CloudTechnologies

Management report on the activities of Cloud Technologies S.A. and the Cloud Technologies Group

for 2023

WARSAW, April 15, 2024

Summary 2023

54,7	27,6	11,1
PLN M	PLN M	PLN M
Revenue	EBITDA*	Net profit**

+4,3	+4,3	-2,9
PLN M	PLN M	PLN M
vs 2022	vs 2022	vs 2022
Revenue	EBITDA*	Net profit**

Strategic focus on Data monetization

44,6	16%	67%
PLN M	vs 2022	in 2023
Value of data monetization	Growth dynamics	Margin level

* By EBITDA, the Group means EBITDA calculated as operating profit plus depreciation and amortization and adjusted for the cost of the incentive program.

** By Net Profit, the Group means net profit, adjusted for the cost of the incentive program.

1. Selected financial data

1.1 Selected consolidated financial data

Financial data (PLN million)	2023 PLN	2022 PLN	*Change %*	2023 EUR	2022 EUR
1. Sales revenue:	**54,7**	**50,4**	**8,6%**	**12,1**	**10,7**
a) Data monetization	44,6	38,5	15,8%	9,8	8,2
b) Other	10,2	11,9	-14,7%	2,2	2,5
2. EBITDA of segments*	**25,4**	**21,1**	**20,5%**	**5,6**	**4,5**
% margin	**46,5%**	**41,9%**			
a) Data monetization	29,7	25,1	18,7%	6,6	5,3
% margin	66,8%	65,2%			
b) Other	(4,3)	(4,0)	8,8%	(1,0)	(0,8)
% margin	-	-	-	-	-
3. EBITDA*	**27,6**	**23,3**	**18,4%**	**6,1**	**5,0**
% margin	**50,4%**	**46,3%**			
4. Net profit/loss**	**11,1**	**14,0**	**-20,7%**	**2,5**	**3,0**
% margin	**20,3%**	**27,8%**			
5. Cash flow in the period:	**(31,6)**	**14,0**		**(7,0)**	**3,0**
a) Operational	17,7	25,1		3,9	5,4
b) Investment	(22,7)	(7,3)		(5,0)	(1,6)
c) Financial	(26,7)	(3,8)		(5,9)	(0,8)
6. Net debt in the period	**(7,0)**	**(36,6)**		**(1,6)**	**(7,8)**
(a) Interest-bearing debt	4,0	6,0		0,9	1,3
(b) Cash and equivalents	10,9	42,6		2,5	9,1
Net debt/EBITDA	**(0,3)**	**(1,6)**			

* By EBITDA, the Group means EBITDA calculated as operating profit plus depreciation and amortization and adjusted for the cost of the incentive program.

** By Net Profit, the Group means net profit, adjusted for the cost of the incentive program.

1.2 Selected separate financial data

Financial data (PLN million)	2023 PLN	2022 PLN	*Change%*	2023 EUR	2022 EUR
1. Sales revenue:	**25,2**	**25,5**	***-1,0%***	**5,6**	**5,4**
c) Data monetization	22,8	22,7	*0,6%*	5,0	4,8
d) Other activities	2,4	2,8	*-14,1%*	0,5	0,6
2. EBITDA*	**13,4**	**14,6**	***-8,0%***	**3,0**	**3,1**
% margin	**53,3%**	**57,4%**			
3. Net profit/loss**	**11,9**	**9,6**	***24,9%***	**2,6**	**2,0**
% margin	**47,4%**	**37,5%**			
4. Cash flow in the period:	**(7,6)**	**8,6**		**(1,7)**	**1,8**
d) Operational	7,0	4,2		1,6	0,9
e) Investment	11,9	4,4		2,6	0,9
f) Financial	(26,5)	0,0		(5,8)	0,0
5. Net debt/EBITDA	**1,3**	**(4,6)**		**0,3**	**(1,0)**
(c) Interest-bearing debt	3,8	5,4		0,9	1,2
(d) Cash and equivalents	2,4	10,0		0,6	2,1
Net debt/EBITDA	**(0,1)**	**(0,3)**			

* By EBITDA, the Group means EBITDA calculated as operating profit plus depreciation and amortization and adjusted for the cost of the incentive program.

** By Net Profit, the Group means net profit, adjusted for the cost of the incentive program.

Summary of financial results:

- In 2023, the Cloud Technologies Group recorded a PLN 4.3 million year-on-year increase in revenue to PLN 54.7 million, and a PLN 4.3 million year-on-year increase in EBITDA as well (+18.4% year-on-year). The Group's EBITDA margin is gradually improving and has already exceeded 50% on a year-over-year basis.

- The year 2023 was Cloud Technologies' best ever year in terms of Data monetization, a strategic, scalable segment with international reach. Revenues in this segment reached PLN 44.6 million, an increase of nearly 16% year-on-year (the growth rate in the base currency, the USD, was 24%). Data monetization already account for 81.5% of the Group's revenues and record an EBITDA margin of nearly 67%. Approximately 80% of revenue from this segment comes from the US market.

- Segment EBITDA (excluding the impact of other operating activities) amounted to PLN 25.4 million in 2023, an increase of more than 20% y/y. Net profit stood at PLN 11.1 million (PLN -2.9 million relative to 2022). The y/y decrease in net profit is due to the impact of foreign exchange differences (PLN -3.0 million in 2023 vs. PLN +2.5 million in 2022) and an increase in depreciation and amortization of over PLN 3 million.

- One of the objectives of the company's strategy for 2021-2023, conditioning the launch of the incentive program, was to achieve a cumulative EBITDA for 2021-2023 of PLN 55 million. The cumulative EBITDA for 2021-2023 exceeded PLN 66 million, which means that the goal was achieved by 120%. As part of the implementation of the strategy, the Group invested more than PLN 44 million in 2021-2023, which was done without the use of external financing or the issuance of shares, but solely from funds generated by the Group from operations.

- The Group's cash level at the end of 2023 was PLN 10.9 million. The Group recorded strong positive operating cash flow (PLN 17.7 million in 2023), and the largest expenses in 2023 included two share buybacks and technology acquisitions. The Group also paid a dividend of PLN 1.0 per share for the first time in 2023. The Group's net debt remains negative.

- Detailed information on the financial results is provided in the section "Discussion of financial results achieved in 2023."

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2. Letter to shareholders

Dear Shareholders,

The year 2023 was the best year in the history of Cloud Technologies Group in terms of data monetization development. Revenue in this segment in 2023 exceeded PLN 44 million (+16% y/y, and in base currency USD +24% y/y), and the margin has already reached 67%. The Company also recorded an increase in EBITDA at +4.3 million PLN (+18.4% y/y). The Company's record results, prove that the transformation of the business model focusing on data monetization has been successfully implemented.

Over the past twelve months, the Company's stock price has risen by more than half. The rapid development of artificial intelligence is drawing investors' attention to technology companies such as Cloud Technologies, where AI algorithms are used in advanced data analysis, among other things. Data is also a basic material for learning AI systems and tools, and therefore a valuable raw material in the technological world.

Last year, we also completed our strategy adopted for 2021-2023, and I am pleased to say that we have met its key objectives. We are dynamically developing data monetization. Comparing 2021 to 2023, we increased revenues in this segment by PLN 19.4 million, or +77%. The year 2023, which crowned the adopted strategy, was also the first full year in which we are listed on the Main Market of the Warsaw Stock Exchange, and the year in which we realized a dividend payment for the first time in the Group's history. For a full summary of the strategy, including information on the first international acquisition in Cloud Technologies' history, or the purchase of technology, I refer you to Chapter Eight in this report.

In 2023, we also presented a new strategy for 2023-2025, which represents an evolution of an already proven business model and will allow us to further leverage our competitive advantages. We will grow primarily organically, but we are also planning further acquisitions and investments, which could reach up to PLN 100 million by 2023-2025.

As part of the investment, we are launching a Data Seed program in 2023, targeting innovative startups presenting ideas for effective business use of data. We are looking for interesting projects that will be fueled by our data cloud and that we can support financially. Submissions are for the fast-growing online advertising market, but also for new areas such as FinTech and AI.

It is also worth noting the positive outlook for the development of the online advertising market, to which we provide data for precise targeting of users. According to an analysis by research firm EMARKETER, global digital ad spending in 2024 will grow to $717 billion (+10.7% year-on-year), and online advertising will grow faster than the global advertising market.

I invite you to read the report for 2023.

Piotr Prajsnar

President of the Management Board

3. Introduction

The Group provides services based on big data (Big Data). The key resource affecting the business is the set of data processed, which can be described by data volume and geographic coverage.

The company currently processes about 100 billion user profiles[1] using desktop and mobile devices. The data comes from more than 200 countries and territories, with the U.S. and EU markets being key to the business.

The amount of data affects the scale of services provided and thus has a bearing on the amount of sales revenue. The primary criterion for determining the amount of data is the number of profiles, which is correlated with the number of devices, not people. Data resolution, that is, the amount of information per profile, is also an important criterion.

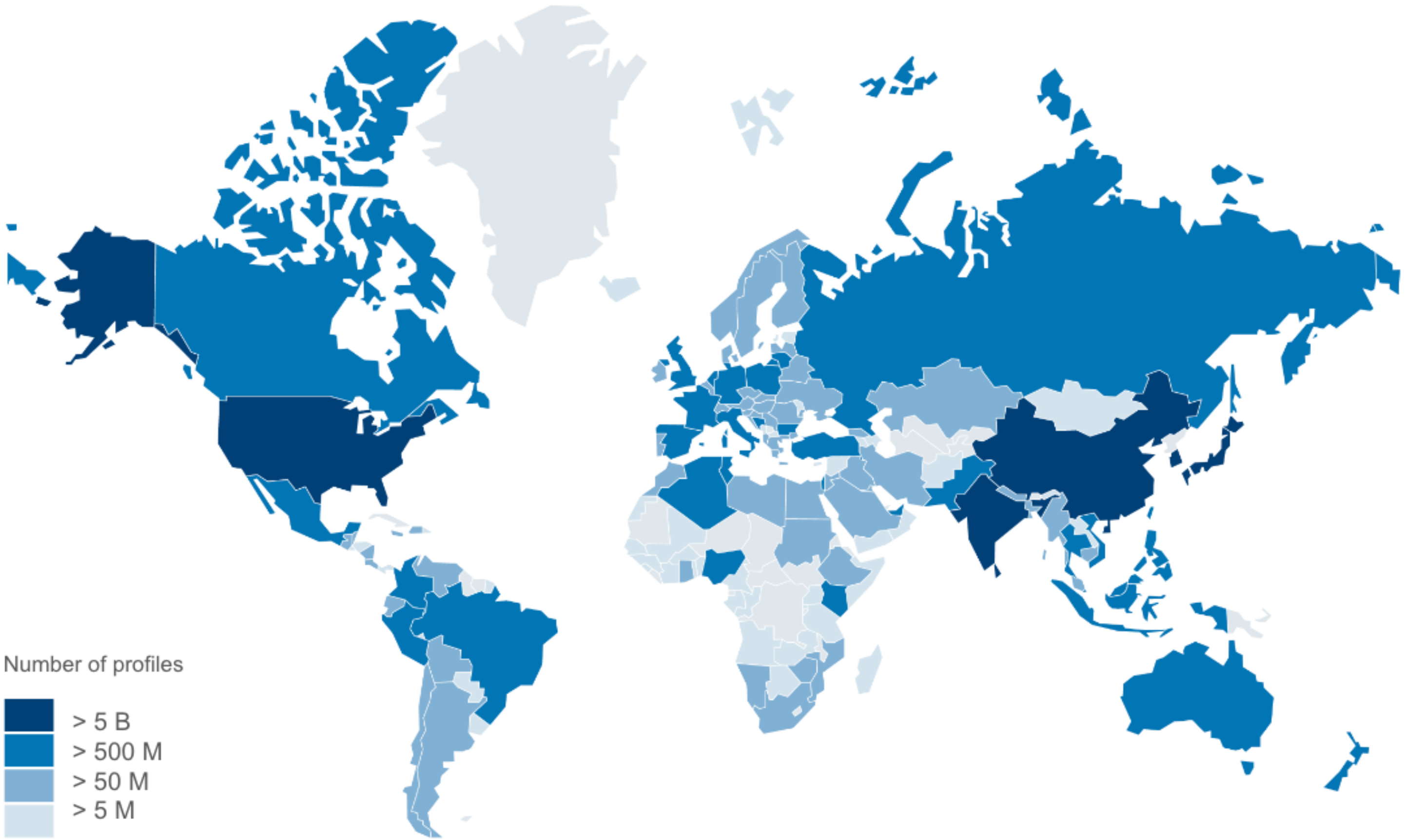
Geographic coverage affects the availability of services in individual markets and thus the potential customer base. The saturation of individual markets with data, that is, the percentage of profiled users, is also important.

In particular, the efficiency of using a dataset is affected by the ability to process raw data and distribute processed data. Therefore, the company has developed its own Data Management Platform (DMP) technology, which operates under the OnAudience.com brand. The company is systematically expanding its sales channels and is establishing new business relationships for this purpose.

The company is also systematically developing technology for the automatic purchase of online advertising space (Demand Side Platform, DSP). Further development of DMP and DSP technologies, key in the market for online advertising in an automated model, will allow the company to achieve business synergies and increase the efficiency of the business model it pursues.

[1] **The number of profiles** is the product of the number of users and the segments into which they have been classified.

4. Markets from which Cloud Technologies obtains data on Internet users



5. Business model

1. Data collection **2. User profiling** **3. Data monetization**

Data collection

The first stage of Cloud Technologies' business model is the collection of data on Internet user activity from desktop and mobile devices, among others. The company obtains its own data, data from partners and data from other providers.

The company collects raw data, which is then subjected to multi-stage analysis using statistical methods and machine learning. The Company uses its own proprietary technology, which is characterized by high performance and is designed to exploit the sales potential hidden in the acquired data.

User profiling

The second stage is data processing to identify valuable information and then create user profiles. Each user can be described with up to several thousand characteristics, which are regularly updated.

The profiling is carried out on Cloud Technologies' proprietary platform and aims to classify the user into appropriate segments, a catalog of which is called a taxonomy. In this form, the data is prepared for further distribution and can be transferred to technology partners around the world. Therefore, Cloud Technologies' business model is international and rapidly scalable.

Data monetization

The third stage is the commercial use of the processed data, i.e. the sale of the collected information. The sale of data is mainly implemented in the online advertising ecosystem through the programmatic model. This model uses data about Internet users to target selected groups based on specific characteristics, such as interests or purchase intentions. Data is sold primarily through data distribution to Cloud Technologies' partners and customers and is international in scope, with the main markets for the Group being primarily the US, the UK and Western European countries. Purchasers of the data are mainly companies in the online marketing industry, which uses the data for precise campaign targeting, and companies that use tools that employ artificial intelligence (AI) algorithms, including for market analysis and customer profiling.

The use of data in the programmatic advertising model

The programmatic model enables automatic media buying through an auction system (Real-Time Bidding) and personalization of advertising messages. Among the advantages of this model are the ability to reach a wide range of users and the precise measurement of campaign effectiveness based on data.

Online advertising in the programmatic model is based on data about Internet users, which is collected from a number of sources, including web services and applications, partners or third-party providers

Data on Internet users is processed on special platforms, where it is profiled and organized into segments.

By gaining knowledge of user profiles, the client precisely plans marketing activities, which translates into optimization of campaigns, including in terms of return on investment (ROI).

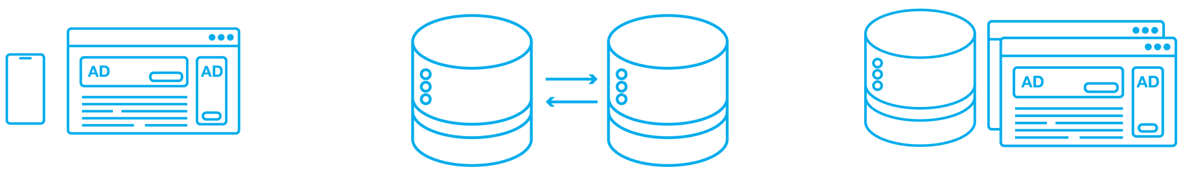
Data Management Platform in the RTB ecosystem

The processing of data used in online advertising is carried out with the help of DMP (Data Management Platform) technology, which enables the exchange of data in the RTB (Real-Time Bidding) ecosystem and ensures the protection of users' privacy.

DMP Cloud Technologies' proprietary technology processes about 100 billion Internet user profiles and analyzes about 5 billion online activities per day to enable marketers to precisely target a specific group of online consumers.

Types of data in online advertising

Online advertising uses various types of data about Internet users collected from many sources. Based on the source of origin, they are divided into:



Own data
e.g., obtained from their own services or applications

Data obtained from partners
For example, as a result of a jointly conducted promotional campaign

Data obtained from suppliers
i.e. data obtained from external sources

Cloud Technologies is one of the world's leading data providers. The company distributes data working with international partners, including in the US and European markets. Thanks to the distribution network, which it is consistently expanding, data acquired by the company can be purchased by marketers from all over the world using advertising platforms designed to purchase data for targeting online campaigns.

6. Business segments

Data monetization

Data monetization is a strategic, high-margin and scalable business area for Cloud Technologies Group. It includes the sale of internet user data, which is used in online advertising, and the sale of the technology to process it - the Group's proprietary Data Management Platform (DMP), offered in a SaaS or licensed model. This area is the Group's main source of revenue growth, and is crucial to Cloud Technologies' financial performance due to its high margins.

The most important recipients of the data are platforms that enable the purchase of advertising space in a programmatic model - Demand-Side Platforms (DSPs), which are used by advertisers from all over the world, and the key market for Cloud Technologies Group is one of the most developed digital advertising markets in the world, namely the US.

Other

Within Other Business, Cloud Technologies, among other things, conducts brokerage activities, performs research and development work and acquires data on Internet users. By the end of the third quarter of 2023, within Other, Cloud Technologies provided services for the implementation of online campaigns using data about Internet users. The main customers of the services are advertising agencies and direct customers, mostly in the B2C segment.

7. Cloud Technologies Strategy 2023-2025

In 2023, Cloud Technologies announced its strategy for 2023-2025, with the main goal of further dynamic development of its scalable data monetization segment in current and new areas with high growth potential. The new strategy, which is an evolution of the company's proven business model, will further leverage competitive advantages and also includes a new investment plan, continuation of the incentive program, and the introduction of a dividend policy.

Development plans for 2023-2025 in three perspectives

Business perspective

- Development of data monetization
- Expansion of the dataset
- Additional fields of data exploitation

Financial perspective

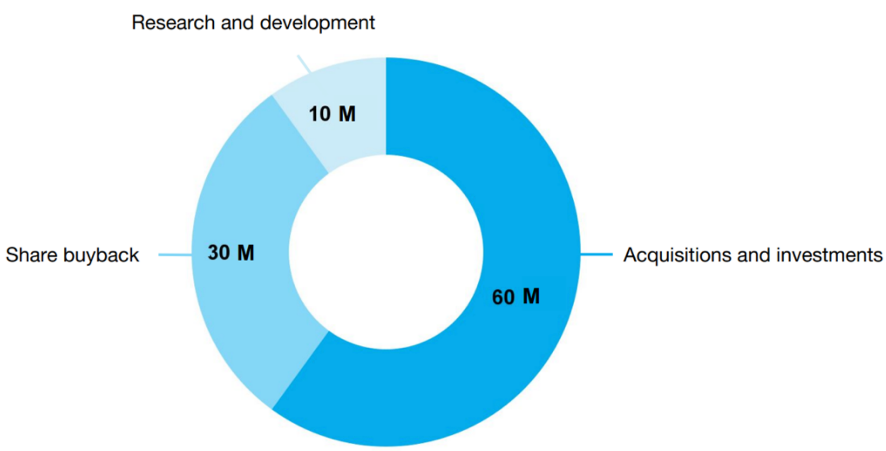
- Acquisitions and investments
- R&D activity
- Share buyback

Corporate perspective

- Incentive program
- Dividend policy

Planned investments

The company plans to invest up to PLN 100 million over the period 2023-2025 in key areas that will generate additional value for the business and shareholders in the future. The investments are planned to be financed from the company's own funds, without the use of debt instruments or new share issues.



* The estimated distribution of funds allows for possible shifts in their allocation between areas, as well as changes in the total value of funds depending on business and market developments.

8. Implementation of Cloud Technologies strategy for 2021-2023

The following table shows the status of Cloud Technologies Group's strategy for 2021-2023 as of the publication of this report:

Perspective	Target	Status of implementation
Business	1. Business development and globalization	Increase in revenue from the data monetization segment from PLN 13.4 million in 2020 to PLN 25.2 million in 2021 (+88%), PLN 38.5 million in 2022 (+53%) and PLN 44.6 million in 2023 (+16%).
	2. Development of proprietary technologies	Completion of subsequent versions of the DMP platform in March 2021, April 2022 and September 2023. Further development of the platform is underway as of Q4 2023.
Financial	1. Purchase of technology	Finalize purchase of source codes for DSP platform in February 2023 for €3.7 million
	2. Buyback of own shares	Purchase of 45 thousand shares in H1 2022 for a total of PLN 1.4 million. Purchase of the remaining 205 thousand shares in March 2023 for a total of PLN 9.8 million. The nominal value of the purchased shares was PLN 4.5 thousand and PLN 20.5 thousand, respectively. In December 2023, the company purchased 125 thousand shares for a total amount of PLN 10 million.
	3. International acquisitions	Purchase of 100% stake in Spanish company TL1 in July 2022 for €1.9 million.
	4. R&D activities	R&D expenditures in 2021: PLN 1.3 million R&D expenditures in 2022: PLN 2.0 million R&D expenditures in 2023: PLN 3.9 million
Corporate	1. Transition to the WSE	Process started in Q2 2022. Prospectus submission in August 2022. Prospectus approval in November 2022. First day of trading in December 2022.
	2. Incentive program	Completed buyback of treasury shares (250 thousand with a total nominal value of PLN 25 thousand) under the program. Total cumulative EBITDA for the period 2021-2023: PLN 66 million (120% of KPI 55 million EBITDA for the period 2021-2023)

As part of the Cloud Technologies Group's executed strategy for 2021-2023, a total of PLN 44.3 million was invested, compared to the planned PLN 50.0 million (mainly due to more effective implementation of share buybacks).

9. Market environment

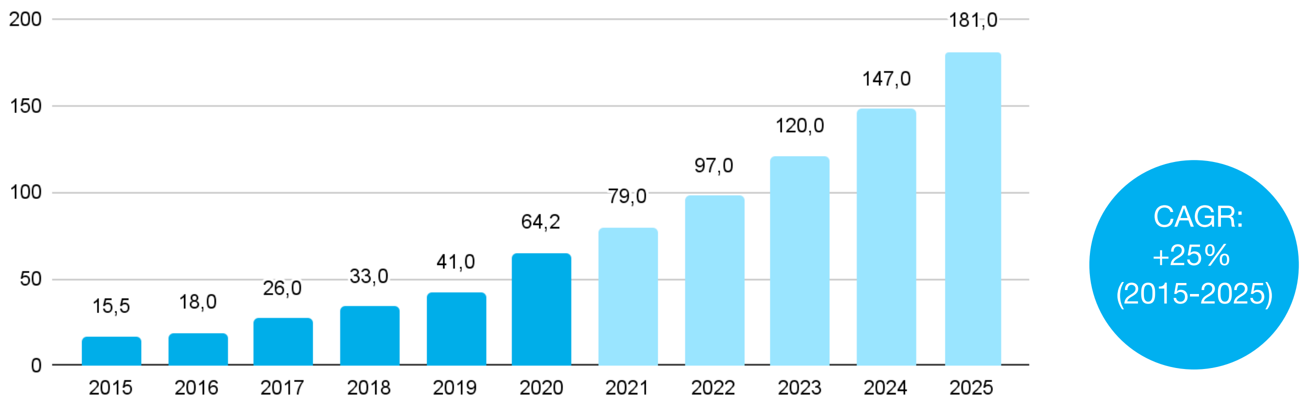
In the next few years, the amount of data generated will increase by nearly 100%. More than 4 billion people around the world have access to the Internet. The amount of time spent online is also growing, and marketers, thanks to data, are increasingly able to understand user behavior online.

As Cloud Technologies Group, we collect and provide data to execute effective online campaigns and to learn tools using AI algorithms. Digital information makes it possible to precisely reach consumers online and is the fuel driving the fast-growing market for programmatic advertising, which enables the automation of the purchase of space in digital media.

9.1 Macroeconomic environment

Growing global data volume

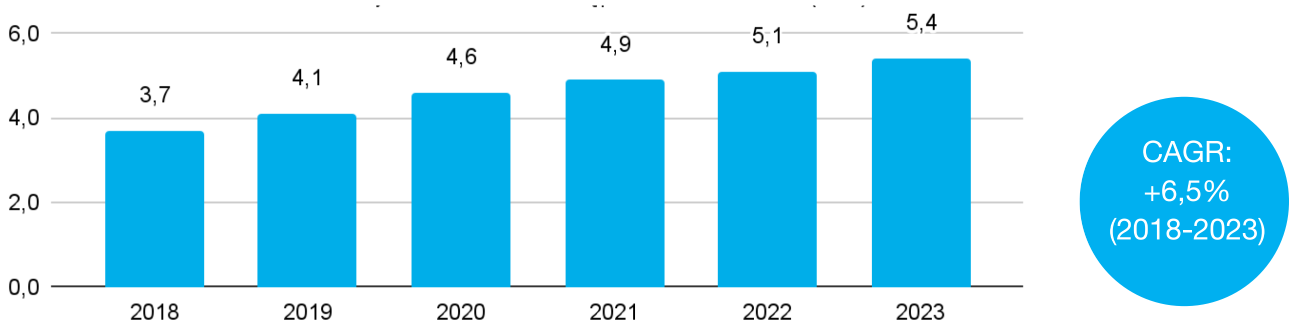
Global data volume, 2015-2025 (zettabytes)



Source: Statista.com; light blue: forecast

Increase in the number of Internet users

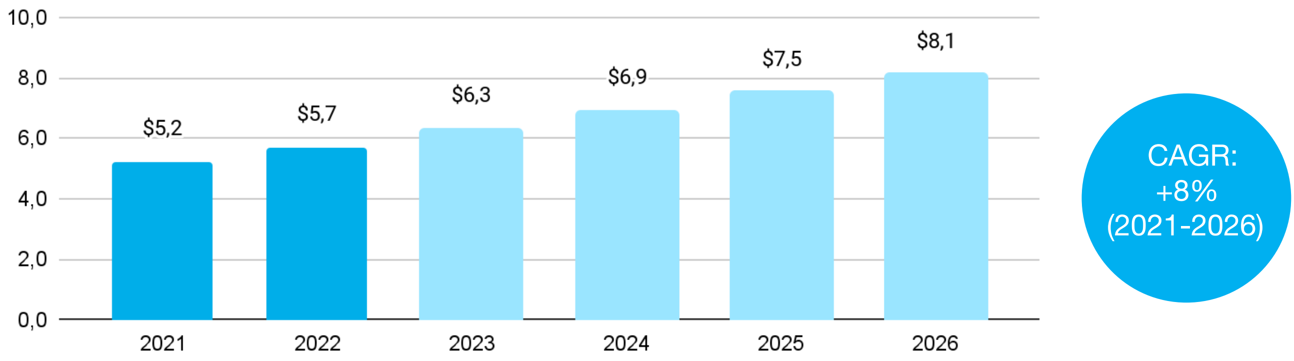
Global number of users with internet access (billion)



Source: International Telecommunication Union

Development of the e-commerce market

Global e-commerce spending, 2021-2026 ($ trillion)

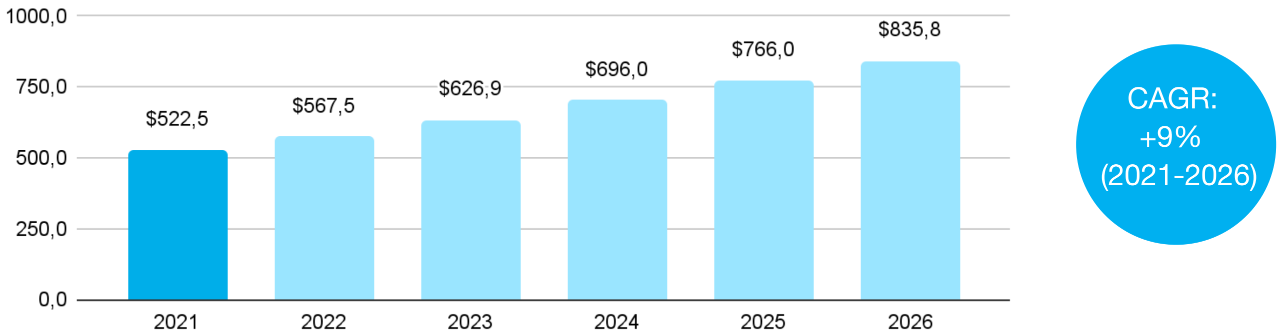


Source: eMarketer; light blue: forecast

9.2 Online advertising market

Growth in global online advertising spending

Global online advertising spending, 2021-2026 ($ billion)

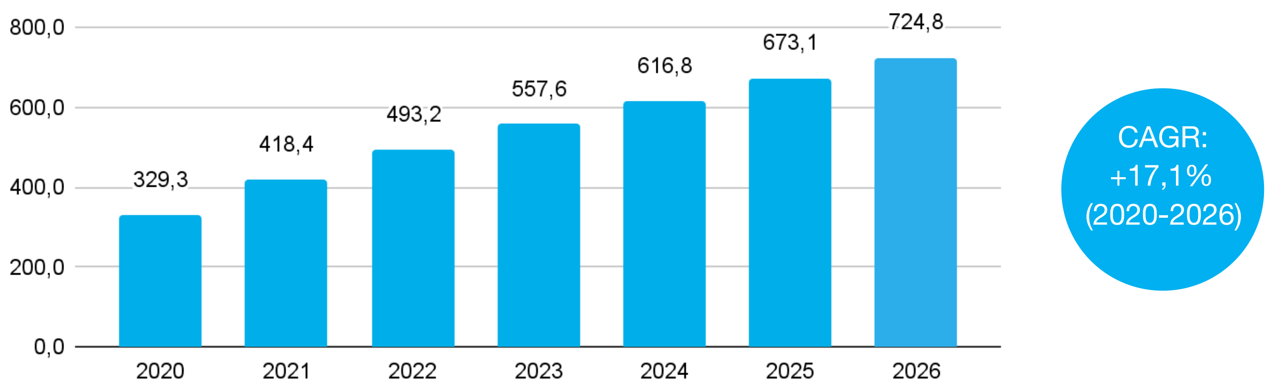


Source: eMarketer; light blue: forecast

9.3 Programmatic advertising market

The online advertising model that uses data on Internet user behavior to target ads is Programmatic Buying. It is for this advertising model that the Company provides data. The largest programmatic markets (including the US, Europe) are also the largest data markets.

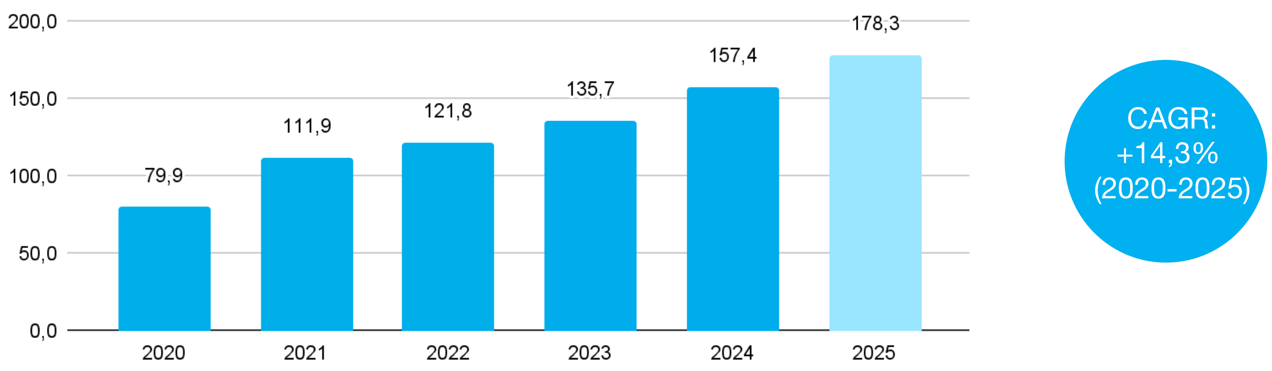
Global programmatic ad spending, 2020-2026 ($ billion)



Source: Zenith

eMarketer estimates that in the U.S., the world's largest advertising market, by 2023, more than 90% of online display ad spending will already be carried out through the Programmatic Buying model. Increasing investment in this advertising model means increasing demand for data on Internet user behavior.

U.S. programmatic ad spending, 2020-2025 ($ billion)



Source: EMARKETER; light blue: forecast

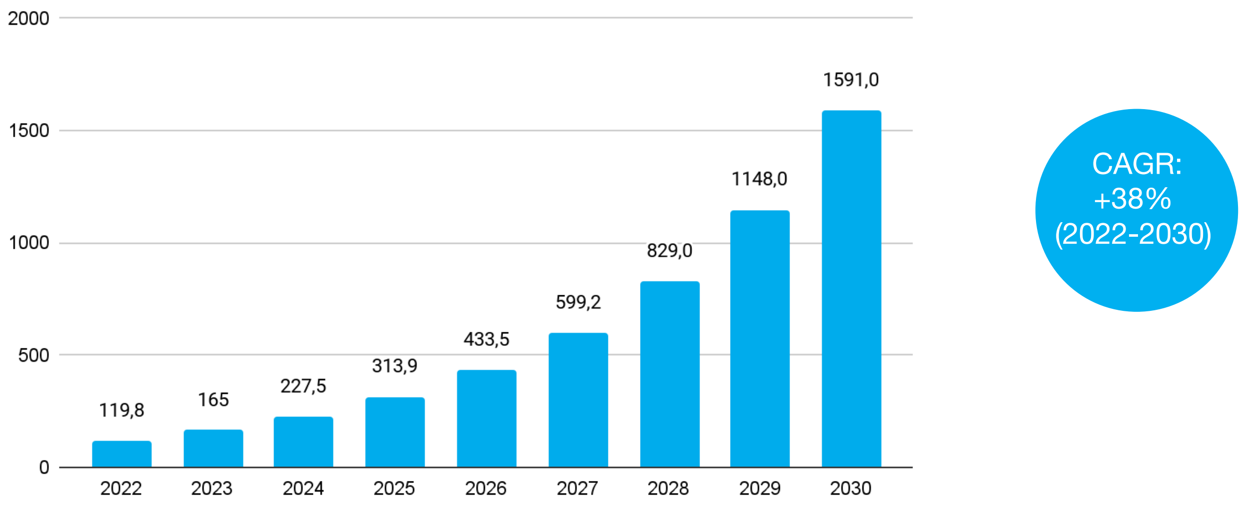
9.4 Artificial Intelligence (AI) market development

The value of the global AI market

Cloud Technologies resources are valuable fuel for tools using artificial intelligence algorithms, which need high-quality, structured data to learn. According to an MIT Tech Review report, nearly half of enterprises plan to increase spending on data processing infrastructure and AI tools by +25% in 2024.

According to forecasts, the global AI market is expected to grow rapidly in the coming years, with its value exceeding $1.5 trillion by 2030.

Global AI market, 2022-2030 ($ billion)



Source: Artificial Intelligence Market, www.precedenceresearch.com

10. The Capital Group

Cloud Technologies Group

Company	Headquarters	Share of Cloud Technologies (%)
OnAudience	London	100%
OnProspects	London	100%
The Linea1 MKT	Córdoba	100%
Online Advertising Network	Warsaw	100%

Cloud Technologies Group entities are consolidated using the full method, and the Group structure did not change during the period covered by this report.

According to a current report dated 25/09/2023. September 2023, the Board of Cloud Technologies S.A. entered into an agreement to sell 100% of the shares of its subsidiary Audience Network sp. z o.o.

11. Summary of significant achievements in 2023 and up to the publication date

Purchase of DSP platform

On February 22, 2023, OnAudience Ltd, a Cloud Technologies Group entity, signed an agreement to acquire all rights, including industrial property rights and copyrights, to the source code of the DSP platform for €3.7 million. The price is within the range of an external valuation prepared by a professional and independent consultant. The DSP platform is used to automatically purchase advertising space and enable data monetization. Previously, the Group used a license for an external DSP platform, without the right to source codes and the ability to develop the technology in-house and sublicense it further. The purchase of the DSP platform will increase independence in the Group's operation in the online advertising market, and better integration with the DMP platform will contribute to more efficient data monetization.

Share repurchase - March 2023

On March 6, 2023, the parent company announced the launch of a share buyback in the form of a share tender offer. The buyback was conducted in order to implement an incentive program aimed at key executives of the Cloud Technologies Group. The period during which shareholders could submit offers to sell their shares was March 7-13, 2023. As part of the buyback, sale offers were made for a total of 543,862 shares. The total number of shares offered for purchase exceeded the number of shares the Parent Company intended to purchase under the buyback (that is, 205,069 shares). In view of the above, the Parent Company, in accordance with the principles outlined in the invitation, made a proportional reduction in the offers for the sale of shares. The average reduction rate of the submitted bids was 62.29%. Shares were purchased at a price of PLN 48 each. The total price of the acquired shares was PLN 9,843,312. The acquired shares represent 4.1% of the parent company's share capital. Combined with the shares acquired in 2022, the Parent Company holds all 250,000 shares needed for the incentive program.

Adoption of the 2023-2025 strategy

On May 15, 2023, the parent company's Board announced the strategy for 2023-2025 (the "Strategy"). The Strategy is a continuation of the plans implemented in 2021 - 2023. The following goals were adopted to further the Group's dynamic growth:

Business Perspective:

- Development of data monetization, primarily organically, based on new and existing distribution channels,

- Expansion of the data set, to increase revenues from current application areas,

- Additional data exploitation fields, to better utilize existing resources.

Financial Perspective:

- acquisitions and investments to provide the basis for dynamic growth,

- research and development, to maintain sources of competitive advantage,

- share repurchases, to implement a future incentive program.

A corporate perspective:

- Incentive program, in order to retain the best professionals in the market,

- Dividend policy, in order to increase shareholder appeal.

Profit distribution for 2022

On May 15, 2023, the parent company's Management Board adopted a resolution to recommend to the Ordinary General Meeting of Shareholders to allocate the net profit earned for 2022 in the amount of PLN 8.3 million in part to the payment of dividends and in part to increase the supplementary capital, as follows: - in the amount of PLN 4.6 million for the payment of dividends to shareholders (in the amount of PLN 1.00 per share), - in the amount of PLN 3.7 million for increasing the reserve capital. On May 15, 2023, the Supervisory Board gave a positive opinion on the above recommendation of the Management Board. The Ordinary General Meeting of Shareholders resolved the proposed distribution of profit on June 12, 2023. The dividend was paid on June 30, 2023.

Joining the Analytic Coverage Support Program 4.0

On July 3, 2023, the Analytical Coverage Support Program (PWPA in Polish) 4.0 for 2023-2025 was launched. The program involves the preparation of analytical reports by investment firms funded by the WSE and aims to increase the availability of analysis for less liquid companies and enable investors to make more informed investment decisions. Cloud Technologies was submitted to the PWPA by Dom Maklerski Banku Ochrony Środowiska S.A., and the first analytical report on the Company was published on September 11, 2023.

Sale of 100% stake in subsidiary Audience Network

On September 25, 2023, the Parent Company entered into an agreement to sell 100% of the shares in its subsidiary Audience Network ("AN") to two current members of AN's management (the "Buyers"). The transaction is a 'management buy-out' (the "Transaction"). The ownership of the shares was transferred on September 30, 2023. The value of the Transaction is PLN 2.5 million (the "Price") and is within the range of an external valuation prepared by an independent and professional advisor. Payment of the Price is to be made by December 31, 2026, with the Parent Company starting to accrue interest at WIBOR 3M + 2 bps on the unpaid value of the Price starting April 1, 2024. The buyers have provided collateral with a total value of PLN 3 million. The purpose of the Transaction is to simplify the Group's business model and focus operations on the most promising data monetization segment. AN's results have so far been reported under the 'other operations' segment. AN's operations account for approximately 20% of the Group's revenues and have no significant impact on the Group's EBITDA. The financial effect of recognizing the Transaction in question, calculated as the difference between the sale price and AN's net assets as of September 30, 2023, is presented within financial expenses in Note 10. The fourth quarter period of 2023 will be the first quarter in which the Group's results will not include AN's financial data.

Creation of a next generation DMP platform

In the period from April 2022 to the end of September 2023, the parent company carried out work to produce and update the currently used generation of the DMP platform, which was completed in September 2023. Thanks to the completed development work, the technology used by the Group for the data collection, analysis and monetization process has been supplemented with support for additional identifiers (not based on 3rd party cookies). The frequency of sending data packets to customers has also been increased, and further integrations with partners have been completed. As a result of the completion of the development work, a separate asset will be recognized in September 2023, which will then be depreciated over a period equal to the expected useful life of the asset of 4 years. At the same time, starting in October 2023, the Group will begin further research and development work to improve the technology used by the Group.

Launch of Cloud Technologies Data Seed Program

In October 2023, as part of the implementation of the Group's strategy for 2023-2025, the parent company launched an investment program aimed at early-stage, broad-based data analytics and application entities, technology foundations and project teams - Cloud Technologies Data Seed. Under the program, the Company will help partners develop their business potential by providing its proprietary DMP technology, data, and funding. The Data Seed program includes entities already engaged in data analytics, as well as those who are yet to come up with an idea for using data in business. The Company intends to recruit for the program continuously until the end of 2025. Financing of the project accepted by the parent company will be determined on an individual basis, while it should not exceed PLN 2 million per venture.

Holding of the Annual General Meeting

In June 2023, a meeting of the Annual General Meeting of Shareholders took place, which included resolutions on: - appropriation of profit for 2022 as recommended by the Company's Board of Directors; - adoption of a remuneration policy; - authorization of the Company's Board to purchase up to 250 thousand shares, for a total amount not exceeding PLN 15 million; - adoption of an incentive program for executives for 2023-2025, consisting of granting participants a conditional right to purchase up to 250 thousand shares in total shares under the condition of achieving a KPI of 110 million cumulative EBITDA for 2023-2025 (not including program implementation costs), at PLN 60 apiece, with a possible discount at a maximum value of 20% if the KPI is exceeded by 20%. In case of achieving a KPI of less than 80%, shares will not be granted.

Share repurchase - December 2023

On December 11, 2023, the parent company announced the launch of a share buyback in the form of a share tender offer. The buyback was conducted in order to implement an incentive program aimed at key executives of the Cloud Technologies Group. The period during which shareholders could submit offers to sell their shares was December 12-18, 2023. As part of the buyback, sale offers were made for a total of 1,573,662 shares. The total number of shares offered for purchase exceeded the number of shares the Parent Company intended to purchase under the buyback (that is, 125,000 shares). In view of the above, the Parent Company, in accordance with the principles outlined in the invitation, made a proportional reduction of offers for the sale of shares. The average reduction rate of the submitted bids was 92.04%. Shares were purchased at a price of PLN 80 each. The total price of the acquired shares was PLN 10,000,000. The acquired shares represent a 2.5% stake in the parent company's share capital.

12. Discussion of financial results achieved in 2023

Cloud Technologies Group

Beginning in 2021, the Group operated on the basis of the Group's strategy adopted for the period 2021 - 2023, which assumed a focus on the data monetization segment and a gradual reduction of other business. During 2023, the Group adopted a new development strategy for 2023 - 2025, assuming further focus on the development of data monetization and reduction of other activities. As a result, the Group's sales and customer structure has undergone a fundamental change, which should be kept in mind when analyzing revenue figures.

Consolidated statement of profit or loss

	31.12.2023	31.12.2022
Revenue	**54,7**	**50,4**
Operating expenses	43,7	39,4
Result on sales	**11,0**	**11,0**
Other operating income and expenses	2,2	2,2
Operating profit	**13,2**	**13,2**
EBITDA*	**27,6**	**22,1**
Financial income and expenses	(3,1)	2,6
Gross result	10,1	15,8
Income tax	1,3	3,0
Net result*	**11,1**	**12,8**

*adjusted for the cost of the incentive program

In 2023, the Group's consolidated revenues from service sales amounted to PLN 54.7, million, compared to PLN 50.4 million in 2022. Thus, compared to last year, the Group recorded an increase in total sales of 9%, with Group data monetization increasing by 16% (the growth rate in the base currency, i.e. USD, was 24%), and revenue from other activities declined by 15%.

The biggest impact on the Group's bottom line is the growth rate of data monetization - a key strategic direction for the Group's further development. This dynamics, despite the growth of the reference base, remains at a two-figure level. Sales to this group of customers are characterized by the highest margins, and therefore their growth is directly reflected in increased profitability. The data monetization segment already accounts for more than 80% of the Group's total sales, and the share of this revenue category in total sales is growing. Due to the sale of the stake in Audience Network in September 2023 - which accounted for most of the revenue of the other business segment - a further decline in revenue from other business is expected.

The level of annual data monetization revenues of nearly PLN 45 million in 2023 is the best annual sales result from this business area in the Group's history.

Operating expenses increased by 11% in 2023, primarily due to rising depreciation and amortization (PLN 12.0 million versus PLN 8.9 million in 2022), as well as the recognized cost of the incentive program (PLN 2.3 million in 2023 versus PLN 1.3 million in 2022).

As a result, adjusted EBITDA amounted to PLN 27.6 million in 2023, an increase of more than 18% compared to 2022.

The item of financial income and expenses consists primarily of interest and foreign exchange differences. Due to the small value of the Group's interest-bearing debt, the most significant item in this category is foreign exchange differences. The Group incurs expenses mainly in PLN (and to a lesser extent in USD), while the vast majority of income is realized in foreign currencies, including primarily USD (to a lesser extent EUR). In the event of a weakening of the EUR or USD against the PLN, changes in exchange rates may result in the Group recognizing significant foreign exchange differences. In 2022, the Group recorded PLN 2.5 million in excess of positive exchange rate differences over negative exchange rate differences, while in 2023, due to the ongoing strengthening of the PLN currency against primarily the USD and EUR, the Group reported PLN 3.0 million in negative exchange rate differences. In total, net income decreased by PLN 1.7 million in 2023 compared to 2022.

Results of the Group's operating segments

2023	Data monetization	Other	Exclusions	Total
Revenue	73,1	12,5	(30,9)	54,7
Operating expenses	43,4	16,8	(30,8)	29,3
EBITDA	29,7	(4,2)	(0,1)	25,4

2022	Data monetization	Other	Exclusions	Total
Revenue	63,1	15,6	(28,3)	50,4
Operating expenses	38,0	20,8	(28,3)	30,5
EBITDA	25,1	(5,2)	(0,03)	19,9

On a segmental basis, the Group's result shows the effect of a consistently implemented strategy focused on the development of the highest-margin segment, i.e. data monetization. The segments' consolidated EBITDA result in 2023 - a profit of PLN 25.4 million - was 21% higher compared to 2022 (profit of PLN 19.9 million). Most of the increase in profitability was recorded in the data monetization segment, which generated PLN 29.7 million in EBITDA (vs. PLN 25.1 million in 2021). The Other Operations segment recorded an EBITDA result of PLN 1.0 million better than in 2022, primarily due to the declining scale of operations presented in this segment.

Consolidated statement of financial position

	31.12.2023	31.12.2022
Fixed Assets:	63,2	57,8
(a) Intangible assets	44,1	38,9
(b) Other	19,2	19,0
Current assets:	29,9	64,4
(a) Accounts receivable	13,4	18,5
(b) Cash and equivalents	10,9	42,6
(c) Other	5,6	3,3
Total assets	93,1	122,2
Equity	76,7	91,2
Liabilities and provisions:	16,4	31,0
(a) Trade payables	1,3	5,6
(b) Interest-bearing debt	4,0	6,0
(c) Deferred income	9,4	17,6
(d) Other	1,7	1,8
Total liabilities	93,1	122,2

The Group's main assets include intangible assets, working capital and free cash. The Group's intangible assets include technology assets (including the DMP platform and DSP), as well as goodwill. The balance of intangible assets increased year-on-year by approximately PLN 5.2 million, which was the result of increases in the item due to the acquisition of source codes for the DSP platform, as well as decreases resulting primarily from the amortization of technology assets held and the effect of the sale of Audience Network. Other non-current assets include right-of-use assets (office space, technical infrastructure and means of transportation), property, plant and equipment, long-term data purchase agreements, loans granted and a deferred tax asset. The level of trade receivables decreased significantly from PLN 18.5 million at the end of 2022 to PLN 13.4 million at the end of 2023.

The Group's main liability items are equity (including acquired treasury stock) and liabilities (interest, lease and trade). Grants awarded, multi-year agreements for the sale of licenses to DMP technology and long-term data monetization agreements are also significant items of liabilities, presented as deferred income. The most significant change within the company's liabilities in 2023 was a decrease in the capital balance by approximately PLN 15.0 million, resulting primarily from share buybacks and a decrease in the balance of deferred income resulting from the sale of Audience Network.

Consolidated statement of cash flows

	31.12.2023	31.12.2022
I. Profit before tax	10,1	15,8
II. Total adjustments, including	8,8	11,2
III. Tax paid	(1,1)	(1,9)
IV. Net cash flow from operating activities	17,8	25,1
III. Net cash flows from investing activities	(22,9)	(7,3)
III. Net cash flows from financing activities	(26,5)	(3,8)
Net cash flow	(31,6)	14,0

As of the end of 2023, the Group has PLN 10.9 million in free cash. The Group's cash was maintained in current accounts and interest-bearing bank deposits. There are no restrictions on the disposal of cash by the Group.

The Group is successively generating positive operating cash flows (PLN 17.8 million in 2023 and PLN 21.1 million in 2022). In 2023, the main items of net cash flow from investing activities included expenditures for the acquisition of source codes for the DSP platform (PLN 17.2 million), funds transferred to third parties in the form of loans granted (PLN 2.4 million) and expenditures for development work (PLN 2.0 million). On the other hand, the value of net cash flow from financing activities was most influenced by expenditures for the acquisition of treasury shares (PLN 20.0 million) and the payment of dividends (PLN 4.6 million).

Given its low level of indebtedness, significant cash balance and financial surpluses generated from period to period, the Group does not identify risks regarding the management of financial resources, including in its ability to meet its obligations.

Cloud Technologies Company

Separate statement of profit or loss

	31.12.2023	31.12.2022
Revenue	25,2	25,5
Operating expenses	19,5	17,8
Result on sales	5,7	7,7
Other operating income and expenses	1,2	1,3
Operating profit	6,9	9,0
EBITDA	13,4	14,6
Financial income and expenses	3,5	1,3
Gross result	10,4	10,3
Income tax	0,8	2,0
Net result	11,9	9,6

Overall, the Company's service sales revenue decreased by 1% in 2021 compared to 2022. More than 90% of the Company's revenue is generated from data monetization. This group primarily includes revenue generated from sales to the OnAudience subsidiary (on account of, among other things, commissions on data sold). The second component of revenue growth in this category is the settlement in sales of multi-year DMP license agreements.

The level of the Company's operating expenses increased by PLN 1.7 million compared to 2021. This change is due to, among other things, the approval of an incentive program for the Company's executives. The total cost of the Company's implementation of the program was estimated at PLN 3.6 million, of which PLN 1.3 million was recognized in 2022, while the remaining PLN 2.3 million will be recognized in 2023.

The relatively constant level of revenues and the increase in the level of costs translated into a year-on-year decrease in the sales result (PLN -2.0 million) and a decrease in the level of EBITDA (-1.2 million).

The item of financial income and expenses consists primarily of interest and foreign exchange differences. Financial income from interest relates to interest on loans granted. Most of the loans granted, are intra-group loans granted by the Company to its subsidiaries. In 2023, the Company additionally recognized PLN 2.2 million in financial income due to the transaction of selling shares in Audience Network, as a result of which the Company's standalone profit in 2023 amounted to PLN 11.9 million (compared to PLN 9.6 million in 2022).

Separate statement of financial position

	31.12.2023	31.12.2022
Fixed Assets:	32,8	50,3
(a) Intangible assets	12,9	13,2
(b) Other	19,9	37,1
Current assets:	48,8	52,4
(a) Accounts receivable	40,5	41,2
(b) Cash and equivalents	2,4	10,0
(c) Other	5,8	1,2
Total assets	81,7	102,7
Equity	66,9	79,6
Liabilities and provisions:	14,7	23,1
(a) Trade payables	1,0	2,9
(b) Interest-bearing debt	3,8	4,7
(c) Deferred income	9,4	14,2
(d) Other	0,6	1,3
Total liabilities	81,7	102,7

The Company's major assets include intangible assets, loans granted, investments in subsidiaries, and working capital and free cash. The Company's most significant intangible asset is the DMP platform. The change in the Company's other non-current assets is primarily due to an increase in the balance of investments as a result of the acquisition of shares in TL1. The balance of short-term receivables mainly includes balances of settlements with related parties. The increase in this item is due to an increase in the level of turnover.

Approximately 80% of the Company's liability balance in both years consists of equity (including acquired treasury shares). During 2023, the equity balance decreased by PLN 12.7 million, primarily as a result of a tranche of share repurchases. The Company's liabilities decreased by more than PLN 8 million year-on-year, primarily due to a decrease in the deferred income item.

Separate statement of cash flows

	31.12.2023	31.12.2022
I. Profit before tax	10,4	10,3
II. Total adjustments, including	(2,4)	(5,6)
III. Tax paid	(1,0)	(0,5)
IV. Net cash flow from operating activities	7,0	4,2
III. Net cash flows from investing activities	11,9	4,4
III. Net cash flows from financing activities	(26,5)	(3,1)
Net cash flow	(7,6)	5,4

As of the end of 2023, the Company has PLN 2.4 million in free cash, a decrease of PLN 7.6 million compared to the end of 2022. The Company's cash was maintained in current accounts and interest-bearing bank deposits. There are no restrictions on the Company's disposal of cash.

In 2023, the Company generated a positive balance from operating activities (PLN 7.0 million) and investing activities (PLN 11.9 million), and a negative balance of cash flows from financing activities (PLN 26.5 million). The main items of net cash flow from investing activities included expenditures for development work (PLN 2.0 million) and funds received from repayment of intercompany loans (PLN 15 million). Net cash flows from financing activities were most significantly affected by expenditures for the acquisition of treasury shares (PLN 20.0 million) and the payment of dividends (PLN 4.6 million).

Given its low level of indebtedness, significant cash balance and financial surpluses generated from period to period, the Company does not identify risks regarding the management of financial resources, including in its ability to meet its obligations.

Projected financial position of the Group and the Company

In accordance with the adopted strategy for 2023-2025, the Group is focusing on business development in the high-margin segment of Data monetization, which has significant growth potential. The Group plans to continue the implementation of its investment plan, in accordance with the provisions of the strategy, including activities in the field of further development of technology, tasks in the R&D area are being carried out, as well as further acquisition projects are being considered. As of the date of publication of this report, the Group's Management Board sees no threat to the continuity of the Group's and the Company's operations.

13. Analysis of key risk factors

13.1 Risk factors directly related to the Company's operations

Risks associated with the failure of information systems

The Group operates in the IT market, and as a result, its day-to-day operations are heavily influenced by IT systems, particularly those such as the Data Management Platform (DMP) and servers that the Company leases. As a result, the Company identifies the risk of a number of events and circumstances, particularly those beyond the Company's control, resulting in failures, disruptions, damage or other circumstances that could limit or prevent access to the technological infrastructure that is necessary for the Group to provide its services electronically, and result in a complete halt to data monetization during the period of failure.

The Company points out that the Group uses technological infrastructure with a level of reliability adequate to the expectations of contractors and the requirements of the legislature - in particular, the Data Management Platform (DMP) information system, but the Company is unable to foresee the possibility of circumstances caused by force majeure that may contribute to interruptions in access to products and services provided by the Group.

In addition, the risk that the work of the Company's servers, which the Company leases, may be halted cannot also be excluded. The work of the servers may be halted, among other things, if the Company defaults in payments to lessors, or for other reasons caused by force majeure, which the Company cannot foresee.

In addition, the occurrence of failures or disruptions in the Company's operations, resulting in the discontinuation of services or the provision of services at an inferior quality, may lead to a loss of confidence in the Company, which may adversely affect its image. At the same time, any manifestation of disruption of the good image of entities in the IT industry in which the Company operates could easily spread within the network. A loss of trust may result in a decline in market position, and in the future, the Company may need to spend more on promotion in order to repair its reputation among contractors and minimize the chances of such events occurring in the future.

In the Company's operations to date, there have been instances of insignificant failures of IT systems, both on the part of the Company and its contractors, but these have been repaired on an ongoing basis and have not resulted in the unsuitability of IT systems for operation, so such instances have not affected the Company's operations or its financial performance.

Competition risks

The services provided by the Company are intended primarily for entities in the Internet marketing industry, the development and operation of which is largely determined by the world's giants in this field - companies of the GAFAM group, which include entities such as Google, Apple, Facebook, Amazon and Microsoft. The indicated entities have a strong market position and brand recognition, as well as incomparably larger budgets than the Company.

Currently, GAFAM group companies are not in the business of processing and analyzing Internet user behavior data for resale and, as such, are not competitors to the Company. Nonetheless, given the scale of their operations, available resources and strong market positions, the possible commencement of operations by these entities in areas identical to the Company's business will result in a significant increase in competition for the Company.

In addition, due to their resources and reach, GAFAM group entities may potentially have the ability to make technological changes that allow them to negatively affect the effectiveness of the technologies developed and used by the Company, which could also have an impact on the Company's financial position, development prospects, performance or market price of the Company's shares.

The risk in question has not materialized in the Company's operations to date, so it has not affected the Company's operations or its financial performance.

Risks related to privacy regulations

The Company's core business is related to the acquisition, analysis and processing of data on Internet user behavior. In selected jurisdictions, the data processed by the Company constitutes personal data. The Company operates in a number of markets and is exposed to risks associated with privacy regulations in the countries in which its operations are conducted.

The Company is subject to the obligations under GDPR. This regulation replaces the national laws of individual European Union countries. The regulation increases the obligations of personal data controllers and grants a number of new rights to those whose data is processed. In connection with GDPR, businesses are required to adjust internal procedures accordingly (such as verifying internal processes for information security, implementing appropriate IT infrastructure, or creating an appropriate position of personal data controller). Violations of the GDPR are subject to administrative fines reaching up to €20 million or up to 4% of annual turnover (the higher amount applies). The rights of those harmed by a violation of the GDPR have also been strengthened.

The company has implemented procedures to properly and legally process the data it collects and to ensure the highest protection against hacking.

The safeguards used by the Company are multi-level and redundant in nature, so as to increase the reliability of the various components of the system. The Company does its due diligence to ensure that internal data protection solutions comply with legal regulations. It should be borne in mind that these activities may involve additional costs incurred by the Company to adjust internal procedures or in connection with potential litigation, penalties incurred or compensation paid.

As part of its existing operations, the Company has already had to adapt to the implementation of solutions to ensure that the Company's operations comply with implemented regulations affecting its core product (e.g. GDPR, CCPA [CPRA]). The implemented solutions have not materially affected the Company's financial performance in terms of data monetization.

Risk of losing key data sources

The company collects data on Internet user activity from desktop and mobile devices, among others.

The Company obtains its own data, data from partners and data from other suppliers. The Company collects raw data, which is then subjected to multi-stage analysis using statistical methods and machine learning.

The Company identifies the risk of losing key data sources from which the Group obtains data on Internet users. The loss of one or more such sources may temporarily disrupt their subsequent processing and sales and materially affect the Company's growth prospects and financial position. Therefore, the loss of one or more key data sources may adversely affect the Company's financial position, development prospects, performance or market price of the Company's shares.

There have been instances of loss of data sources in the Company's past operations, but these were not key data sources. Moreover, due to the Company's diversification of data sources and ongoing replacement of lost data sources with others, such incidents did not affect the Company's operations and financial results.

Risk of losing key data distributors

As part of the Company's business model, data monetization are carried out indirectly, i.e. they are mainly directed to foreign distributors - entities engaged in the purchase or resale of high-quality data on Internet user behavior. The Group distributes data by working with international partners, including in the US and European markets, through which marketers around the world can purchase data. To this end, it establishes new and develops existing relationships with data distributors.

The Company identifies the risk of losing key data distributors through which the Group sells data on Internet users. The loss of one or more such distributors could temporarily disrupt the distribution process and significantly affect the Company's growth prospects and financial position.

In addition, the loss of a key distributor may hinder access to the market in which such distributor operated. Therefore, the loss of one or more key data distributors may adversely affect the Company's financial position, growth prospects, performance or market price of the Company's shares.

There have been instances of loss of data distributors in the Company's past operations, and these were not key data distributors. In addition, due to the Company's diversification of data distributors and ongoing replacement of lost data distributors with others, such cases did not affect the Company's operations and financial results.

Risk of changing the model of online advertising operation

One of the Group's business segments is the sale of data about Internet users, which is then used in online advertising. This area is one of the Group's primary sources of revenue. Marketers around the world, using the purchased data, are able to better understand consumer behavior on the Web.

The Group is exposed to the risk of changes in consumers' Internet usage preferences through, among other things, the purchase of paid subscriptions, which involve the absence of their consent to the processing of their data and the exclusion of advertising, leading to a reduction in the amount of processed data about Internet users, as well as a reduction in the possibility of obtaining such data. Despite the fact that currently in the market space there is no trend of consumers favoring paid services (devoid of advertising or excluding the option for Internet users to share their data), the Company cannot exclude its reversal. In such a case, demand for the Group's services may decline and there may be a need for the Group to commit additional resources or incur additional expenses to adjust its operations, as well as to modify or expand the Group's offerings. As a consequence of a decline in demand for the Group's services, the Group's revenue growth may be impeded and its business model may need to be adjusted.

The risk in question has not materialized in the Company's operations to date, so it has not affected the Company's operations or its financial performance.

Risks associated with the consolidation of the Internet advertising market

For several years, the Company has been observing a gradual process of consolidation of players in the Internet advertising industry, which affects the quality of the offer of global players and reduces the level of fragmentation of the producer market. Combining the structures of multinationals may change the commercial policy of the Company's counterparties and increase competition in local markets due to the combination of partner channels. At the same time, consolidation processes lead to the strengthening of the market position of the largest players, which limits the possibility of development of small and medium-sized enterprises in the market.

The country's strongest companies are seeking to acquire weaker companies, especially SMEs serving niche segments of the online advertising market. This allows the largest players to expand their competencies or gain access to new audiences. Increased competition in the Internet advertising market may lead to a decrease in the Company's profitability, among other factors, due to shrinking margins in the market. The above may have a negative impact on the financial results generated by the Company.

Although the process of consolidation of entities in the Internet advertising industry is occurring, it has not affected the Company's operations and its financial performance to date.

Risks associated with the closure of advertising systems

The most important component of the Company's costs is the purchase of advertising space. A significant portion of these costs of the Company comes from cooperation with key contractors (suppliers), among which should be indicated Google and Adform, among others. The Company provides its services through digital distribution platforms operated by the indicated contractors. A possible change in the counterparties' policies regarding verification and criteria for distributed services will require the Group to adjust existing or future products, which may be difficult to achieve in the short term and generate additional high costs. In addition, there is a risk that distribution may be curtailed following the counterparty's exercise of rights reserved to it in its contracts with the Group or under its internal regulations. There is also the risk of termination by the counterparty.

Although the process of shutting down advertising systems is occurring, it has not affected the Company's operations or its financial performance in the Company's operations to date.

13.2 Risk factors related to the market environment in which the Company operates

Risks associated with the volatility of the online advertising market

The Group's business is related to the promising and dynamic Internet advertising market.

This is a result, among other things, of the constant revision of existing solutions in the advertising industry and the increasing focus of recipients of advertising services on Internet advertising. Spending on Internet advertising is growing steadily, both in Poland and around the world. This causes the industry to attract new players, while motivating existing market players to modify their operations in order to maintain a competitive edge. The advertising market is therefore in constant development and subject to high volatility. Such a situation involves the risk of unexpected changes in the business models of the Company's counterparties, which may have a significant impact on the way their customers use the products and services offered.

The risk in question has not materialized in the Company's operations to date, so it has not affected the Company's operations and financial performance.

Risks related to the stability of the economic and administrative environment

According to the Company, the Group is one of the largest players in the global data market in terms of the number of user profiles processed. Demand for the Group's products and services is closely related to the overall economic situation and the rate of economic growth of the countries in whose markets the Group operates. The company processes about 100 billion user profiles using desktop computers and mobile devices. The data comes from more than 200 countries and territories around the world, with the EU and U.S. markets being key to the business.

Unfavorable changes in the macroeconomic environment in the Company's key markets, primarily the EU and the US, in particular, a slowdown in economic growth, a reduction in capital expenditures, as well as a higher level of taxes or an increase in interest rates, may adversely affect the level of investments and production volumes in the Company's product-consuming industries, and thus the Group's operations and financial results.

In addition, the Company also points to the risk of changes in the tax system. The Polish tax system is characterized by ambiguous provisions and a high frequency of changes.

Many times, there is no clear interpretation of them, which may cause a risk of different interpretation by the Company and the tax authorities. If such a situation arises, the tax authority may impose a financial penalty on the Company, which may have a significant negative impact on its financial results. In addition, the tax authorities have the ability to verify the correctness of tax declarations determining the amount of tax liability within a five-year period from the end of the year in which the tax payment deadline passed. In the event that the tax authorities adopt an interpretation of tax regulations that differs from the interpretation on which the Company calculates its tax liability, this situation may have a significant negative impact on the Company's financial position. The tax risk may arise from changes in tax rates that are significant from the Company's point of view, but the probability of spikes can be assessed as low.

The risk in question has not materialized in the Company's operations to date, and therefore has had no impact on the Company's operations and financial performance.

Global business risk

The Group operates in many markets, focusing on markets with high growth potential. The Group is exposed to this risk due to the fact that it generates most of its revenue through foreign operations. A threat, therefore, is the frequent changes in legal regulations in the countries where the business is conducted. This applies in particular to tax and data protection regulations. Any change in regulations could potentially result in a decrease in the Group's revenues, an increase in the cost of operations, as well as cause difficulties in keeping up to date with legislative changes and assessing the impact of future events or decisions. In addition, laws and regulations may be interpreted differently by the Company and various government authorities. In addition, if there is a short period between the publication of a legal act and its entry into force, difficulties may arise in quickly adapting the Group's operations to new legislative conditions and requirements. In view of the above-described difficulties, in particular, the lack of a real possibility to keep abreast of the legal changes introduced in all the countries in which the Group operates.

It will be difficult for the Group to adapt to the legislative and tax changes that have been made, and as a result, the Group may decide to withdraw from a particular market until the new requirements are complied with, which will affect its financial performance.

The risk in question has not materialized in the Company's operations to date, and therefore has had no impact on the Company's operations and financial performance.

13.3 Financial risks related to the Company's operations

The Group's identified financial risks and its management objectives and policies are described in the Cloud Technologies Group's Consolidated Financial Statements for 2023 in Note 29.

The financial risks identified by the Company, as well as the objectives and principles of their management, are described in the Financial Statements of Cloud Technologies S.A. for 2023 in Note 27.

14 Other information

14.1 Employment information

The Cloud Technologies Group has a stable workforce and relies on highly skilled professionals to enable the Group to grow and further globalize its operations in the international data market. The Group maintains its headcount at a similar level while steadily increasing revenues, enabled by its own efficient technology and scalable international operations.

In the employment structure of Cloud Technologies S.A., we distinguish teams responsible for technology development, sales, administration and management.

The company is focused on scaling the business while maintaining a stable and steady workforce.

Number of people employed (as of 31.12.2023)	
Cloud Technologies Group	48
Company	28

14.2 Information on the company's expenditures to support charitable institutions and social organizations

In 2023, Cloud Technologies made contributions totaling PLN 51,800 to support charitable institutions and social organizations.

14.3 Corporate Governance Statement

The Company applies the recommendations and principles of corporate governance contained in the document Good Practices of Companies Listed on the WSE 2021. Its content is available on the website at: https://www.gpw.pl/dobre-praktyki2021

Policies in effect from which the Company has deviated, along with an explanation of the reasons for the deviation:

(a) 1.3.1. environmental issues, including metrics and risks related to climate change and sustainability issues.

The Company has not developed and is not pursuing a strategy on environmental issues. Nevertheless, the Company applies principles related to climate change and sustainability issues in its policies.

(b) 1.3.2. social and labor issues, concerning, among other things, measures taken and planned to ensure gender equality, sound working conditions, respect for employees' rights, dialogue with local communities, customer relations.

The Company has not developed and is not pursuing a strategy on social and labor issues. Nevertheless, the Company applies the principles of equal treatment and non-discrimination in its policies.

(c) 1.4.1. explain how climate change issues are taken into account in the decision-making processes of the company and its group entities, indicating the resulting risks;

The Company has not developed and is not pursuing a strategy on environmental issues. Nevertheless, the Company applies principles related to climate change and sustainability issues in its policies.

(d) 1.4.2. present the value of the index of equal pay paid to its employees, calculated as the percentage difference between the average monthly salary (including bonuses, prizes and other allowances) of women and men for the last year, and present information on the measures taken to eliminate any inequality in this regard, together with a presentation of the risks associated with this and the time horizon in which it is planned to bring about equality.

The Company has not developed and is not pursuing a strategy on social and labor issues. Nevertheless, the Company applies the principles of equal treatment and non-discrimination in its policies.

(e) 2.1 The company shall have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy shall specify the objectives and criteria for diversity in such areas as gender, field of education, specialized knowledge, age and work experience, among others, and shall indicate when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of the company's bodies is that minority participation in a given body be no less than 30%.

The Company has not developed and does not implement a diversity policy with respect to the Company's authorities. When selecting candidates for Management Board and Supervisory Board members, the Company takes into account the candidates' respective qualifications, experience, competence and skills. Decisions regarding appointments to the Management Board or Supervisory Board are not dictated by gender. In addition, members of the Company's management and supervisory bodies are selected to ensure diversity in educational direction and experience, in order to ensure that the Company can benefit from their knowledge and experience in all areas of its business. Nevertheless, the Company applies the principles of equal treatment and non-discrimination in its personnel policies.

(f) 2.2 Those who make decisions on the election of members of the company's management or supervisory boards shall ensure the comprehensiveness of these bodies by electing to their composition persons who ensure diversity, enabling, among other things, the achievement of the target ratio of minimum minority participation set at no less than 30%, in accordance with the objectives set forth in the adopted diversity policy referred to in principle 2.1.

The Company has not developed and does not implement a diversity policy with respect to the Company's authorities. Nevertheless, the Company applies the principles of equal treatment and non-discrimination in its personnel policies.

(g) 3.2 The company shall separate in its structure the units responsible for the tasks of individual systems or functions, unless this is not justified by the size of the company or the nature of its activities.

Due to the nature and size of the Company's business, it is not reasonable to separate separate organizational units. The Company has implemented internal systems adequate to the size of the Company and its operations.

(h) 4.1 The company shall allow shareholders to participate in a general meeting by means of electronic communication (e-general meeting), if this is justified in view of the expectations of shareholders reported to the company, provided that the company is able to provide the technical infrastructure necessary for holding such a general meeting.

The Company does not provide for participation in general meetings by means of electronic communication. In the Company's opinion, the implementation of stationary general meetings ensures the protection of the rights of shareholders and investors, and the proper performance of information obligations related to general meetings provides shareholders with full access to information on general meetings. The abandonment of the principle indicated above is related to the avoidance of incurring additional costs.

(i) 4.3 The Company shall provide publicly available real-time transmission of the general meeting.

The Company does not provide a publicly available real-time broadcast of general meetings. In the Company's opinion, the proper performance of information obligations related to general meetings provides shareholders with full access to information on general meetings. The abandonment of the principle indicated above is related to the avoidance of incurring additional costs.

14.4 Management

The Parent Company's Management Board (hereinafter the "Management Board") shall consist of at least one Member, and the term of office of the Management Board shall be joint and shall last 4 (four) years, with the number of Members of the Management Board of a given term determined each time by the Supervisory Board. The President of the Management Board is appointed by the Supervisory Board, and the Members of the Management Board are appointed and dismissed by the Supervisory Board at the request of the President of the Management Board.

The terms of office of the Management Board Members shall expire no later than on the date of the General Meeting of Shareholders approving the financial statements for the last full financial year of the Management Board Members' functions.

The Management Board conducts the Company's affairs and represents the Company in all judicial and extrajudicial actions. All matters related to the management of the Company's affairs, not reserved by law or the Articles of Association for other bodies of the Company, are within the competence of the Management Board.

In the case of a one-person Management Board, the Company is represented by the President of the Management Board, while in the case of a multi-person Management Board, the following are authorized to submit declarations of intent on behalf of the Company and to represent the Company: (a) the President of the Management Board alone; (b) two Members of the Management Board acting jointly; (c) one Member of the Management Board acting jointly with a proxy.

Resolutions of the Board of Directors are adopted by an absolute majority of votes cast, and in the event of an equality of votes, the vote of the Chairman of the Board of Directors is decisive.

Pursuant to the Articles of Association, when entering into agreements between the Company and the Members of the Management Board, the Company is represented by the Supervisory Board. The Supervisory Board may authorize by resolution one or more members to perform such legal acts.

The detailed procedure of the Management Board is set forth in the Regulations of the Management Board adopted by the Supervisory Board on June 10, 2022.

As of the date of publication of this report, the Board of Directors consists of:

- Piotr Prajsnar - Chairman of the Board, CEO. Founder and major shareholder of Cloud Technologies.
- Piotr Soleniec - Board member, CFO. Associated with Cloud Technologies since 2017.

The term of office of the Board covering four full fiscal years is joint and expires on December 31, 2024, but the Board’s mandate will expire on the date of the General Meeting approving the financial statements for 2024. The composition of the Board did not change during 2023.

14.5 Supervisory Board

The Supervisory Board exercises constant supervision over the parent company's activities in all areas of its operations.

The Board consists of at least 5 (five) members, appointed and dismissed by the General Meeting, with the General Meeting determining the number of Supervisory Board members each time. The term of office of the Supervisory Board is joint and lasts 4 (four) years. The Supervisory Board elects from among its members a Chairman of the Supervisory Board, who will chair the meetings of the Supervisory Board and direct its work.

According to the Articles of Association, the competence of the Supervisory Board, in addition to the matters indicated in the CCC, includes, in particular, the following matters:

- Evaluation of the Management Board's proposals for distribution of profit or coverage of loss;
- Evaluation of the Management Board's report on the Company's activities and financial statements for the past fiscal year, in terms of their compliance with the books and documents, as well as with the facts;
- submitting an annual written report to the General Assembly on the evaluations referred to above;
- Appointment and dismissal of Board Members;
- Determining the principles of remuneration of Board Members;
- Suspending, for valid reasons, individual or all Members of the Management Board;
- Delegating members of the Supervisory Board to temporarily perform the activities of Board Members unable to perform their duties;
- Selection of an audit firm to audit the Company's annual financial statements;
- Approval of the Company's disposal of its shares;
- Approval of the Company's creation of new companies or acquisition of shares of other business entities by the Company;
- other matters entrusted to the competence of the Supervisory Board and mandatory provisions of law or resolutions of the General Meeting.

The Supervisory Board operates on the basis of applicable laws and the Articles of Association, which define its powers, and on the basis of the Supervisory Board's bylaws adopted by the Annual General Meeting on June 20, 2022, which define the detailed procedure of the Supervisory Board.

Meetings of the Supervisory Board are held as needed, but at least 3 (three) times a year. In 2023, the Supervisory Board held 4 meetings, and in 2024, up to and including the date of publication of this report, it held 1 meeting.

Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In case of an equal number of votes, the vote of the Chairman of the Supervisory Board shall be decisive.

As of the publication date of this report, the Supervisory Board consists of:

(a) Szymon Okon - Chairman of the Supervisory Board;
(b) Łukasz Krasnopolski - Member of the Supervisory Board;
(c) Kamil Bargiel - Member of the Supervisory Board;
(d) Bartosz Gonczarek - Member of the Supervisory Board;
(e) Marcin Brendota - Member of the Supervisory Board.

There were no changes in the composition of the Supervisory Board during 2023.

There are no other Committees within the Supervisory Board other than the Audit Committee.

14.6 Audit Committee

An Audit Committee consisting of 3 members was established in the Parent Company based on Resolution No. 2 of the Supervisory Board dated November 21, 2022 on the establishment of an Audit Committee in the Company.

During 2023, the Audit Committee held 3 meetings. During 2024 up to and including the date of publication of this report, the Audit Committee held 1 meeting.

The Audit Committee consists of 3 members. As of the date of publication of this report, the members of the Audit Committee are:

- Marcin Brendota - Chairman of the Audit Committee;
- Kamil Bargiel - Member of the Audit Committee;
- Łukasz Krasnopolski - Member of the Audit Committee.

According to the submitted statements, the members of the Audit Committee who meet the independence criteria indicated in Article 129(3) of the Act on Statutory Auditors and Good Practices of Companies Listed on the WSE are Marcin Brendota, Kamil Bargiel and Łukasz Krasnopolski.

According to the submitted statement, the member of the Audit Committee who meets the requirements for knowledge and skills in accounting or auditing as indicated in Article 129, paragraph 1 of the Act on Statutory Auditors is Marcin Brendota.

According to the declarations submitted, the members of the Audit Committee who meet the criteria indicated in Article 129 (5) of the Act on Statutory Auditors in terms of knowledge and skills regarding the Company's industry are Kamil Bargiel and Łukasz Krasnopolski.

The competencies of the Audit Committee primarily include the activities listed in Article 130 of the Act on Auditors and other activities indicated in the adopted regulations of the Audit Committee, including in particular: (a) cooperation with the audit firm and monitoring of auditing activities, (b) monitoring of the effectiveness of internal control systems, risk management, (c) monitoring of the financial reporting process.

In accordance with the Audit Committee's policy and procedure for the selection of the audit firm, the Supervisory Board follows the following guidelines for the audit firm when making its selection, and the Audit Committee follows the following guidelines for the audit firm when preparing its recommendation:

1) impartiality, independence and the highest quality of audit work performed;

2) knowledge of the industry and the specifics of the Group companies' operations, with particular emphasis on legal and tax aspects;

3) previous experience of the audit firm in auditing financial statements of companies listed on the regulated market of the Warsaw Stock Exchange;

4) The professional qualifications and experience of those directly involved in providing services;

5)The ability to ensure the provision of the required range of services, within the timeframes specified by the Company, including, in addition, any permitted non-audit services;

6) the level of the offered price for the services provided, while the audit firm's remuneration may not depend on any conditions, including in particular the outcome of the audit.

The Audit Committee also adopted a policy on the provision of additional services by the audit firm, an affiliate of the audit firm, or by a member of the audit firm's network of permitted non-audit services. Neither the auditor or audit firm auditing the Company's and the Group's financial statements, nor any member of the network to which the auditor or audit firm belongs, may provide directly or indirectly to the Company and the Group, any prohibited non-audit services referred to in Article 136, paragraph 2 of the Auditors' Law, during the following periods:

(a) during the period from the beginning of the period under review until the issuance of the audit report, and

(b) in the fiscal year immediately preceding the period referred to in paragraph (a) for the services listed in Article 5 item. 1 in the second paragraph of letter g) of the Regulation.

14.7 Principles of remuneration of the Management Board and Supervisory Board

Information on the compensation of the Management Board and Supervisory Board is included in the Group's consolidated financial statements in Note 32.

The remuneration of the Management Board is determined with the approval of the Supervisory Board.

The remuneration of the Supervisory Board is determined by the General Meeting in the form of a resolution.

The Company has no pension or similar benefit obligations to its management or supervisory bodies.

Agreements between the Company and management or supervisory personnel do not provide for compensation in the event of their resignation, dismissal or removal.

At the next General Meeting following the publication of this report, it is planned to adopt a resolution on the adoption and introduction of a formalized remuneration policy covering, in particular, rules for the payment of remuneration to members of the Management Board and members of the Supervisory Board.

14.8 General Meeting

Pursuant to Article 399 § 1 of the Companies Act, a general meeting is convened by the board of directors, with an annual general meeting to be held within 6 (six) months after the end of each fiscal year. However, the board of directors is authorized to convene an ordinary general meeting if the board of directors fails to do so in a timely manner, and an extraordinary general meeting if it deems it advisable. In addition, it is mandatory for the board of directors to convene a general meeting if the balance sheet prepared by the board of directors shows a loss in excess of the sum of supplementary and reserve capitals and one-third (one-third) of the share capital. In such a case, the general meeting shall pass a resolution on the continued existence of the company.

The powers of the General Meeting derive from both the law, in particular the CCC, and the Articles of Association.

According to the CCC and the Articles of Association, the powers of the General Meeting include, in particular:

- Appointment and dismissal of members of the Supervisory Board;
- Determining the rules of remuneration of members of the Supervisory Board;
- Granting discharge to members of the Company's bodies for the performance of their duties;
- Consideration and approval of the Board of Directors' report on the Company's activities;
- Consideration and approval of the financial statements for the fiscal year;
- Adoption of a resolution on profit distribution or coverage of loss;
- increase or reduction of the Company's share capital;
- merger or transformation of the Company;
- dissolution or liquidation of the Company;
- Statute amendment;
- creation of special purpose funds

- to make a decision on claims for compensation for damage caused in the formation of the Company or in the exercise of management or supervision.

Resolutions of the General Meeting shall be adopted by a 2/3 (two-thirds) majority of votes, unless the Articles of Association or mandatory provisions of law provide for stricter requirements for the adoption of a given resolution.

The procedure for amending the Articles of Association at Cloud Technologies S.A.:

Neither the Company's Articles of Association nor the Rules of Procedure for the General Meeting of Cloud Technologies Joint Stock Company, based in Warsaw, introduce autonomous rules for the implementation of amendments to the Company's Articles of Association. Therefore, the amendments will be implemented in accordance with the provisions of the Commercial Companies Code, i.e. with a 3/4 majority vote.

The General Meeting may also adopt a resolution to significantly change the Company's business. In this case, a majority of 2/3 (two-thirds) of votes is required.

Resolutions on the issuance of convertible or priority bonds and subscription warrants indicated in Article 453 § 2 of the Code of Commercial Companies and on amendments to the Articles of Association, including resolutions on increasing and decreasing the share capital, shall be adopted by a majority of 3/4 (three-quarters) of votes.

The consent of all shareholders affected by a resolution is required to adopt a resolution regarding an amendment to the Articles of Association that increases the benefits of shareholders or depletes the rights granted personally to individual shareholders.

The right to participate in a general meeting of a public company is vested in persons who are shareholders of the company 16 (sixteen) days before the date of the general meeting, i.e. on the date of registration of participation (Article 406^{1} § 1 of the CCC).

Each share entitles the holder to one vote at the general meeting (Article 411 § 1 of the CCC). The right to vote is vested from the date the shares are fully paid up (Article 411 § 2 of the CCC). A shareholder may vote differently on each share held (Article 411^{3} CCC). A shareholder may exercise voting rights in person or by proxy (Article 412 § 1 of the CCC).

The detailed rules and procedures for convening and conducting the General Meeting were regulated in the Rules of Procedure for the General Meeting adopted on June 20, 2022 pursuant to Resolution No. 14 of the Annual General Meeting on the adoption of the Rules of Procedure for the General Meeting.

14.9 Preparation of financial reports

The Company's separate financial statements and the Group's consolidated financial statements have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations issued by the International Reporting Standards Board (IAS Board) and promulgated in the form of regulations of the European Commission, and the detailed principles for the preparation of these reports, including a description of accounting policies, are included directly in these reports.

Both the external accounting firm and the relevant organizational units on the Company's side responsible for the reporting and compliance areas are involved in the preparation of the financial statements. The data provided by the external accounting firm is verified and analyzed by the Company.

Supervision of the process of preparing financial statements is exercised by the member of the Board of Directors for Finance. Annual reports and, starting in 2023, the semi-annual report are subject to mandatory audit and review by an independent auditor.

The Company has developed and implemented a number of internal control procedures aimed at streamlining the process of preparing financial statements, ensuring efficient cooperation with the auditor, as well as identifying and assessing risks for the Company's various business areas.

14.10 Information on the audit firm

The audit of the Company's separate financial statements and the Group's consolidated financial statements for 2023 was carried out by ECOVIS POLAND Audit, Tax and Accounting, whose tasks were assigned by extending the previously existing contract. The contract was extended based on a resolution of the Company's Supervisory Board dated May 15, 2023. According to the scope of the extended agreement, ECOVIS will audit the Company's and the Group's financial statements for 2023 and 2024.

Information about the audit firm's fees is included in the Group's consolidated financial statements in Note 34.

During the period covered by the financial statements, the auditing firm (a) audited the Company's and Group's financial statements for 2023 and 2022, and (b) reviewed the interim financial data for the first half of 2023.

14.11 Geographical structure of sales

Information on the geographic structure of sales, broken down into domestic sales and exports, along with an indication of significant customers is provided in Note 1 to the separate and consolidated financial statements. There are no suppliers whose share of operating expenses exceeds the 10% level.

14.12 Shareholders and shares of the Company

As of the date of publication of this report, there are the following significant shareholders of the Company:

Shareholder	number of shares	Nominal value (in PLN)	Share in capital
Piotr Prajsnar	1.437.000	143.700	28,74%
PERPETUM 10 FIZAN	1.414.666	141.467	28,29%
Oktawian Oźminkowski	258.837	25.884	5,18%
Cloud Technologies S.A.'s own shares.	505.359	50.536	10,11%
Shareholders of more than 5% of shares	1.384.138	138.413	27,68%
Total	5.000.000	500.000	100,00%

The number of shares is equal to the number of votes at the Company's General Meeting; there are no preferred shares, the nominal value of one share is PLN 0.1.

As of the date of publication of this report, the following shares of the Company are held by Members of the Management Board or Members of the Supervisory Board:

(a) President of the Management Board Piotr Prajsnar holds directly and indirectly, together with his wife, a total of 1,517,000 shares with a nominal value of PLN 151,700 (30.34% of shares).
(b) Board member Piotr Soleniec holds directly and indirectly, together with his wife, 38,907 shares with a nominal value of PLN 3,891 (0.78% of shares).
(c) Supervisory Board member Lukasz Krasnopolski holds 3,091 shares with a nominal value of PLN 309 (0.06% of shares).

Members of the Company's Management and Supervisory Boards do not hold shares in subsidiaries.

14.13 Other information

As of the date of publication of this Report and in 2023, no proceedings were pending against the Group before a court or public administration authority.

The Group does not meet the criteria set forth in Article 49b (1) of the Accounting Act, and therefore is not obligated to prepare a statement or report The entity preparing the statement or report on non-financial information.

The Group does not enter into agreements with related parties on other than arm's length terms.

To the best of the Company's knowledge, there are no agreements between significant shareholders or agreements as a result of which there could be changes in the proportions of shares held by shareholders in the future.

Information on contracted borrowings, loans and leases can be found in the consolidated financial statements in Note 24.

For information on loans granted, see Notes 19 and 20 in the consolidated financial statements.

The Group did not provide sureties and guarantees.

There was no issuance of securities during the period covered by the report.

The Group does not publish financial forecasts.

The Group does not have a system in place to control employee stock programs.

The Group's capital resources are described in Note 30 to the consolidated financial statements.

There are no holders of securities of the Parent Company with special control rights.

As of the date of this report, there are no restrictions on the exercise of voting rights on the Company's shares.

Restrictions on the transfer of ownership of securities do not exist.

The Group has no bonds issued.

There are no significant off-balance sheet items.

The parent company in January 2024 closed its branch in Bialystok, 17E Branickiego Street, 15-085 Bialystok.

In 2023, according to a current report dated 25/09/2023, the Company entered into an agreement to sell 100% of the shares of its subsidiary Audience Network Ltd.

14.14 Registration data

Registration address	Cloud Technologies S.A. 7 Żeromskiego Street 05-075 Warsaw
Registration files	District Court for the Capital City of Warsaw in Warsaw XIV Economic Department of the National Court Register 100 Czerniakowska St. 00-454 Warsaw
Share capital	500,000.00 PLN
KRS	0000405842
NIP	9522106251
REGON	142886479

14.15 Contact information

Mailing address	Cloud Technologies S.A. Elektrownia Powiśle, building C Dobra 40 Street, 00-344 Warsaw
Website	www.ct.pl
E-mail	biuro@ct.pl
Phone	+48 225353050
FAX	+48 225353070

15. Approval for publication

The management report on the activities of Cloud Technologies S.A. and the Cloud Technologies Group for 2023 was approved for publication by the Board of Cloud Technologies S.A. on April 15, 2024.

Piotr Prajsnar,
President of the Management Board

Piotr Soleniec,
Member of the Management Board

Warsaw, April 15, 2024

CloudTechnologies