of the new generation DMP platform, put into use in March 2020 and presented together with the depreciation of the previous generation platform,
(d) Increase in the level of assets classified as leasing (including retting of the office occupied by the companies that are part of the Group), which are then accounted for in the profit and loss statement through depreciation.

The impact of depreciation of assets covered by subsidies on the Group's result is partially compensated by the subsidies granted for their creation. The subsidies are presented as part of other operating revenues (note 7) and accounted for in the same period for depreciation. Nevertheless, due to the own contribution needed to build these assets, their depreciation exceeds the value of the subsidy granted.

Note 5. Valuation of share-based payments

On December 7, 2020, the Board of Directors of the Company adopted a resolution on increasing the share capital within the authorized capital, excluding the subscription right (in accordance with the previously obtained consent of the Supervisory Board of the Company), in accordance with the authorization resulting from paragraph 8 of the Company's Articles of Association. The resolution provides for an increase in the share capital by PLN 40,000 (up to PLN 500 thousand in total), through the issue f 400,000 new ordinary series bearer shares with a nominal value of PLN 0.1 each.

At the end of 2020, the Company's share capital is as follows:

Specification	Q1-Q4 2020	Q1-Q4 2019
Registered share capital	460 000	460 000
Share capital during registration	40 000	0
Total share capital	**500 000**	**460 000**

As of the publication date of the report, the share capital from the issue of series G shares was registered. The issuer will apply for admission of the shares of the new issue to trading on the NewConnect market. Beneficiaries undertook not to sell the shares until the end of 2021.

The shares were acquired by the management of the Group in order to increase their involvement in building value for shareholders and to bind them with the Group for a long time. The issue price of the series G shares was set at PLN 7, and the preferential conditions are a form of remuneration for the management board. In accordance with the provisions of IFRS 2, the Group had to recognize one-off, non-monetary operating cost (being an approximation of 'additional remuneration' for the Beneficiaries), calculated on the basis of the difference between the Company's share price on the day of taking up the shares (PLN 11) and the issue price of the shares (PLN 7), multiplied by the number of new shares (400,000). The Said cost of PLN 1.6 million is part of the operating costs for 2020 under the item 'valuation of share-based payments'.

As part of the issue, the Company obtained PLN 2.8 million. The funds from the issue will be allocated to the implementation of the Group's strategy, including, for example, acquisition or further investment in technological assets, which are the basis of the Group's operating activities.

The issue costs incurred in 2020 amounted approximately total PLN 22 thousand.

The issue also contributed to the increase in the amount of the Company's supplementary capital, which increased by approximately PLN 4.3 million, as shown in the table below:

Specification		Q1-Q4 2020
value of the issue		2 800 000
- value of the share capital		(40 000)
Total agio		**2 760 000**
+ valuation to market value		1 600 000
- issue costs		(21 945)
Change of supplementary capital, of which:		**4 338 055**
	the item reserve capital and other capitals	2 738 055
	capital from the valuation of the incentive program	1 600 000

Note 6. External services

The most important item of the Group's operating expenses are the expenses of external services, within which the Group distinguishes:

(a) Media purchase expenses – it primarily includes the expenses on advertising spaces or data only. In most cases, as a part of the advertising spaces purchase, the Group obtains data directly related to displayed advertising for which the Group had paid.
(b) Tools expenses – including primarily 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 (Demand Side Platform), enabling the purchase of media in the RTB model – Real Time Bidding, used by the Group to run a large part of your marketing campaigns.
(c) Expenses on employees – including the expenses of people providing services to the Group based on B2B contracts, as well as the expenses of external companies providing the Group with employee services. In order to determine total personnel expenses incurred by the Group, the expenses on employees should also be added to the payroll expenses, as well as expenses on insurance and social benefits (included in the profit and loss item).
(d) Other external services include primarily: expenses on outscoring infrastructure (servers, hosting), expenses of office space, media, expenses of an external accounting office, and expenses of consultants and experts.

The main components of the external services expenses of the Group in 2020 are presented in the table below:

External services	Q1–Q4 2020	Q1–Q4 2019
Media and data purchase	29 439 952	27 408 171
Tools and licenses	4 477 036	4 859 806
Expenses on employees	5 934 102	6 089 182
Other external services	2 324 557	2 609 541
Expenses on external services in all	**42 175 646**	**40 966 700**

In total, the cost of external services increased by 3% in 2020 compared to 2019. A significant increase in terms of value (plus PLN 2.0 million) was recorded in the item 'purchase of media and data'. It results mainly from an increase in revenues from brokerage resale of media and an increase in revenues from the *Data consulting* segment.

Other items of external services underwent slight (co-workers' costs) or more significant (tools and licenses and other services) decreases. The decreases are largely due to limitations in the operations of selected areas of the Group, caused by the COVID-19 pandemic (lower expenditure on marketing, business trips, conferences, representation, etc.).

Note 7. OTHER OPERATING REVENUES AND EXPENSES

Other operating expenses		Q1–Q4 2020	Q1–Q4 2019
Subsidies		2 012 330	297 791
	CT UnBlock	1 341 032	297 791
	AN Big Data Analytics Platform	579 567	0

Other subsidies	91 731	0
Re-invoice of expenses	17 051	52 115
Other operating revenues	508 813	60 886
Total	**2 538 194**	**410 792**

Other operating expenses of the Group for 2020, and comparative data for 2019 are presented in the table below

Other operating expenses	Q1–Q4 2020	Q1–Q4 2019
Write-offs of receivables	246 694	337 048
Bad debts	154 552	142 835
Re-invoices of expenses	49 406	34 728
Mobile games write-off	0	595 194
Other operating expenses	466 811	42 564
Total	**917 463**	**1 152 369**

In 2019, the Group started to recognize the PART subsidy awarded for the implementation of a project under measure 3.2.1. OP Intelligent Development 2014-2020 in the total amount of PLN 9.5 million. The subsidy will be recognized for a period of 7 years starting from November 2019, except for the subsidy in the amount of PLN 24 thousand for the purchase of infrastructure, which was recognized on a one-off basis in April 2019. As a result, the Group's net result will be influence by the difference between the amortization of the entire value of intangible assets and the recognition of the subsidy (granted in the amount of 60% of intangible assets.).

Similarly, from July 2020, there was recognized the grant awarded by BGK in the amount of PLN 5.1 million of the subsidy granted for the creation of the Big Data Analytics Platform in the subsidiary company Audience Network. The subsidy will be recognized for the period of 5 years.

In addition, the item 'government subsidies' in the period Q1-Q4 2020 includes jointly all other subsidies obtained by the Parent Company as well as the subsidiary company Audience Network as a part of instruments for counteracting the effects of the COVID-19 pandemic i.e. remuneration subsidies and funds form working capital). The total value of all granted instruments did not exceed PLN 100,000.

Other operating expenses also include write-offs for receivables and occasional write-offs of these receivables. A part of the application of IFRS 9, the contractors were divided into separate groups, then the write-off already made for the value of receivables were assigned to each group and the quality of the portfolio of receivables in a given segment was analyzed. As a result, the level of expected losses was calculated (as a % of the level of receivables for a given group of contractors), reflecting, in the Group's opinion, the potential risk of future write-offs on receivables charge to the Group's expenses on a one-off basis (presented as 'write-offs of receivables'). The assumptions and the amount of the level of expected losses are verified quarterly by the Group, the difference between the level of expected losses calculated for a given quarter, compared to the previous quarter, is included in the Group's current results in subsequent quarters.

Note 8. FINANCIAL REVENUES AND EXPENSES

Financial revenues	Q1–Q4 2020	Q1–Q4 2019
Interests	28 988	18 936
Exchange gains	629 436	0
Other	0	34 179
Total	**658 424**	**53 115**

Financial expenses of the Group in 2020 and 2019, divided into main components, were presented in the table below:

Financial expenses	Q1–Q4 2020	Q1–Q4 2019
Interests	81 365	32 118
Exchange losses	0	622 109

Other	18 090	19 045
Total	**99 455**	**673 272**

Due to the practically no interest bearing debt of the Group, the main item of the Group's financial revenues and expenses are foreign exchange differences.

Exchange differences are shown in a close formation, that is a balance indicating the difference between positive and negative exchange differences is shown as an item of financial revenues (positive balance of differences) or financial expenses (negative balance of differences).

The Group incurred production expenses mainly in PLN (and also in USD to a lesser extent), while the vast majority of revenues is generated in foreign currencies, including primarily EUR (to a lesser extent in PLN and USD). If the EUR or USD is weakened against PLN, the Group may show significant negative exchange rate differences.

The amount of exchange rate differences depends on the level of exchange rate between the moment of obtaining income from a foreign client, and the exchange rate level at the time of foreign receivables inflow. Similarly in case of foreign trade liabilities, primarily from media purchase. The Group also performs balance sheet valuation of foreign currency trade receivables and liabilities as at the reporting date, and as a result of which a new source of exchange rate differences appear. Taking into account the Group's activities to decrease the total level of receivables, exchange rate differences arising from this fact should not be as significant as in the previous periods (assuming no significant deviances in exchange rates).

Due to the fact that clients pay mostly in foreign currencies, the Group regularly performs spot currency exchange transactions, as a result of which it can show the performed exchange rate differences on those transactions.

In 2020, the Group recorded a total of PLN 629 thousand surplus of positive exchange rate differences over negative differences (as opposed to 2019, where a total surplus of negative exchange rate differences over positive exchange differences was shown at the level of PLN 622 thousand.

Note 9. INCOME TAX AND DEFERRED INCOME TAX

The main components of tax burden for previous years 31 December, 2020 and 2019, are as follows:

Income tax in the profit and loss statement	Q1–Q4 2020	Q1–Q4 2019
Current income tax	**571 440**	**58 435**
Concerning the financial year	571 440	62 035
Adjustments concerning previous years	0	(3 600)
Deferred income tax	**(1 097 172)**	**(260 209)**
Related to the creation and reversal of temporary differences	(1 097 172)	(260 209)
Related to decrease in the income tax rate	0	0
Tax burden recognized in the profit and loss statement	**(525 732)**	**(201 774)**

The deferred income tax presented in the profit and loss statement is the difference between reserves and assets arising from deferred tax at the end and at the beginning of reporting periods.

Current income tax	Q1–Q4 2020	Q1–Q4 2019
Profit before tax	**111 418**	**(4 919 479)**
Change arising from negative tax results of subsidiary companies	(843 648)	(2 090 668)
Other adjustments	200 000	0
Revenues of previous years increasing the taxation base	(2 661 990)	423 019
Expenses of previous years decreasing the taxation base	1 190 254	191 613
Expenses not being expenses of achieving revenues	4 443 764	3 769 941
Income for taxation	**6 670 567**	**326 499**
Deductions from income – donation, loss	3 693 414	0
Additions to income	30 428	0

Tax base	**3 007 581**	**326 499**
Income tax after the 19% rate	571 440	62 035
Effective tax rate	**-**	**-**

Effective tax rate is calculated as a part of the tax burden presented in the profit and loss statement as profit before tax. Income tax calculation does not take into account the application of the IP Box tax relief. The Parent Company is considering the option of tax part of the income with a preferential 5% rate which will allow for a reduction in the income tax charger for 2020.

Negative temporary differences being a basis to create assets arising from deferred tax	31.12.2019	increase	decrease	31.12.2020
Other reserves	1 119 432	1 698 666	1 901 143	916 955
Negative exchange rate difference	112 079	0	112 079	0
Payroll and social securities	3 777	0	3 777	0
Deferred income	0	6 950 221	0	6 950 221
Write-offs updating receivables	489 741	85 826	66 670	508 897
Difference in balance sheet value and fixed assets tax	19 896	202 814	0	222 710
Tax loss	481 789	0	0	481 789
All negative temporary differences	**2 226 714**	**8 937 527**	**2 083 669**	**9 080 572**
tax rate	**9/19%**	**9/19%**	**9/19%**	**9/19%**
Assets from deferred tax	**266 597**	**1 623 076**	**321 597**	**1 568 075**

Positive temporary differences being a basis to create assets arising from deferred tax	31.12.2019	increase	decrease	31.12.2020
Positive exchange rate differences	0	1 082 657	0	1 082 657
Development Works – difference between balance sheet value and tax value	298 628	323 630	275 657	346 601
All positive temporary differences	**298 628**	**1 406 287**	**275 657**	**1 429 258**
tax rate	**19%**	**9/19%**	**19%**	**9/19%**
Reserve arising from deferred tax at the end of the period:	**56 739**	**267 221**	**52 375**	**271 587**

Net assets/reserves arising from income tax are presented in the table below:

Specification	31.12.2020	31.12.2019
Assets arising from deferred tax	1 568 075	266 597
Reserves arising from deferred tax – continuous operations	271 587	56 739
Net assets/reserves from deferred tax	**1 296 488**	**209 858**

Note 10. PROFIT PER SHARE

Basic profit per share is calculated by the division of net profit for the period attributed to common shareholders of the Parent company by an average weighted number of issued common shares during the period. Diluted profit per share is calculated by the division of net profit for the period attributed to common shareholders (after charging interests to redeemable preferred changing stock to common stock) by an average weighted number of issued common shares during the period (adjusted of the impact on diluted options and diluted redeemable preferred changing stock to common stock).

To calculate the diluted profit presented in profit and loss statement, own shares of the Parent company were not included due to the fact that they are not planned to be amortized as of the date of the statement, however, for presentation purposes, there is calculation of this profit both in the variant of redeeming of own shares, as well as not performing this action, presented in the tables below:

Specification for 2020	No amortization of own shares	Full amortization of own shares
Net profit for the period	637 150	637 150
Average weighted number of shares in the period	4 600 000	4 300 600
Diluted profit per share	**0,14**	**0,15**

Specification for 2019	No amortization of own shares	Full amortization of own shares
Net profit for the period	(4 717 705)	(4 717 705)
Average weighted number of shares in the period	4 600 000	4 300 600
Diluted profit per share	**(1,03)**	**(1,10)**

In the period between the balance sheet date and the date of the financial statements, there were no other transactions involving ordinary shares, except for the registration of the capital increase in the amount of 400,00 series G shares.

Note 11. INTANGIBLE ASSETS

The structure of intangible assets divided into main items is presented in the table below:

Specification	31.12.2020	31.12.2019
DSP license	13 320 105	14 762 524
UnBlock 3.2.1.	13 317 732	15 599 676
Goodwill	2 526 018	2 526 018
Cross Device – Development works	200 000	0
OnAudience DMP platform – under construction	829 549	671 723
OnAudience DMP platform – works finished	852 503	298 626
AN BGK software	8 233 496	0
Total	**39 279 403**	**33 858 567**

License on 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 extensions in the following periods, in a value depending on the 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 under amortization for the period of 7 years. The developed system will complete 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.

The presented goodwill was recognized in the Q4 of 2017 as a result of the purchase of organized part of enterprises by Online Advertising Network subsidiary company that is a part of 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), being 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 an item of current accruals in force. 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 general expenses arising from the process. After completing the development Works on the new DMP platform at the beginning of April 2020, a separate asset was recognized (under intangible assets, presented together with the item 'OnAudience DMP Platform – completed works'), which was depreciated. In April 2020, work began on the next generation of the DMP platform (presented as 'OnAudience DMP platform – under construction'), the planned completion date of which is March 2021.

In Q3 2020, the subsidiary company Audience Network completed the implementation of an investment project co-financed by BGK, regarding the construction of a platform that automates data management in online advertising (Big Data Analytics Platform). As of July 31, 2020, the company received all completed software module and recognized a new asset in the amount of PLN 9.1 million, fully paid as of September 30, 2020 and depreciated from the date of commissioning.

Changes in individual groups of types of intangible assets for 2020 are presented in the table below:

Specification	Goodwill	Software	OnAudience platform	Fixed and intangible assets in creation	Total
Balance sheet gross value as of 01.01.2020	**2 526 018**	**36 759 504**	**1 102 619**	**671 723**	**41 059 864**
Increase, arising from:	**0**	**9 490 261**	**1 020 961**	**1 508 787**	**12 020 009**
- purchase or recognition of intangible fixed assets	0	9 490 261	1 020 961	1 508 787	**12 020 009**
Decrease	**0**	**0**	**0**	**1 150 961**	**1 150 961**
Balance sheet gross value as of 31.12.2020	**2 526 018**	**46 249 765**	**2 123 580**	**1 029 549**	**51 928 912**
Amortization as of 01.01.2020	**0**	**6 397 304**	**803 993**	**0**	**7 201 297**
Increase arising from:	**0**	**5 297 846**	**467 084**	**0**	**5 764 930**
- amortization	0	5 297 846	467 084	0	5 764 930
Decrease	**0**	**(316 718)**	**0**	**0**	(316 718)
Amortization as of 31.12.2020	**0**	**11 378 432**	**1 271 077**	**0**	**12 649 509**
Updatins write-offs as of 31.12.2020	**0**	**0**	**0**	**0**	**0**
Balance sheet net value as of 31.12.2020	**2 526 018**	**34 871 333**	**852 503**	**1 029 549**	**39 279 403**

Changes in individual groups by type of intangible assets for 2019 are presented in the table below:

Specification	Goodwill	Software	OnAudience platform	Fixed and intangible assets in creation	Total
Balance sheet gross value as of 01.01.2019	**2 526 018**	**4 116 980**	**1 102 619**	**0**	**7 745 617**
Increase	0	32 642 524	0	671 723	33 314 247
Decrease	0	0	0	0	0
Balance sheet gross value as of 31.12.2019	**2 526 018**	**36 759 504**	**1 102 619**	**671 723**	**41 059 864**
Amortization as of 01.01.2019	**0**	**4 116 980**	**528 338**	**0**	**4 645 318**
Increase	0	2 280 324	275 655	0	2 555 979
Decrease	0	0		0	0
Amortization as of 31.12.2019	**0**	**6 397 304**	**803 993**	**0**	**7 201 297**
Updated write-offs as of 31.12.2019	**0**	**0**	**0**	**0**	**0**
Balance sheet net values as of 31.12.2019	**2 526 018**	**30 362 200**	**298 626**	**671 723**	**33 858 567**

Note 12. GOODWILL

Description of the purchase of the organized part of the enterprise and company's value valuation

On September 15th, 2017, the Group, through the newly established Online Advertising Network Sp. z o.o. ('Online') related entity, purchased an Organized Part of the Enterprise from OAN ('ZCP OAN'). This transaction was aimed to strengthen the market position of Audience Network Sp. z o.o., that is a part of the Group, as well as to use the OAN market position, its trade relations and competences of the staff management. What is more, as a result of the purchase of the organized part of the enterprise, refereed as to ZCP through the entire statement, OAN achieved an access to new technologies offered by Audience Network that will enable the creation of new offer of products and services

The purchase price of the organized part of the enterprises of OAN was finally set at PLN 2.3 million.

The organized part of the enterprises of OAN purchased by Online includes, inter alia, the following components:

(a) Revenues from OAN's direct clients,
(b) Trade liabilities towards selected OAN contractors,
(c) OAN trademarks and brands,
(d) Other intangible assets such as licenses, rights to domains,
(e) Know-how and commercial relations in the field of servicing and acquiring direct customers.

The calculation of the goodwill, disclosed in the balance sheet of the Group, is presented in the table below:

Specification	31.12.2017
Purchase price of the organized part of the enterprise	2 300 000
Trade receivables assigned to the organized part of the enterprise	(108 684)
Balance sheet net value of intangible assets of the organized part of the enterprise	(80 000)
Trade liabilities assigned to the organized part of the enterprise	414 702
Total goodwill	**2 526 018**

Test on the loss of value and calculation of the value in use

The goodwill of the company is not a subject to accounting amortization, but it is a subject to tests on the loss of value prepared at least on the occasion of the annual consolidated report of the Group. The Group's Board of Directors performed a test on the loss of value as of December 31st, 2020.

For the purposes of the test, the goodwill was first assigned to the *Data services* operating segment, and then to the cash generating centre that is Online Advertising Network.

The test on the loss of goodwill consists in comparing of the balance sheet value of the centre to whom this goodwill was assigned, and with its recoverable amount. The balance sheet value of the center was established as a sum of balance sheet value of the assets included in the center, as well as the goodwill

As a part of the performed test, there was made a decision to valuate the recoverable value of the center by calculation the centre's value in use that is the present value of estimated future cash flows that are expected to be obtained from the continued use of assets' component or the centre generating cash.

To calculate the value in use, there was prepared a financial model for Online Advertising Network, as a result of which potential financial results of the company in the next few years were estimated. Presumptions prepared in this way were used to create the DCF valuation of Online Advertising Network. The prepared valuation was compared to balance sheet value of consolidated net assets that belong to Online Advertising Network, including the goodwill assigned to them. Due to the fact that the value of the received valuation was higher than estimated in the above explanation, the Board of Directors of the Parent company did not have a ground to make a copy of the goodwill.

Key assumptions used to calculate the value in use

The value in use of the facility was valuated on the basis of the following assumptions:

(a) Financial projections of the facility in the period 2022-2025;
(b) The sales budget of the facility for 2021, and estimates of the Board of Directors concerning further dynamics of the facilities revenues increase (35% in 2021 and 20% in the following years);
(c) Residual growth rate of free cash flows in the amount of 2%;
(d) Historical growth dynamics of digital advertising in Poland, display advertising market, value of the programmatic as well as performance marketing, in compliance with data and reports achieved from IAB Polska;
(e) Calculation of discount rate for the DCF model equal to the weighted average capital cost (WAAC), calculated on the basis of equity capital expenses (assigned in compliance with CAMP model for each year of the forecast), in an average amount of 10% and financial cost of an average of 5%.

Note 13. TANGIBLE FIXED ASSETS

The structure of tangible fixed assets in division into main items is presented below:

Specification	31.12.2020	31.12.2019

Machines and devices and other	22 864	15 461
Means of transport	0	32 117
Other tangible fixed assets	1 161	1 935
Advances for tangible fixed assets	0	9 890
Total tangible fixed assets	**24 025**	**59 403**
Assets from the right to use, out of which:	**3 059 070**	**707 048**
Office rental	1 957 236	0
Servers	814 123	81 320
Means of transport	287 711	625 728
Total tangible fixed assets	**3 059 070**	**707 048**

The item „Machines and devices' includes mainly office and computer equipment purchased by the Group.

The item „assets from the right to use" includes:

(a) Asset from the office rental with its net value of PLN 2.0 million, calculated on the assumption that the Group will remain in its current location until the end of the contract, i.e. until August 2023,
(b) Asset for the lease of servers with a net value of PLN 0.8 million, calculated on the assumption that the Group will maintain the current size of the technical infrastructure for a period of 24 months from the beginning of 2021,
(c) The net carrying amount of means of transport used as of December 31, 2020 under lease agreements and rental agreements with a purchase option. Starting from Q1 2019, this item includes operating car leasing contracts, classified as (financial) leasing in accordance with IFRS 16. The net value of the right to use og these assets was determined as of December 31, 2020 as PLN 0.3 million and it is a subject to depreciation.

The 'right to use assets' item increases significantly in 2020 compared to 2019. In Q4 2020, the Parent Company changed its estimated values and considered the lease of servers and office space as leasing, in accordance with IFRS 16. In accordance with the provisions of IAS 8, an accounting estimate may be revised if the circumstances underlying the estimates change or as a result of new information. Historically, the Parent Company did not consider an office lease agreement as a lease due to its short notice period (6 months) and the uncertainty caused by the impact of the COVID-19 pandemic as to staying in the current location. In Q4 2020, the Board of Directors of the Parent Company, due to the reduced level of uncertainty about the market environment, decided to stay in the current office location until the end of the lease agreement, i.e. August 2023. Therefore, in Q4 2020, the office lease agreement was considered a lease agreement in accordance with IFRS 16.

Changes in individual groups by type of tangible fixed assets for 2020 are presented in the table below:

Specification	Machined and devices	Means of transport	Other fixed assets	Advance payments on fixed assets	Total
Balance sheet gross value as of 01.01.2020	**467 316**	**192 695**	**30 011**	**9 890**	**699 912**
Increase	56 584	0	0	0	56 584
Decrease	33 062	0	0	9 890	42 952
Balance sheet gross value as of 31.12.2020	**490 838**	**192 695**	**30 011**	**0**	**713 544**
Depreciation as of 01.01.2020	**451 855**	**160 578**	**28 076**	**0**	**640 509**
Increase	42 281	32 117	774	0	75 172
Decrease	26 163	0	0	0	26 163
Depreciation as of 31.12.2020	**467 973**	**192 695**	**28 850**	**0**	**689 518**
Updating write-offs as of 31.12.2020	0	0	0	0	0
Balance sheet net value as of 31.12.2020	**22 864**	**0**	**1 161**	**0**	**24 025**

Changes of individual groups of tangible fixed assets by type for 2019 are presented in the table below:

Specification	Machines and devices	Means of transport	Other fixed assets	Advance payments on fixed assets	Total
Balance sheet gross value as of 01.01.2019	**372 901**	**194 649**	**24 226**	**8 130**	**599 906**
Increase	94 415	0	5 785	9 890	110 090
Decrease	0	1 954	0	8 130	10 084
Balance sheet gross value as of 31.12.2019	**467 316**	**192 695**	**30 011**	**9 890**	**699 912**
Depreciation as of 01.01.2019	**338 896**	**122 040**	**21 517**	**0**	**482 453**

Increase	112 959	38 538	6 559	0	158 056
Decrease	0	0	0	0	0
Depreciation as of 31.12.2019	**451 855**	**160 578**	**28 076**	**0**	**640 509**
Updating write-offs as of 31.12.2019	0	0	0	0	0
Balance sheet net value as of 31.12.2019	**15 461**	**32 117**	**1 935**	**9 890**	**59 403**

Changes of individual groups of 'assets arising from the right to use' for 2020 were presented in the table below:

Specification	Space rental	Machines and devices	Means of transport	Total
Balance sheet gross value as of 01.01.2020	**0**	**276 503**	**883 250**	**1 159 753**
Increase	2 140 752	848 044	0	2 988 796
Decrease	0	276 503	0	276 503
Balance sheet gross value as of 31.12.2020	**2 140 752**	**848 044**	**883 250**	**3 872 046**
Depreciation as of 01.01.2020	**0**	**195 183**	**257 522**	**452 705**
Increase	183 516	115 242	338 016	636 774
Decrease	0	276 503	0	276 503
Depreciation as of 31.12.2020	**183 516**	**33 922**	**595 538**	**812 976**
Updating write-offs as of 31.12.2020	0	0	0	0
Balance sheet net value as of 31.12.2020	**1 957 236**	**814 122**	**287 712**	**3 059 070**

Changes in particular groups of types of 'assets from the right to use' for 2019 are presented in the table below:

Specification	Machines and devices	Means of transport	Total
Balance sheet gross value as of 01.01.2019	**0**	**0**	**0**
Increase	276 503	883 250	1 159 753
Decrease	0	0	0
Balance sheet gross value as of 31.12.2019	**276 503**	**883 250**	**1 159 753**
Depreciation as of 01.01.2019	**0**	**0**	**0**
Increase	195 183	257 522	452 705
Decrease	0	0	0
Depreciation as of 31.12.2019	**195 183**	**257 522**	**452 705**
Updating write-offs as of 31.12.2019	0	0	0
Balance sheet net value as of 31.12.2019	**81 320**	**625 728**	**707 048**

Note 14. SHORT-TERM LIABILITIES

Short-term liabilities of the Group, divided into liabilities from related entities excluded from consolidation, and other entities, as of December 31st, 2019 and December 31st, 2020, are presented in the table below:

Specification	31.12.2020	31.12.2019
I. Liabilities from related entities, excluded from consolidation, out of which:	**107**	**128**
trade	0	0
other	107	128
II. Liabilities from other entities, out of which:	**32 587 715**	**36 283 758**
trade	28 131 792	25 812 156
due to taxes and social securities:	456 792	1 802 275
VAT	0	1 789 179
other	456 792	13 096
income tax liabilities	0	3 506 693
deposit under the lease agreement	2 976 727	2 746 899
other	1 022 404	2 415 735
III. Short-term liabilities in all	**32 587 822**	**36 283 758**

Trade liabilities (from supplies and services) are the main component of the Group's short-term liabilities.

Trade liabilities from other entities increased in 2020 by PLN 2.3 million compared to December 31, 2019.

The item ‘other liabilities’ presents mainly the granted but not received part of the BGK subsidy for Audience Network (in the amount of approximately PLN 0.9 million). This subsidy was received by the Parent Company in the first quarter of 2021.

In 2019, the Group showed a significant level of tax receivables: VAT and CIT. Most of these receivables were recovered during 2020.

Liabilities from supplies and services do not Bear interest and usually have a payment term not exceeding 60 days. The exception are affiliate networks – the invoice payment deadline may exceed 180 days due to the time-consuming process of settling services provided by the Group in a given settlement period.

Aging of net liabilities on supplies and services (after copies) as at the balance sheet date, were presented in the table below:

Specification	In all	Not overdue	Overdue but collectable				
			< 60 days	60 – 90 days	90 –180 days	180 – 360 days	>360 days
31.12.2020	**28 131 792**	**9 924 983**	**5 594 942**	**101 089**	**2 929 106**	**8 231 933**	**1 349 739**
Towards other entities	28 131 792	9 924 983	5 594 942	101 089	2 929 106	8 231 933	1 349 739
31.12.2019	**25 812 155**	**8 816 816**	**5 776 932**	**3 405 863**	**4 160 671**	**3 651 873**	**0**
Towards other entities	25 812 155	8 816 816	5 776 932	3 405 863	4 160 671	3 651 873	0

In accordance with the Group’s accounting policy, receivables overdue more than 360 days should be written off. As of December 31, 2020, such trade receivables from external entities had been repaid by the date of the report and, therefore, they were not written off.

In 2020, impairment losses on receivables were recognized, including expected credit losses on receivables in the total amount of PLN 13.8 thousand net, in accordance with the table below, and in 2019 for the amount of PLN 302 thousand:

Specification	31.12.2020	31.12.2019
I. Related entities		
State of write-offs and expected losses on receivables at the beginning of the year	**340 836**	**101 209**
Increase	0	239 627
Decrease	0	0
State of write-offs and expected losses on receivables at the end of the year	**340 836**	**340 836**
II. Other entities		
State of write-offs and expected losses on receivables at the beginning of the year	**261 545**	**199 039**
Increase	246 693	97 421
Decrease	232 904	34 915
State of write-offs and expected losses on receivables at the end of the year	**275 334**	**261 545**
III. Total write-offs and expected losses on receivables at the end of the period	**616 170**	**602 380**

Note 15. ACCRUALS

The table below presents information on the main components of expenses of long-term accruals as at the balance sheet date

Specification	31.12.2020	31.12.2019
deferred tax assets	1 568 075	266 597
Long-term accruals	**1 568 075**	**266 597**

Detailed calculations of the above asset are presented in Note 9.

The table below presents main components of active short-term accruals as at the balance sheet date:

Specification	31.12.2020	31.12.2019
property insurance	33 016	34 221
car insurance	30 129	14 316
data purchase agreements – long-term	3 368 662	0
data purchase agreements – short-term	907 998	0
other accruals	6 269	9 178
Active accruals of expenses	**4 346 075**	**57 715**

The increase in other accruals in 2020 results from the signed long-term data purchase agreement by the subsidiary company OnAudience Ltd. Under these agreements, the supplier undertakes to provide data to OnAudience for the period specified in the contract (usually about 5 years). The cost of purchasing data is charge to the profit and loss statement at the end of the contract period, with payment for data usually made in full at the beginning of the contract.

Note 16. ASSETS FROM CONTRACTS WITH CLIENTS

Specification	31.12.2020	31.12.2019
assets from contracts with clients	0	56 275
Total	**0**	**56 275**

Assets from contracts with client concern those clients for which there is a monthly shift between the invoicing period and the client's delivery of contracted services, that are the basis for issuing the invoices by the Group. The established level of revenue provision is an estimate of monthly revenues from those clients and is estimated every quarter. The difference between the provisions estimated in a given quarter and the level of provisions created in the previous quarter from the sale of data and technology. In Q3 2020, a decision was made to discontinue establishing further revenue provisions due to the ongoing level of uncertainty on the market, making it impossible to reliably estimate the appropriate level of the provision.

Note 17. SHORT-TERM INVESTMENTS INCLUDING CASH AND CASH EQUIVALENTS

Specification of the Group's cash and cash equivalents was presented in the table below:

	31.12.2020	31.12.2019
cash in hand and cash in bank	17 807 046	4 814 886
short term granted loans	42 734	10 744
Total	**17 849 780**	**4 825 630**

The vast majority of free cash is kept in the PLN currency, and to a small extent in USD, GBP and EUR. The currency structure of cash is a reflection of payments from the Group's counterparties most of whom are foreign clients. The current accounts on which the Group's free, not bearing interest funds are kept. In case of the EUR currency, the Group is charged with commission costs for keeping the balance on accounts above the level negotiated with the bank.

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

Note 18. EQUITY CAPITAL

Specification	31.12.2020	31.12.2019
Number of shares	4 600 000	4 600 000
Nominal value of shares	0,10	0,10
Registered equity capital	**460 000**	**460 000**
Equity capital during registration	40 000	0

Total equity capital	**500 000**	**460 000**

All shares are paid. There is no preferred stock.

On December 7, 2020, Board of Directors adopted a resolution on the increase of the share capital as a part of the authorized capital, excluding the subscription right (in accordance with the previously obtained consent of the Company's Supervisory Boards), in accordance with the authorization resulting from paragraph 8 of the Company's Articles of Association. The resolution provides for an increase in the share capital by PLN 40.000 (up to PLN 500 thousand in total), through the issue of 400,000 new ordinary series G bearer shares with a nominal value of PLN 0.1 each.

Series/issue type of shares	Type of preferred stock	Type of limitation of rights to shares	Number of shares	Individual value	Value of series/issue according to nominal value	Capital coverage method	Date of registration Date of resolution
Serie A	none	shares granted in the proportion1/1000 to the current shareholders	3 000 000	0.10	300 000	The transformation of Cloud Technologies Sp. z o.o. into Cloud Technologies SA	2011-12-22 2011-12-07
Serie B	none	issue through a private subscription, depriving the current shareholders of the pre-emptive right	300 000	0.10	30 000	Cash contribution	2012-03-08 2012-02-15
Serie C	none	issue through a private subscription, depriving the current shareholders of the pre-emptive right	700 000	0.10	70 000	Cash contribution	2014-11-20 2014-06-16
Serie D	none	issue through a private subscription, depriving the current shareholders of the pre-emptive right	200 000	0.10	20 000	Cash contribution	2015-06-15 2014-12-19
Serie E	none	issue through a private subscription, as a part of target capital, depriving the current shareholders of the pre-emptive right	150 000	0.10	15 000	Cash contribution	2016-03-21 2015-12-21
Serie F	none	issue through a private subscription, as a part of target capital, depriving the current shareholders of the pre-emptive right	250 000	0.10	25 000	Cash contribution	2016-03-21 2015-12-21
Serie G	none	issue through a private subscription, as a part of target capital, depriving the current shareholders of the pre-emptive right	400 000	0.10	40 000	Cash contribution	2021-03-05 2020-07-12

All series of shares, except for series G shares, are admitted to stock exchange trading, and the Parent Comapny holds its own shares described in Note 19. In December 2020, the Board of Directors of the Parent Company adopted a resolution on the issue of new series G shares, in accordance with the information provided in Note 5, the Board of Directors of the Parent Company will endeavor to admit the series G shares to stock-exchange trading in 2021.

Note 19. OWN SHARES AND RESERVE CAPITAL

Own shares	31.12.2020	31.12.2019
As at the beginning of the period	**(18 000 000)**	**(18 000 000)**
purchased during the period	0	0
decrease or depreciation	0	0
As at the end of the period	**(18 000 000)**	**(18 000 000)**

In order to carry out the withdrawal of own shares, in compliance with the resolution of the Extraordinary General Meeting of Shareholders of Cloud Technologies S.A. from November 27th, 2017, the Parent company separated reserve capital from supplementary capital in the amount of PLN 18 million.

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

As at the publication date of the report, the Board of Directors did not take any action to implement the resolution. In accordance with the resolution of the Extraordinary General Meeting of Shareholders, as of the fate of publication of the report, treasury shares may generally be used for two purposes: depreciation or resale. The use of these shares for the purposes of a possible incentive program is not possible due to the expiry of the deadlines for offering these shares to potential beneficiaries. The Group plans to use its own shares to implement acquisition projects as part of the so-called share swap, i.e. Exchange of own shares for shares/stocks in the acquired enterprise.

Note 20. SUPPLEMENTARY CAPITAL AND OTHER CAPITAL

Specification	31.12.2020	31.12.2019
Supplementary capital from the profits of previous years	19 291 674	24 009 379
Supplementary capital from issuing of shares above their nominal value	16 423 055	13 685 000
In all	**35 714 729**	**37 694 379**
Capital from the valuation of the incentive program	26 015 000	24 415 000
Total	**61 729 729**	**62 109 379**

According to the information presented in the statement of changes in equity and in Note 5, the supplementary capital ad the end of 2020 includes the effect of a new issue of shares and thus an increase in the value of supplementary capital.

Note 21. FINANCIAL LIABILTIES

Historically, the only item of long-term liabilities constituted financial liabilities towards other entities, concerning long-term financial leases of some cars, as well as liabilities arising from financial leases of cars.

In accordance with the provisions of IFRS 16, the Group analyzed contracts with contractors in terms of recognizing selected contracts as lease contracts in accordance with the guidelines of the new standard. On the basis of the analysis, agreements were identified that were considered lease agreements, including operating lease agreements, office space rental agreement, and server rental agreement.

As a part of the recognition, contractual obligations and the right to use assets were calculated.

As of December 31, 2020, the Group's total lease liabilities amounted PLN 3.3 million.

In June 2020, the Parent Company and the subsidiary company Audience Network received a financial subsidy in the total amount of PLN 3.4 million, which is a part of the Financial Shield of the Polish Development Fund. The subsidy is reimbursed in 23 equal monthly installments, starting from the 13th calendar month after the date of granting the subsidy. The amount of the subsidy reimbursement will be between 25% and 100% depending on the criteria for going concern, financial performance and employment level, with the remainder being written off. The total amount of subsidies of PLN 3.4 million is presented in the Group's liabilities as „loans and credits". Additionally, the value of PLN 974 thousand is shown in the „loans and credits" resulting from a bank credit taken out during Q3 2020 and unpaid as of December 31, 2020 in the total amount of PLN 5.1 million, intended for the implementation of the Big Data Analytics Platform project (the loan was repaid in Q1 2021 after receiving the remaining subsidy).

Specification	**31.12.2020**	**31.12.2019**
Short-term lease liabilities	1 516 891	242 774
Long-term lease liabilities	1 764 889	494 929
Short-term credits and loans – PFR loans	850 000	0
Long-term credits and loans – PFR loans	2 550 000	0
Short-term credits and loans – BGK bank credit	973 534	0
Total financial liabilities	**7 655 314**	**737 703**
- long-term	4 314 889	494 929
- short-term	3 340 425	242 774

The reconciliation of the minimum lease payments under financial lease agreement is presented in the table below:

Specification	**31.12.2020**		**31.12.2019**	
	Minimum fees	**Current value of fees**	**Minimum fees**	**Present value of fees**
In the period of 1 year	1 516 891	1 516 891	242 774	242 774
In the period from 1 to 5 years	1 764 889	1 764 889	494 929	494 929
Above 5 years	0	0	0	0
Total minimum lease payments	**3 281 780**	**3 281 780**	**737 703**	**737 703**
Future interest expense	164 569	**0**	44 616	**0**
Present value of minimum lease fees, including:	**3 117 211**	**3 281 780**	**737 703**	**737 703**
- short-term	1 516 891	1 516 891	242 774	242 774
- long-term	1 764 889	1 764 889	494 929	494 929

The reconciliation of the minimum lease payments under finance lease agreement is presented in the table below:

Specification	**31.12.2019**		**Non-monetary changes**			**31.12.2020**
		Cash flows	**Lease disclosure**	**Exchange rates differences**	**Changes in fair value**	
Bank credits	0	973 534	0	0	0	973 534
Liabilities arising from financial lease	737 703	444 720	2 988 797	0	0	3 281 780
PFR loans	0	3 400 000	0	0	0	3 400 000
Total financial liabilities	**737 703**	**4 818 254**	**2 988 797**	**0**	**0**	**7 655 314**

Note 22. TRADE LIABILITIES AND OTHER LIABILITIES

The amount if the Group's trade liabilities and other short-term liabilities, divided into liabilities towards related entities excluded from consolidation, and others, was presented in the table below:

	31.12.2020	**31.12.2019**
I. Towards related entities, out of which:	**378 456**	**8 644**
trade	360 513	738
other	17 943	7 906

II. Towards other entities	**4 676 056**	**6 235 846**
trade	4 508 245	6 153 739
arising from income tax	65 824	0
arising from other taxes and social security	97 746	71 518
from payroll	0	3 817
other	4 241	6 772
III. Total short-term liabilities	**5 054 512**	**6 244 490**

Trade liabilities towards other entities relate mainly to current payments to the Group's contractors, among which the suppliers of advertising spacer are the most important.

The aging of trade liabilities, divided into liabilities to related entities excluded from consolidation and to other entities, is presented in the table below:

Specification	Total	Not overdue	Overdue but collectable				
			< 60 days	61 – 90 days	91 – 180 days	181 – 360 days	>360 days
31.12.2020	**4 868 758**	**3 724 754**	**1 038 938**	**67 639**	**37 427**	**0**	**0**
Towards related entities*	360 513	360 144	369	0	0	0	0
Towards other entities	4 508 245	3 364 610	1 038 569	67 639	37 427	0	0
31.12.2019	**6 154 477**	**3 228 450**	**1 332 578**	**455 589**	**1 027 679**	**110 181**	**0**
Towards related entities*	738	0	738	0	0	0	0
Towards other entities	6 153 739	3 228 450	1 331 840	455 589	1 027 679	110 181	0

*excluded from consolidation

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

Note 23. SUBSIDIES AND PERFORMANCE OBLIGATIONS

Specification	31.12.2020	31.12.2019
Subsidies, including	**12 464 918**	**9 230 209**
CT UnBlock – long-term	6 558 613	7 915 685
CT UnBlock – short-term	1 357 072	1 314 524
AN Big Data Analytics Platform – long-term	3 529 219	0
AN Big Data Analytics Platform – short-term	1 020 014	0
Performance obligations, including:	**7 651 833**	**0**
DMP Agreements –long-term	5 365 879	0
DMP Agreements – short-term	1 584 342	0
DX Agreements – long-term	307 754	0
DX Agreements – short-term	393 858	0
Advances for sale	**157 459**	**0**
Total deferred income	**20 274 210**	**9 230 209**

The presented deferred income in terms of subsidies relates to the amount allocated to the development of the UnBlock software, completed in November 2019 (in accordance with the information included in the note on intangible fixed assets). The subsidy granted accounts for approximately 60% of the value of assets purchased with its assistance. In accordance with the Group's accounting policy, the subsidy will be recognized in the same period as the expected service life of the UnBlock software, i.e. 7 years. During Q3 2020, another subsidy was also recognized in the amount of PLN 5.1 million that will be settled over a period of 5 years.

Secondly, deferred income primarily presents the total value of the sales of licenses for access to the Group's DMP platform minus the already recognized revenues from these licenses. The license is granted for a period of up to 5 years, and thus the Group recognizes revenue from the sale of this license in the same period (usually close to 60 months). Payment for the license sold is made once, according to the date indicated on the invoice (usually up to 60 days). This item also show revenues from the sale of data, where the contract with the contractor is for a period of 12 months or longer, as well as advances received from contractors.

Note 24. OTHER RESERVES

Specification	31.12.2020	31.12.2019
Reserve on service expenses	944 707	1 119 434
Total accruals	**944 707**	**1 119 434**

The main item of the passive RMK are provisions for costs made by the Group's entities, relating mainly to media costs incurred for the campaigns for which, as of the balance sheet date, the Group subsidiary companies did not receive appropriate cost invoices. In addition, this item includes provisions for reliably estimated additional services and costs, the incurrence of which by the Group in the future periods is sufficiently probable.

A more detailed change in provisions is presented in the table below:

Specification	Passive accrual of expenses
As of 01.01.2020	**1 119 434**
Created during the financial year	1 726 416
Used	199 564
Not used	1 701 579
As of 31.12.2020	**944 707**
As of 01.01.2019	**322 296**
Created during the financial year	1 119 434
Used	76 113
Not used	246 183
As of 31.12.2019	**1 119 434**

Note 25. EXPLANATION TO MAIN CASH FLOWS

In 2020, the following most important events affecting the cash flows generated by the Group were recorded:

(a) Refund of the overpaid CTI from previous years in the amount of PLN 3.2 million for the Parent Company;
(b) Parent Company receives the last part of the subsidy for the UnBlock project in the amount of PLN 2.3 million;
(c) Subsidiary company Audience Network allocates funds for the implementation and completion of the Big Data Analytics Platform project in the amount of PLN 9.1 million;
(d) Subsidiary company Audience Network receives a subsidy for the Big Data Analytics Platform project from BGK in the amount of PLN 4.2 million;
(e) Subsidiary company Audience Network takes out a loan for the Big Data Analytics Platform project in the amount of PLN 5.1 million (partially repaid from the BGK subsidy);
(f) Allocation of PLN 1.4 million to the development of the next version of the DMP platform (presented as CAPEX);
(g) Inflow in the Parent Company of PLN 2.8 million due to the issue of series G shares;
(h) Loans from PFR in the amount of PLN 3.4 million.

Ultimately, the Company increased its cash level in 2020 by PLN 13.0 million. At the end of 2020, cash amounted to PLN 17.8 million.

Note 26. AIMS AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The main financial instruments used by the Group include financial lease agreements with an option to purchase and cash. The main aim of those financial instruments is to obtain cash on the Group's activities

The Group has also other financial instruments such as loan receivables and trade liabilities and receivables that are directly connected to the course of the Group's operations

The Group does not enter into derivative transactions except for transactions of the *forward* type that aim to secure the Group against currency risk

The main types of risk resulting from financial instruments include currency risk, credit risk, interest rate risk, and liquidity risk. The Board of Directors verifies and agrees on rules for managing of each of those risks – those rules are briefly discussed below. The Group also monitors risk arising from market prices concerning all owned financial instruments

The degree of exposure to market risk

To convert the following items into PLN, there were used the following exchange rates:

(a) For data on December 31, 2020: EUR/PLN – 4.6148, USD/PLN – 3.7584, GBP/PLN – 5.1327

(b) For data on December 31, 2019: EUR/PLN – 4.2585, USD/PLN – 3.7977, GBP/PLN – 4.9971

Assets and financial liabilities 31.12.2020	Currencies		
	EUR	USD	GBP
Cash	2 886 019	3 855 525	595 136
Loans and liabilities	21 955 330	2 758 670	264 313
Trade liabilities	545 100	335 898	-
Other liabilities	4 456	755	344 902

Assets and financial liabilities 31.12.2019	Currencies		
	EUR	USD	GBP
Cash	919 453	490 681	235 682
Loans and liabilities	22 049 449	1 844 625	316 401
Trade liabilities	536 345	687 461	750
Other liabilities	5 715	1 867	42

Data in the tables above was converted into PLN.

Currency risk

Due to international nature of the Group's activity, the Group is expose to currency risk, in accordance to information provided in Note 5. As of 31 December 2020, the Group does not use any instruments protecting against currency risk

The amounts of the main currency components of assets and liabilities, divided into significant currencies written down in the Polish currency are presented in the tables below:

As of 31.12.2020	Cash (in PLN)	Trade receivables (in PLN)	Trade liabilities (in PLN)
Currency – EUR	2 886 019	18 978 603	545 100
Currency – USD	3 855 525	2 758 670	335 898
Currency – GBP	595 136	245 754	-
Currency – PLN	10 470 366	6 148 765	3 987 759
Total	**17 807 046**	**28 131 792**	**4 868 757**

As of 31.12.2019	Cash (in PLN)	Trade receivables (in PLN)	Trade liabilities (in PLN)
Currency – EUR	919 453	19 295 051	536 345
Currency – USD	490 681	1 844 625	687 461
Currency – GBP	235 682	315 857	750
Currency – PLN	3 169 069	4 356 624	4 929 923
Total	**4 814 885**	**25 812 157**	**6 154 479**

Interest rate risk

Exposure to risk caused by changes of interest rates concerns primarily funds in bank accounts and long-term financial liabilities (lease).

As of the balance sheet date, cash was accumulated on current accounts that do not bear interests or have negative interest rates. The interest rate on the lease liabilities is based on the variable WIBOR 1M rate

According to the current assumptions of the program, received PFR loans are to be interest-free in the non-redeemed part.

Liquidity risk

The Group monitors the risk of lack of funds through ongoing monitoring of cash flows, including permanent review of working capital as well as liabilities and receivables.

Due to the fact that it has significant cash surpluses with a practically negligible level of interest debt, the Group has excess of liquidity as at 31 December 2020.

Credit risk

Credit risk means that the counterparty will not make payment on time for the Group's liabilities, or will fail to meet Group's obligation in other way.

With regard to other financial assets, such as cash and cash equivalents, financial assets available for sale, the Group's credit risk arises from the inability of the counterparty to make payment, and maximum exposure to this risk is equal to the balance sheet value of a given instrument

As at 31 December 2020, there were overdue liabilities in the Company. The Company analyzes the validity of the calculation of expected losses in compliance with IFRS 9, to present an adjusted level of trade liabilities in the books. Receivables that are overdue but paid by the date of publication of this report are not eligible for a wrote-off or calculation of expected losses.

Ageing of receivables is provided in Note 14.

Note 27. CAPITAL MANAGEMENT

The main goal of capital management is to maintain a good credit rating and safe capital ratios that would support operating activities and increase the value for its shareholders.

The Group monitors capital using a leverage ratio that is the ratio of net debt to total capital plus net debt. Net debt includes loans and credits, lease liabilities, trade liabilities and other liabilities minus cash and cash equivalents.

Specification	31.12.2020	31.12.2019
Credits and loans	4 373 534	0
Trade liabilities and other liabilities	5 054 512	6 244 490

Lease liabilities	3 281 780	737 702
Minus cash and cash equivalents	17 807 046	4 814 886
Net debt	**(5 097 220)**	**2 167 307**

Specification	**31.12.2020**	**31.12.2019**
Total capital	**64 556 510**	**58 739 495**
Net capital and debt	**69 719 554**	**56 572 188**
Leverage ratio	**-**	***3.8%***

Note 28. INFORMATION ABOUT RELATED ENTITIES

In 2020, the Group noted significant transactions with the following related entities:

(a) Audience Network Sp. z o.o. („AN"), subsidiary company,
(b) Cloud Technologies S.A. ("CT"), Parent Company,
(c) OnAudience Ltd („OnAudience"), subsidiary company,
(d) Online Advertising Network Sp. z o.o. („Online"), subsidiary company,
(e) OAN Sp. z o.o. ("OAN"), related entity.

The following table presents total amounts of transactions with the mentioned related entities for current and previous financial year for the Parent Company:

Related entity	**Sales to related entities**		**Purchase from related entities**		**Liabilities from related entities**		**Loan liabilities from related entities**	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
AN	794 837	4 963 276	220 950	0	1 960 526	2 118 217	517 433	0
OnAudience	12 679 320	13 605 883	1 675 000	44 178	21 985 400	13 892 433	18 806 559	18 287 096
Online	233 030	147 646	0	43 833	485 862	282 837	2 707 123	2 639 411
Total	**13 707 187**	**18 716 805**	**1 895 950**	**88 011**	**24 431 788**	**16 293 487**	**22 031 115**	**20 926 507**

The following table presents total amounts of transactions with the mentioned related entities for current and previous financial year for Audience Network, the Group's subsidiary company:

Related entity	**Sales to related entities**		**Purchase from related entities**		**Liabilities from related entities**		**Liabilities to related entities**	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
CT	420 950	0	994 837	4 963 276	0	0	2 477 959	2 118 217
OAN	0	0	0	966 205	0	0	0	0
OnAudience	12 058	53 179	12 367 717	15 440 747	0	53 175	17 719 656	15 137 906
Online	330 027	413 422	363 114	812 440	769 848	897 842	0	49 985
Total	**763 035**	**466 601**	**13 725 668**	**22 182 668**	**769 848**	**951 017**	**20 197 615**	**17 306 108**

The following table presents total amounts of transactions with the mentioned related entities for current and previous financial year for Online Advertising Network, the Group's subsidiary company:

Related entity	**Sales to related entities**		**Purchase from related entities**		**Liabilities from related entities**		**Liabilities to related entities**	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
AN	355 293	812 440	322 206	413 422	0	49 985	769 848	897 842
CT	0	43 833	233 030	266 845	0	0	3 192 985	2 922 249
OAN	0	0	0	442 749	0	0	3 075	0
OnAudience	30 605	40 599	205 520	225 606	0	15 588	234 568	217 754

Total	**385 898**	**896 872**	**760 756**	**1 348 622**	**0**	**65 573**	**4 200 476**	**4 037 845**

The following table presents total amounts of transactions with the mentioned related entities for current and previous financial year for OnAudience Ltd, the Group's subsidiary company:

Related entity	Sales to related entities		Purchase from related entities		Liabilities from related entities		Liabilities to related entities	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
AN	12 367 717	15 429 982	4 975	53 179	17 719 656	15 137 906	0	53 175
CT	1 675 000	0	12 660 286	14 209 829	0	0	40 791 959	32 179 529
Online	205 520	220 503	25 681	40 599	234 568	217 754	0	15 588
Total	**14 248 237**	**15 650 485**	**12 690 942**	**14 303 607**	**17 954 224**	**15 355 660**	**40 791 959**	**32 248 292**

Description of transactions with related entities

In 2020, the most significant transactions with related entities concerned:

a) **Transactions of CT with AN:** re-invoicing of advertising space purchase, shared services (including advertising space rental), granting an owner loan.
b) **Transactions of CT with OAN**: re-invoicing of costs of shared services (including office space rental).
c) **Transactions of CT with OnAudience**: granting a license for the DMP platform, re-invoicing the costs of purchasing advertising spaces.
d) **Transactions of AN with OAN**: brokerage in the purchase of advertising space, subcontracting the implementation of marketing campaigns.
e) **Transactions of AN with OnAudience:** providing a license for the DSP platform, brokerage in selling data, granting a license for the DMP platform.
f) **Transactions of OAN with OnAudience:** intermediation in the sale of data.

Terms of transactions with related entities

Transactions between related entities took place in terms equivalent to market terms

Note 29. THE PAYROLL OF THE SENIOR MANAGEMENT AND SUPERVISORY BOARD

The payroll of the Group's governing bodies individually is presented in the table below:

Payroll of the Board of Directors of the Parent Company	Q1–Q4 2020	Q1–Q4 2019
arising from the performed function	60 000	0
arising from other titles	390 000	390 000
TOTAL Board of Directors of the Parent Company	**450 000**	**390 000**
Payroll of the Board of Directors of the subsidiary companies		
arising from the performer function	251 082	94 078
arising from other titles	1 202 849	1 066 269
TOTAL Board of Directors of the subsidiary companies	**1 453 931**	**1 160 347**
Payroll of the Supervisory Board of the Parent Company		
arising from the performed function	60 000	45 000
arising from other titles	95 936	255 293
TOTAL Supervisory Board of the Group	**155 936**	**300 293**
TOTAL Board of Directors and Supervisory Board of the Group	**2 059 867**	**1 850 640**

All the benefits listed above are categorized by the Group as short-term benefits. In the period covered by this report, the following did not occur:

(a) Post- employment benefits
(b) Jubilee benefits
(c) Termination benefits
(d) Post-employment benefits
(e) Share-based benefits
(f) Other long-term benefits

Apart from the positions indicated above, the Group's members of the governing bodies were not paid any other remuneration, except for the President of the Board of Directors of the Parent Company, to whom the Group companies paid a total of PLN 13 thousand in 2020 and PLN 11 thousand in 2019 for other services. Additionally, the cost related to the issue of series G shares acquired by the Board of Directors of the Company, recognized in the profit and loss statement in 2020, amounted to PLN 640 thousand, PLN 160 thousand by the Supervisory Board, and PLN 360 thousand fot the Board of Directors of the subsidiary companies.

Note 30. EMPLOYEES AND ASSOCIATES

The total number of Group's employees and people cooperating with the Group on the basis of contracts other than employment contracts is presented in the tables below:

The total number of employees and associated, functionally according to the organizational structure for the Parent company:

	31.12.2020	31.12.2019
Board of Directors	1	1
Front office	24	19
Back office	14	14
Total	**39**	**34**

The number of employees and associated, functionally according to the organizational structure for the subsidiary company – Audience Network:

	31.12.2020	31.12.2019
Board of Directors	2	2
Front office	10	12
Total	**12**	**14**

The number of employees and associated, functionally according to the organizational structure for the subsidiary company – Online Advertising Network:

	31.12.2020	31.12.2019
Board of Directors	2	2
Front office	4	5
Total	**6**	**7**

The number of employees and associated, functionally according to the organizational structure for the subsidiary company – OnAudience Ltd:

	31.12.2020	31.12.2019

Board of Directors	2	2
Front office	2	0
Total	**4**	**2**

Total number of employees and associated in the Group:

	31.12.2020	31.12.2019
Cloud Technologies	39	34
Audience Network	12	14
Online Advertising Network	6	7
OnAudience Ltd	4	2
Total	**61**	**57**

Note 31. INFORMATION ABOUT TRANSACTIONS WITH AUDIT COMPANY AUDITING THE REPORT

Payroll paid or due for the financial year	Q1–Q4 2020	Q1–Q4 2019
- for the audit of annual separate and consolidated report	35 000	35 000
- for other services	0	0
TOTAL	**35 000**	**35 000**

The 2020 Audit was conducted by Ecovis System Rewident Spółka z o.o.

Note 32. INFORMATION ON TRANSACTIONS WITH THE AUTHORIZED ADVISOR

Payroll paid	Q1–Q4 2020	Q1–Q4 2019
- for acting as the Authorized Adviser	12 000	12 000
- for other services	0	0
TOTAL	**12 000**	**12 000**

The Authorized Advisor of the Parent Company is IPO Doradztwo Kapitałowe with its registered office in Warsaw.

Note 33. CONTIGENT LIABILITIES

As of December 31, 2020, the only significant contingent liabilities related to promissory notes signed in Blanco, securing the Group's car lease agreements as well as promissory notes signed as a part of projects with a subsidy.

Note 34. PRESENTATION CHANGE IN THE FINANCIAL STATEMENT

In order to increase the information value of the Issuer's financial statement, while creating the report on financial situation in 2020, it was decided to provide more details and change the presentation of the Group's selected profit and loss items presentation, statement of comprehensive income, as well as the Group's assets and liabilities, without changing the value of these items and without affecting the financial result of the Group (however, with a slight change compared to the Group's total income, compliant to information mentioned below).

The main presentation changes in the profit and loss items are presented below, along with its reconciliation for presentation in the financial statement for 2019:

Profit and los statement	Was 2019	Change	Is 2019

1. Depreciation, including:	3 166 740	(3 166 740)	0
1.1 Depreciation of projects with a subsidy	0	404 324	404 324
1.2 Depreciation of other assets	0	2 762 416	2 762 416
2. Other operating income, including:	410 792	(410 792)	0
1.1 Subsidies	0	297 791	297 791
1.2 Other	0	113 001	113 001

The change in the scope of the consolidated statement of comprehensive income, along with its reconciliation for presentation in the financial statement for 2019 is presented below:

Statement of comprehensive income	Was 2019	Change	Is 2019
1. Other comprehensive income	887 821	(7 921)	879 900
2. Total comprehensive income	(3 829 884)	(7 921)	(3 837 805)

The main changes in the presentation of liabilities and their reconciliation for presentation in the financial statement for 2019 are presented below:

Assets	Was 2019	Is 2019
1. Short-term investment	4 825 630	0
1.1 Cash and cash equivalents	0	4 814 886
1.2 Short-term investments	0	10 744

The main changes in the presentation of liabilities and their reconciliation for presentation in the financial statements for 2019 are presented below:

Liabilities	Was 2019	Is 2019
1. Deferred income	9 230 209	0
1.1 Long-term subsidies	0	7 915 685
1.2 Short-term subsidies	0	1 314 524

Note 35. EVENTS AFTER THE BALANCE SHEET DATE

The most important events that took place between December 31, 2020 and the date of publication of the report include:

(a) **Planned introduction of a new tax on advertising revenues:** at the beginning of February 2021, there was a project to introduce a new tax on advertising revenues, including both online and traditional advertising. Although as of the date of the report's publication there is no precise information on the rules for calculating the amount and scope of this tax (as well as the date of its possibile introduction), according to the Group's current knowledge, the introduction of this tax may have a significant impact on the advertising activities on the Polish market conducted by subsidiary companies of the Issuer. Potentially, the Group's clients may want to transfer the costs of the new tax into their subcontractors, including entities running marketing campaigns to which the Group belongs. As a result, the level of the margin achieved on this activity may decrease. A reduced number of advertising orders may also be potentially expected (both from industries directly covered by the tax as well as from other industries which, due to the growing costs of advertising spaces, may cancel campaigns), and thus a lower lever of revenues from this activity.

(b) **The impact of the COVID-19 pandemic on operating activities:** as of the date of publication of the report, there are still restrictions on industries that historically were a source of significant advertising orders (e.g. the tourism industry) There is still a high level of uncertainty of the events taking place in the next quarters, especially in the *Data consulting* segment. The current sales results in the Data enrichment segment seem to confirm that the Group may benefit from the fact that most of the clients and companies moved their activities to the Internet, which will result into the level of generated sales, including the demand for data and advertising services.

(c) **Another Agreement for sale of DMP entering into force:** in February 2021, the Parent Company finalized another sale of a license to use the proprietary Data Management Platform (DMP) technology to a Polish media company. The agreement provides for a 5-year license period. The transaction amount was PLN 1 million net. Revenue from the transaction will be recognized by the Parent Company analogously to the license period. In total, since the beginning of 2020, the Company has signed seven DMP license agreements for a total amount of PLN 8.9 million. The Parent Company has preliminary discussions with the last few entities interested in acquiring a license for DMP on similar terms as the described contractors and will aim to settle these talks by the end of 2021.

(d) **Appointment of a person to the Board of Directors of the Parent Company:** in February 2021, Mr Piotr Soleniec was appointed to the position of a Member of the Board of Directors of Cloud Technologies. The appointment was based on the resolution of the Supervisory Board of February 26, 2021, with effect from March 1 2021 to the current term of the office of the Board of Directors, which expires on the date of approval of the financial statements for 2023.

(e) **Registration of the amendment to the Parent Company's statute:** on March 2, 2021, the amendment to the Parent Company's statute was registered. Pursuant to the resolution adopted by the OGM on October 12, 2020, paragraph 6 of the Parent Company's Articles of Association. This change concerned the extension of the Parent Company's PKD to include research and development activities. Pursuant to the resolution adopted bt the Board of Directors on December 7, 2020, paragraph 7 of the Parent Company's Articles of Association. The change concerned the registration of the share capital increase of the Parent Company by 400,000 new G series shares. The Parent Company will apply for admission of these shares to trading during 2021.

(f) **The final grant payment from Bank Gospodarstwa Krajowego**: in February 2021, the subsidiary company Audience Network received the final grant payment from BKG in the amount of PLN 0.9 million (out of the total grant of PLN 5.1 million). This amount was entirely allocated to the repayment of the bank credit taken to implement the project covered by the subsidy. The received funds made it possible to repay the credit in full.

(g) **Completion of the new generation of the DMP platform:** from April 2020, the Company conducted the production process and improvements to the currently used generation of the DMP platform that was completed on April 1, 2021. As a part of this process, the platform was expanded with new functionalities that will be offered to the clients of the Company and the Group. In particular, the platform was enriched with the possibility of combining data-points from various sources and sharing data sets between users. When the works on the new DMP platform were completed at the beginning of April 2021, a separate asset was recognized, which was depreciated for a period equal to the expected utility assets of 4 years. In April 2021, work on the next generation of the DMP platform was also started.

Warsaw, on April 30, 2021.

Board of Directors:	**Person responsible for keeping accounting books**
Piotr Prajsnar, Chairman of the Board	Piotr Kościańczuk, Tax Advisor
Piotr Soleniec, Member of the Board	

CloudTechnologies

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