

1 January 2019

## Matomy Media Group | Third Quarter 2018 Financial Results

TEL AVIV, 1 January, 2019 – Global media company Matomy Media Group Ltd. (LSE: MTMY, TASE: MTMY.TA), today announced financial results for the third quarter ended 30 September, 2018.

This is the first year that Matomy is reporting quarterly results. Therefore, comparative figures are not included but will be reported in 2019 reports.

Liam Galin, Matomy's President and CEO said, "In the first nine months of 2018, we continued our strategic path and exited our nonprofitable activities. Post Q3, we sold our in-app advertising activity, that needed heavy investments to take it to the next level. We can now focus our attention and resources on growing our profitable domain monetization activity. In parallel, we are working closely with our stakeholders to resolve concerns so we may move forward in maximizing value for all."

### OPERATING REVIEW - Segment Results for the nine-month period ended 30 September 2018

The following table demonstrates Matomy's revenues for the nine-month period ended 30 September 2018.

### Matomy Media Group Consolidated Results for the nine-month period ended 30 September 2018 (non-GAAP):

(Million USD)	Total Matomy
Revenue before bad debt	103.3
Bad Debt	2.3
Revenue	101.0
Direct Media Costs*	70.2
Adjusted Gross Profit**	30.8
Adjusted Gross Margin**	30.5%
Direct Adjusted EBIDTA** *	4.2
<b>Total Corporate Allocations****</b>	<b>2.2</b>
<b>Adjusted EBIDTA*****</b>	<b>2.0</b>

\* Direct Media Costs

Direct Media Costs are the direct costs associated with the purchase of digital media. These costs include: payments for digital media based on the revenues Matomy generates from its customers on a revenue-sharing basis; payments for digital media on a nonrevenue-sharing basis (CPC or CPM), and serving fees for third-party platforms.

\*\*Adjusted Gross Profit / Margin

Adjusted gross profit is a non-GAAP financial measure that Matomy defines as revenues less Direct Media Costs.

Matomy believes that adjusted gross profit is a meaningful measure of operating performance because it is frequently used for internal management purposes, indicates the performance of Matomy's solutions in balancing the goals of delivering results to its customers whilst meeting margin objectives, and facilitates a more complete understanding of factors and trends affecting Matomy's underlying revenues performance.

\*\*\*Direct Adjusted EBIDTA

Direct Adjusted EBIDTA is a non-GAAP financial measure that Matomy defines as Adjusted EBIDTA directly attributable to a specific business less the applicable Corporate Allocations assigned to such activity.

\*\*\*\*Total Corporate Allocations

Total Corporate Allocations is a non-GAAP financial measure that Matomy defines as indirect costs which are allocated across the various business units. They consist mainly of (i) cost of corporate headquarters, including labor costs and related overheads; and (ii) costs associated with being a publicly traded company, such as directors' compensation and expenses, costs relating to investor relations, shareholder meetings and reports to shareholders, directors' and officers' insurance and other executive costs, legal and other professional fees, and listing fees.

**\*\*\*\*Adjusted EBITDA**

Adjusted EBITDA is a non-GAAP financial measure that Matomy defines as net income before taxes on income, financial expenses (income), net, equity losses of affiliated companies, net, depreciation and amortisation, share-based compensation expenses (cash and non-cash) and exceptional items (as described below). Adjusted EBITDA is a key measure Matomy uses to understand and evaluate its core operating performance and trends, to prepare and approve its annual budget, to develop short- and long-term operating plans and to determine bonus payments to management. In particular, Matomy believes that by excluding share-based compensation expenses, adjusted EBITDA provides a useful measure for period-to-period comparisons of Matomy's core business.

**Team Internet (Domain Monetisation)**

Team Internet's revenues reached \$59.6 million with Direct Adjusted EBITDA of \$11.4 million in the nine months ending 30 September 2018. Matomy's share in Team Internet grew from 80% to 90% in the first quarter of 2018.

(Million USD)	Team Internet nine-month period ended 30 September 2018
Revenue	59.6
Direct Media Costs	42.9
Adjusted Gross Profit	16.7
Adjusted Gross Margin	28.0%
Direct Adjusted EBITDA	11.4

**Mobfox (Mobile In-App)**

Mobfox (mobile in-app) revenues reached \$27.9 million in the nine months ending 30 September 2018.

(Million USD)	Mobfox nine-month period ended 30 September 2018
Revenue	27.9
Direct Media Costs	19.7
Adjusted Gross Profit	8.2
Adjusted Gross Margin	29.5%
Direct Adjusted EBITDA	(3.5)

The mobile in-app advertising market is highly competitive and demands consolidation for growth. Therefore Matomy took the bold decision to sell the business rather than invest further in growing the activity. [Mobfox was sold in November 2018](#). This sale will reduce operational costs, significantly cut corporate overhead, raise profitability, and in turn, should create higher value for Matomy's stakeholders. The savings are expected to take effect following a short transition period and will be evident in Matomy's 2019 financial reports.

**Noncore: Email and Video**

Email and video revenues reached \$13.5 million in the nine months ending 30 September 2018. Matomy exited these activities earlier this year as part of its streamlining plan.

**Going Concern**

The Directors confirm that there remains some uncertainty regarding the Group's ability to meet certain

obligations in the foreseeable future that are detailed below in the Auditors' Report "Emphasis of Matter Regarding Going Concern" and Note 1B.

### **Projected Consolidated Sources and Expected Uses of Funds Statement through December 2020**

Pursuant to the requirements the Hybrid Disclosure Model which apply only to dual listed companies that issue bonds on TASE, this announcement includes a special statement of projected consolidated sources and expected uses of funds statement through December 2020 (the "Projected Statement"). The Projected Statement is not intended to create any continuous on-going disclosure obligation for the Company.

### **Cautionary statement regarding forward-looking statements**

This announcement includes certain forward-looking statements, forecasts, estimates, projections and opinions. These forward-looking statements may be identified by the fact that they do not relate only to historical or current facts or the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements include statements regarding the business strategy, objectives, financial condition, results of operations and market data of the Company and its subsidiaries (the "Group"), as well as any other statements that are not historical facts. These statements reflect the Company's current view with respect to future events and are based on assumptions made the Company (including, without limitation, assumptions concerning currency exchange rate fluctuations, requirements of additional capital, costs of closure of various operations and changes to regulations) and information currently available to the Company.

Although the Company considers that these views and assumptions are reasonable, by their nature, forward-looking statements involve unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Group. These factors, risks, uncertainties and assumptions could cause actual outcomes and results to be materially different from those projected. Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation that trends or activities underlying past performance will continue in the future. No representation is made or will be made that any forward-looking statements will be achieved or will prove to be correct. These factors, risks, assumptions and uncertainties expressly qualify all subsequent oral and written forward-looking statements attributable to the Company or persons acting on its behalf.

The forward-looking statements speak only as of the date of this announcement. Each of the Company and its respective affiliates expressly disclaim any obligation or undertaking to update, review or revise any forward-looking statement and disclaims any obligation to update its view of any risks or uncertainties described herein or to publicly announce the result of any revisions to the forward-looking statements made in this announcement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or otherwise, except as required by law.

No statement in this announcement is intended, or is to be construed, as a profit forecast or estimate or to be interpreted to mean that earnings per Company share or overall earnings for the current or future financial years will necessarily match or exceed the historical published earnings per Company share or overall earnings.

### **By order of the Board:**

Liam Galin, President and Chief Executive Officer  
Ilan Tamir, Chief Financial Officer (Interim)

## **About Matomy Media Group Ltd.**

Matomy Media Group Ltd. (LSE: MTMY, TASE: MTMY.TA) is a global media company. Founded in 2007 with headquarters in Tel Aviv and offices around the world, Matomy is dual-listed on the London and Tel Aviv Stock Exchanges.

A copy of this announcement will be available on the Matomy website: [investors.matomy.com](http://investors.matomy.com)

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## **For more information:**

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Facebook: [www.facebook.com/MatomyMediaGroup](http://www.facebook.com/MatomyMediaGroup)

**MATOMY MEDIA GROUP LTD. AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF 30 SEPTEMBER, 2018**

**U.S. DOLLARS IN THOUSANDS**

**UNAUDITED**

**INDEX**

	<u>Page</u>
<b>Review Report of Independent Auditors</b>	<b>2</b>
<b>Consolidated Balance Sheets</b>	<b>3 - 4</b>
<b>Consolidated Statement of Operations</b>	<b>5</b>
<b>Consolidated Statements of Changes in Shareholders' Equity</b>	<b>6</b>
<b>Consolidated Statement of Cash Flows</b>	<b>7 - 8</b>
<b>Notes to Interim Consolidated Financial Statements</b>	<b>9 - 17</b>

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The Board of Directors  
Matomy Media Group Ltd.

### Review Report of Independent Auditors

We have reviewed the interim consolidated financial statements of Matomy Media Group Ltd. and its subsidiaries (collectively "the Company"), which comprise the consolidated balance sheet as of 30 September 2018, and the related consolidated statement of operations, changes in shareholder's equity and cash flows for the nine-months period ended 30 September, 2018.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the interim financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial statements in conformity with U.S. generally accepted accounting principles.

#### **Auditor's Responsibility**

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial statements. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion.

#### **Basis for Modification of Conclusion**

The financial statements do not include comparison figures for the nine-months period ended 30 September 2017, as required by U.S generally accepted accounting principles.

#### **Conclusion**

Based on our review, with the exception of the matter described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for it to be in conformity with U.S. generally accepted accounting principles.

#### **Emphasis of Matter Regarding Going Concern**

The accompanying interim financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1b to the interim financial statements, during the nine-months period ended 30 September, 2018 the Company incurred a net loss of \$ 42,592, had a negative cash flow of \$ 12,322 from its operating activity and its working capital deficiency amounted to \$41,274 as of 30 September, 2018. In addition, the Company expects not to be in compliance with certain covenants of its convertible bond. These conditions, among others, raise substantial doubts about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1b. The interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Tel Aviv, Israel  
January 1, 2019

**KOST FORER GABBAY & KASIERER**  
A Member of Ernst & Young Global

**CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

	<b>30 September 2018</b>	<b>31 December 2017</b>
	<u>Unaudited</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,099	\$ 29,407
Trade receivables, net	14,212	33,353
Other receivables and prepaid expenses	10,833	7,306
	<u>36,144</u>	<u>70,066</u>
<u>Total</u> current assets		
LONG-TERM ASSETS:		
Property and equipment, net	5,333	8,796
Domains	11,910	10,797
Other intangible assets, net	4,457	8,397
Goodwill	51,721	83,768
Other assets	81	204
	<u>73,502</u>	<u>111,962</u>
<u>Total</u> long-term assets		
<u>Total</u> assets	<u>\$ 109,646</u>	<u>\$ 182,028</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

	<b>30 September 2018</b>	<b>31 December 2017</b>
	<u>Unaudited</u>	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Liability to non-controlling interest	\$ 19,488	\$ 41,547
Short-term bank credit and current maturities of bank loans	10,159	18,375
Trade payables	14,053	29,234
Employees and payroll accrual	1,945	4,107
Convertible bond presented at fair value (par value ILS103 million)	24,951	-
Accrued expenses and other liabilities	6,822	10,811
<u>Total current liabilities</u>	<u>77,418</u>	<u>104,074</u>
LONG-TERM LIABILITIES:		
Deferred tax liabilities	2,830	3,411
Bank loans, net of current maturities	1,359	3,001
Other liabilities	694	1,652
<u>Total long-term liabilities</u>	<u>4,883</u>	<u>8,064</u>
EQUITY:		
Matomy Media Group Ltd. shareholders' equity:		
Ordinary shares	253	252
Additional paid-in capital	85,977	85,931
Accumulated other comprehensive loss	(3,174)	(3,174)
Accumulated deficit	(49,741)	(7,196)
Treasury shares	(6,231)	(6,231)
<u>Total Matomy Media Group Ltd. shareholders' equity</u>	<u>27,084</u>	<u>69,582</u>
Non-controlling interests	261	308
<u>Total equity</u>	<u>27,345</u>	<u>69,890</u>
<u>Total liabilities and equity</u>	<u>\$ 109,646</u>	<u>\$ 182,028</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENT OF OPERATIONS**

U.S. dollars in thousands except share and per share data

	<b>Nine months ended 30 September, 2018</b>
	<b>Unaudited</b>
Revenues	\$ 101,029
Cost of revenues	<u>83,430</u>
Gross profit	<u>17,599</u>
Operating expenses	
Research and development	5,827
Selling and marketing	9,549
General and administrative	7,231
Impairments of goodwill and intangible assets, net of change in fair value of contingent consideration	30,900
Restructuring costs	1,319
Loss from sale of activity (see Note 1c)	<u>1,777</u>
<u>Total operating expenses</u>	<u>56,603</u>
Operating loss	39,004
Convertible bond issuance costs	1,588
Financial income, net	<u>(1,276)</u>
Loss before taxes on income	39,316
Tax on income	<u>3,276</u>
Net loss	42,592
Net loss attributable to non-controlling interests in subsidiary	<u>(47)</u>
Net loss attributable to Matomy Media Group Ltd.	<u>\$ 42,545</u>
Basic and diluted loss per ordinary share	<u>0.44</u>
Weighted average number of shares used in computing basic and diluted net loss per share	<u>96,400,577</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

US dollars in thousands, except share data

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Treasury shares	Total Matomy Media Group Ltd. shareholders' equity	Non-controlling interests	Total equity
	Number	Amount							
Balance as of 1 January 2017	95,787,694	\$ 247	\$ 101,066	\$ (3,174)	\$ 8,795	\$ (6,231)	\$ 100,703	\$ -	\$ 100,703
Cumulative-effect adjustment from adoption of ASU 2016-09	-	-	68	-	(68)	-	-	-	-
Change in parent's ownership interest in subsidiary	-	-	-	-	-	-	-	285	285
Stock-based compensation	-	-	1,374	-	-	-	1,374	-	1,374
Exercise of options and vesting of restricted share units	1,493,229	4	522	-	-	-	526	-	526
Exercise of warrants	254,100	1	-	-	-	-	1	-	1
Accretion of redeemable non-controlling interest	-	-	(17,099)	-	-	-	(17,099)	-	(17,099)
Net loss	-	-	-	-	(15,923)	-	(15,923)	23	(15,900)
Balance as of 31 December, 2017	97,535,023	252	85,931	(3,174)	(7,196)	(6,231)	69,582	308	69,890
Stock-based compensation	-	-	47	-	-	-	47	-	47
Exercise of options and vesting of restricted share units	425,158	1	(1)	-	-	-	-	-	-
Net loss	-	-	-	-	(42,545)	-	(42,545)	(47)	(42,592)
Balance as of 30 September, 2018 (unaudited)	97,960,181	\$ 253	\$ 85,977	\$ (3,174)	\$ (49,741)	\$ (6,231)	\$ 27,084	\$ 261	\$ 27,345

\*) Represents an amount lower than \$ 1.

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS****US dollars in thousands**

	<b>Nine months ended 30 September, 2018</b>
	<b>Unaudited</b>
<u>Cash flows from operating activities:</u>	
Net loss	\$ (42,592)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	7,451
Impairments of goodwill and capitalized research and development	31,438
Stock-based compensation	47
Change in deferred tax, net	(581)
Change in accrued interest and effect of foreign exchange differences on long term loans	(132)
Increase in withholding tax receivable	(3,383)
Fair value revaluation - convertible bond	(4,979)
Decrease in trade receivables	19,049
Increase in other receivables and prepaid expenses	62
Decrease in other assets	57
Decrease in trade payables	(15,181)
Changes in fair value of payment obligation related to acquisitions recognized in earnings and liability to non-controlling interest	260
Decrease in employees and payroll accruals	(2,162)
Decrease in accrued expenses and other liabilities	(3,636)
Loss from sale of activities	1,777
Loss from write-off of property and equipment	160
Loss from disposal of domains	23
Net cash used in operating activities	<u>(12,322)</u>
<u>Cash flows from investing activities:</u>	
Purchase of property and equipment	(166)
Sale of activities	600
Purchase of domains	(1,136)
Capitalization of research and development costs	(2,060)
Other	110
Net cash used in investing activities	<u>\$ (2,652)</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS****US dollars in thousands**

	<b>Nine months ended 30 September, 2018</b>
	<b>Unaudited</b>
<u>Cash flows from financing activities:</u>	
Short-term bank credit, net	\$ (94)
Proceeds from convertible bond issuance, net	29,930
Repayment of bank loans	(9,632)
Additional payments related to previous acquisitions	(681)
Payment of liability to non-controlling interest	(20,146)
Dividend paid to non-controlling interest	(2,711)
Net cash used in financing activities	<u>(3,334)</u>
Decrease in cash and cash equivalents	(18,308)
Cash and cash equivalents at beginning of period	<u>29,407</u>
Cash and cash equivalents at end of period	<u><u>\$ 11,099</u></u>

The accompanying notes are an integral part of the interim consolidated financial statements.

NOTE 1:- GENERAL

- a. During the relevant period of this report, Matomy Media Group Ltd together with its subsidiaries (collectively - "the Company") offered and provided a portfolio of proprietary programmatic data-driven platforms focusing on two core activities of domain monetization and mobile digital advertising to advertisers, advertising agencies, Apps developers, domain owners. Matomy's main business focus is on its domain monetization activity, with two key activities: (i) a proprietary domain parking platform that enables customers to monetize their domain portfolios; and (ii) a proprietary self-serve platform that allows publishers and advertisers to buy and sell traffic on a smart programmatic real time bidding model.

Matomy Media Group Ltd. was incorporated in 2006. The Company's markets are located primarily in the United States and Europe. The Company's shares are traded in the London Stock Exchange and also on the Tel Aviv Stock Exchange.

- b. In the nine-months period ended 30 September, 2018, the Company incurred a net loss of \$42,592 (of which \$23,503 incurred during the three months period ended 30 September 2018) and had negative cash flows from its operating activities of \$12,322. In addition, the Company's working capital deficiency amounted to \$41,274 as of 30 September, 2018.

Subsequent to balance sheet date, the Company sold its mobile core-business for a total consideration of \$7,500, of which a payment of \$6,000 was received and the remaining \$1,500 is subject to fulfillment of certain payment requirement to publishers that were transferred with the framework of the sale. Such sale resulted in a goodwill impairment during the three months ended September 30, 2018 in the amount of \$21,204, following of which, shareholder's equity amounted to \$27,084 as of 30 September, 2018, under which the Company expects not to be in-compliance with certain bond covenants as of 31 December, 2018 (for further information refer to below). Under the guidance of ASC 470, Debt, debt should be classified as noncurrent if debt covenant violation is expected to occur in the near future. Therefore the bond balance in the amount of \$24,951 was classified to short term liabilities as of 30 September, 2018.

In accordance with the share purchase agreement dated December 2017 (the "2017 SPA") with the minority shareholders of Team Internet, Rainmaker Investments GmbH ("Rainmaker"), in which the Company, through its UK and German subsidiaries, currently holds 90% of the share capital, the Company was required to buy the remaining 10% stake in Team Internet (the "Third Sale Exit") from Rainmaker on November 30, 2018. The Company failed to pay the amount due on 30 November, 2018 of \$18,613 as required by Rainmaker. Failure by the Company to pay the consideration for the Third Sale Exit, triggers a right of Rainmaker, among other remedies, such as interest on late payment, to repurchase some or all of the Company's shares in Team Internet, at Rainmaker's discretion, at a price of 60% of the original purchase price paid by the Company's on such shares which aggregated to a total amounts of EUR 31,688 thousands at most (pending on the number of shares repurchased) should Rainmaker exercise its right to repurchase Team internet's shares in the event that Matomy, through its UK and German subsidiaries (collectively, the Matomy Group), fails to pay due to lack of funds despite any and all necessary efforts of the Matomy Group to release further cash (including taking on loans and selling assets), and there is proven lack of funds, the sole remedy available to Rainmaker is the exercise of the repurchase option. If the failure to pay is not as specified above, then Rainmaker has various legal remedies, including the repurchase option.

**NOTE 1:- GENERAL (Cont.)**

If the failure to pay is not as specified above, then Rainmaker has various legal remedies, including the repurchase option. The shares purchased by Matomy are detailed below:

<b>Number of shares</b>	<b>Original Purchase price per share</b>	<b>Percentage of the total Team Internet's share capital</b>
14,706	EUR 153.20	20%
36,765	EUR 535.84	50%
7,353	EUR 1,715.67	10%
7,353	EUR 2,481.33	10%

The Company is conducting discussions with Rainmaker regarding the terms of the purchase by Matomy of the Third Sale Exit. As of the date of the approval for the issuance of these financial statements there is no new agreement regarding the terms for the purchase of the Third Sale Exit and no legal remedies have been waived or exercised.

In respect of the Company's convertible bond, as described in Note 3 herein, noncompliance with certain covenants during two consecutive quarters is considered a default event, which under certain circumstances, as detailed in the bond, entitle the holders to claim immediate repayment of the bonds. As of 30 September, 2018, the Company was not in compliance for the first quarter with its minimum equity requirement, which triggers an increase of interest. The main reason for this non-compliance is due to the sale of the Company's mobile core-business subsequent to balance sheet date that resulted in a goodwill impairment in the amount of \$21,204 during the three months ended 30 September, 2018. The Company expects not to be in-compliance with certain bond covenants as of 31 December, 2018. A summary description of the bond financial covenants is included in the following table:

<b>Covenant</b>
Minimum Equity (as defined therein) of \$40,000
Net Debt to Adjusted EBITDA Ratio (as defined therein) of up to 2.5
Adjusted EBITDA (as defined therein) of \$10,000

Therefore, under ASC 470, Debt, the convertible bond in the amount of \$24,951 was classified to short term liabilities as of 30 September, 2018. The Company is holding discussions with the trustee of the outstanding bonds (the "Trustee") and with the representatives and legal counsel of the bondholders in order to update on recent developments and assess the possibility of adjusting certain terms of the bonds. The bondholders have, among other, made a claim that they are entitled to call the bonds for immediate repayment based on the "material adverse effect on the Company's business" clause, comparing the current Company's business conditions and the Company's business conditions on the bond's issuance date. The bondholders claim that such alleged deterioration in the Company's business might lead to a material risk that the Company will not be able to meet the bond's payment obligations. The Company rejects this claim. To date the Company has not reached an agreement with the Trustee and the representatives of the bondholders.

**NOTE 1:- GENERAL (Cont.)**

On 28 December, 2017, major shareholders of the Company holding in the aggregate approximately 30% of the Company's voting share capital provided letters of support addressed to the Company stating that such shareholders agreed to provide sufficient financial support, if necessary, to the Company to ensure that the Company can continue its operations for at least twelve months from December 27, 2017. All eligible shareholders will have the right to participate under the same terms, which will be determined by the Board, subject to receipt of any applicable shareholder approvals (the "Letters of Support").

With respect to such Letters of Support, the Company has received two letters, one from legal counsel to the minority shareholder in Team Internet, Rainmaker, claiming, among other, that the Letters of Support impose a liability upon such major shareholders to inject funds into the Company in order to enable it to pay the consideration for the Third Sale Exit. The Company received another letter from legal counsel to the major shareholders who provided the Letters of Support, which include, *inter alia*, claims that the obligation under such letters is intended to cover funding relating to the Company's on-going operations, that is, salaries payments and other on-going expenses etc., but does not cover the consideration for the Third Sale Exit or discharge the Company's liabilities. Furthermore, the bondholders have also raised claims that based on their interpretation, the Letters of Support are intended to cover the payments due to them. On December 20, 2018, the Company received a letter from legal counsel to the shareholders who provided the Letters of Support, confirming that in support of the current discussions among the Company and various stakeholders, including the bondholders, the aforementioned shareholders agree not to claim that the Letters of Support expire with respect to the period up to 10 January, 2019. This extension further states that the foregoing extension relates only to the extent of the circumstances under which the major shareholders would have been required to provide support pursuant to the terms of the original Letters of Support until December 27, 2018.

The Company engaged independent legal experts in order to advise about the appropriate measures and actions it should take in connection with the Letter of Support. To date the Company is still considering its options.

In respect of \$1,062 of the Company's bank loans as of 30 September, 2018, the Company was not in compliance with the financial covenants but obtained the bank's waiver on 20 December, 2018 in respect of the non-compliance as of 30 September, 2018. However, the Company does not expect to meet the covenants also in the following quarter and therefore classified this loan into short term liabilities. In addition, on 18 December, 2018 the Company provided its bank with a cash security deposit of \$3,000 to cover its outstanding long term loans, global lease securities and hedging liabilities. All other banks loans in the amount of \$2,290 have only economic equity ratio covenant and were in full compliance with this covenant as of 30 September, 2018.

**NOTE 1:- GENERAL (Cont.)**

The Company requires additional capital in order to fund its liabilities (such liabilities include, among others, liability to non-controlling interest, bank loans and convertible bond liability). There is no assurance that the Company will be able to obtain such require additional capital. The Company and board of directors plan includes: (i) A fund raising by the Company of up to \$13,000 with a participation commitment of \$10,000 from key shareholders holding in the aggregate approximately 55% of the voting share capital of the Company (the specific terms of the fundraising have not been finalized) ; (ii) Discussions with Rainmaker regarding the terms of the purchase of the shares held by it in Team Internet, with the aim of an agreement that a reduction and/or change in payment terms is required; (iii) request to adjust the payment schedule of the principal amount and the financial covenants of the Bonds as follows:

- Adjusting the minimum shareholder equity requirement to \$20,000
- A waiver on the measurement of the Debt/EBITDA ratio requirement until the end of 2019
- Adjusting the payment schedule of the principal amount of the bonds, by advancing a partial repayment of \$6,500-\$9,000 during 2019, together with extending the overall payment period, so that the impact on the overall duration of the bond is minimal
- Ability to make prepayment at pari

The Company is proposing to the bondholders

- Increased interest of 7%
- Change in the conversion rate or issuance of warrants
- Any additional sum to be received by the Company (excess fundraising, over performance in the business activity etc.) will be used to advance/increase the repayments to the bonds

As noted currently no agreement with the bondholders has been approved and there is no assurance such agreement will be obtained.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

c. Sale of activities:

On 29 July, 2018, the Company signed an agreement for the sale of “myDSP” activity for a consideration of \$850 which would be paid in two payments: \$600 upon closing and \$250 is deferred and will be received on 1 December, 2018. The first payment in the amount of \$600 was received in September 2018. The second payment in the amount of \$250 has yet to be received.

On 13 August, 2018, the Company signed an agreement for the sale of its White delivery email marketing activity. In addition, the Company signed an agreement with the buyer for data-licensing. The maximum total consideration from the agreements amounts to \$8,500, which includes performance-based payments subject to meeting pre-defined milestones. The Company does not expect to collect any material amount from this transaction due to the buyer's financial difficulties.

**NOTE 1:- GENERAL (Cont.)**

The Company elected to recognize the future proceeds, if will be received, when the contingency is resolved and therefore the contingent consideration amount was not accounted for as part of the loss.

	<u>Unaudited</u>
Loss from sale of activities:	
Property and equipment - R&D capitalization	\$ (1,228)
Cash consideration	600
Goodwill	<b>(1,399)</b>
Deferred consideration - presented in receivables	250
Loss from sale of activities	<b>\$ 1,777</b>

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

a. Unaudited interim financial statements

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") for interim financial information. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results for the nine-months period ended 30 September, 2018 are not necessarily indicative of the results that may be expected for the year ended 31 December 2018.

The financial statements do not include comparison figures for the nine-month period ended 30 September, 2017, as required by U.S generally accepted accounting principles.

In the preparation of the interim consolidated financial information, except as described in notes 2b and 2g, it applied the significant accounting policies, on a consistent basis to the annual financial statements of the Company as of 31 December, 2017.

The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's financial statements ("the Annual Report") for the year ended 31 December, 2017.

b. The Company changed its accounting policy regarding the offsetting of bank overdraft and cash balances in the same bank account. According to the new accounting policy, the Company presents overdraft and cash balance in the same account on gross basis compared to previous presentation which was presented net. Management believes presenting on gross basis the overdraft and cash balances in the same bank account is a more appropriate presentation. Prior year's amounts were reclassified to conform to current year's presentation.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The reclassification had no effect on previously reported net loss or shareholders' equity. The effect on December 31, 2017 is as follow:

	<b>Year ended 31 December, 2017</b>	
	<b>Before</b>	<b>After</b>
Cash and cash equivalents	<u>\$ 28,827</u>	<u>\$ 29,407</u>
Short-term bank credit and current maturities of bank loans	<u>\$ 17,795</u>	<u>\$ 18,375</u>

c. Use of estimates:

The preparation of the consolidated financial information in conformity with US GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions it uses are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial information, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, the Company's management evaluates estimates, including those related to accounts receivable, fair values of financial instruments, fair values and useful lives of intangible assets, fair values of stock-based awards, deferred taxes and income tax uncertainties and contingent liabilities. Such estimates are based on historical experience and on various other assumptions that it believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

d. Internal-use software development:

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful life of the software. Costs related to design or maintenance of internal-use software are expensed as incurred. For the nine months ended 30 September 2018 the Company capitalized \$2,060. In the nine months ended 30 September 2018, following the recent strategic restructuring, consolidation of certain business units and adjustment to current market terms, including adequacy of certain technological products, the Company abandon certain projects, which resulted in impairments of \$ 790. The impairment amount is included in impairment, net of change in fair value of contingent consideration, in the statement of operations for the nine months ended 30 September 2018.

e. Goodwill and other intangible assets:

Goodwill reflects the excess of the purchase price of business acquired over the fair value of net identifiable assets acquired. Goodwill and indefinite intangible assets are not amortized but instead are tested for impairment, in accordance with ASC 350, at least annually at December 31 each year, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

As of 30 June, 2018 the Company determined the fair value of its Mobile reporting unit using the income approach which utilizes a discounted cash flow model, as it believed that this approach best approximates the reporting unit's fair value. Judgments and assumptions related to revenue, gross margin, operating income, future short-term and long-term growth rates, weighted average cost of capital, interest, cash flows, and market conditions are inherent in developing the discounted cash flow model. The Company considered historical rates and current market conditions when determining the discounted and growth rates to use in its analyses.

During the six months ended 30 June, 2018 the Company recorded goodwill impairment charges of \$9,444 related to its Mobile reporting unit, using a weighted average cost of capital and a long-term growth rate of 15% and 3%, accordingly. The majority of the inputs used in the discounted cash flow model to determine the fair value of the reporting units are unobservable and thus are considered to be Level 3 inputs.

As of 30 September, 2018, following the sale of its mobile core-business, the Company recorded additional impairment in the amount of \$21,204.

f. Fair value of financial instruments

The carrying amounts of financial instruments carried at cost, including cash and cash equivalents, short-term deposits, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses and other liabilities approximate their fair value due to the short-term maturities of such instruments.

The Company follows the provisions of ASC 820 which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining a fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability, based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect assumptions that market participants would use in pricing an asset or liability, based on the best information available under given circumstances.

The hierarchy is broken down into three levels, based on the observability of inputs and assumptions, as follows:

- **Level 1** - Observable inputs obtained from independent sources, such as quoted prices for identical assets and liabilities in active markets.
- **Level 2** - Other inputs that are directly or indirectly observable in the market place.
- **Level 3** - Unobservable inputs which are supported by little or no market activity.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The following table present liabilities measured at fair value on a recurring basis as of 30 September, 2018:

	<b>30 September, 2018 (unaudited)</b>			
	<b>Fair value measurements using input type</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Liabilities:</b>				
Bonds	\$ 24,951	\$ -	\$ -	\$ 24,951
Derivative	-	625	-	625
<b>Total financial liabilities</b>	<b>\$ 24,951</b>	<b>\$ 625</b>	<b>\$ -</b>	<b>\$ 25,576</b>

	<b>31 December, 2017</b>			
	<b>Fair value measurements using input type</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Derivative asset	-	\$ 22	-	\$ 22
<b>Total financial assets</b>	<b>-</b>	<b>\$ 22</b>	<b>-</b>	<b>\$ 22</b>
<b>Liabilities:</b>				
Liability to non-controlling interest	\$ -	\$ -	\$ 41,547	\$ 41,547
Contingent consideration in connection with acquisitions	\$ -	\$ -	\$ 1,716	\$ 1,716
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,263</b>	<b>\$ 43,263</b>

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The following table summarizes the changes in the Company's liabilities measured at fair value using significant unobservable inputs (Level 3), during the nine months ended 30 September 2018:

Total fair value as of 1 January, 2018	43,263
Changes in fair value of liability to non-controlling interest	798
Changes in fair value of payment obligation related to acquisitions recognized in earnings	(538)
Payment of contingent consideration during the period	(110)
Classification of contingent obligation into current liabilities	(976)
Payment of liability non-controlling interests	(20,146)
Dividend to non-controlling interests	(2,711)
Other adjustments	(92)
Classification of liability to non-controlling interest to current liabilities (*)	(19,488)
Total fair value as of 30 September, 2018 (unaudited)	-

(\*) As 30 September, 2018 the total aggregate liability to non-controlling interest was set on an amount of EUR16,768 thousand (\$19,488 based on the exchange rate on 30 September, 2018) of which EUR16,015 thousands is final and was due on 30 November, 2018 and estimated liability of EUR753 which is due in 2019. The payment is yet to be made. For additional information refer to note 1b.

**g. Accounting Pronouncements adopted in 2018**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). Topic 606 supersedes the revenue recognition requirements in Topic 605 "Revenue Recognition" (Topic 605). The Company adopted the new standard effective January 1, 2018 using the modified retrospective method. The new standard had immaterial impact on the Company's unaudited interim consolidated financial statements.

**h. Standards issued but not yet effective:**

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) which amends the FASB Accounting Standards Codification and created Topic 842, "Leases." Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provides for enhanced disclosures. Leases will continue to be classified as either finance or operating. ASU 2016-02 is effective for annual reporting periods, and interim periods within those years beginning after 15 December, 2018. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements or of the effective date in the financial statements.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Full retrospective application is prohibited and early adoption by public entities is permitted. The Company is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

**NOTE 3:- CONVERTIBLE BOND**

In February, 2018, the Company completed a public offering in Israel of Convertible Bonds (the “Bond”). Through the issuance of the Bond, the Company raised a total gross consideration of ILS 103 million (approximately \$29,930) issuing a total of 101,000 units of Bond, which bear a coupon of 5.5% per annum, payable semi-annually on June 30 and December 31 of each of the years 2018 to 2021 (inclusive). The interest is paid on a semi-annually basis. Interest prepayment in the amount of ILS 1.4 million (approximately \$ 399) is included in other receivables and prepaid expenses in the balance sheet as of 30 September, 2018. Transaction costs amounted to \$1,588 and were expensed as incurred. The principal of the Bonds, denominated in ILS, will be repaid in two equal annual instalments commencing in December 2020. The Bonds will be convertible into ordinary shares of the Company, at the discretion of the holders, up to ten (10) days prior to the final redemption date (i.e. December 21, 2021). The conversion price is subject to adjustment in the event that the Company effects a share split or reverse share split, rights offering or a distribution of bonus shares or a cash dividend. The Company may redeem the Bond upon delisting of the Bond from the TASE, subject to certain conditions. Refer to note 1b for further information.

The Company elected to apply the fair value option in accordance with ASC 825, “Financial Instruments”, to the convertible bond and therefore all unrealized gains and losses are recognized in earnings. As of 30 September, 2018, the fair value of the convertible bond, based on its quoted price at the TASE was \$24,951.

The changes of the convertible bond in the nine months ended 30 September, 2018 were as follows:

	\$
<b>Balance 1 January, 2018</b>	-
Convertible bond issuance, net	29,930
Change in fair value	(4,979)
<b>Balance as of 30 September, 2018</b>	<b>24,951</b>

**NOTE 3:- CONVERTIBLE BOND (Cont.)**

As of 30 September, 2018, the aggregate principal annual payments of the bonds are as follows:

	<b>Repayment amount</b>
	<b>\$</b>
2020	13,923
2021	13,923
	27,846

**NOTE 4:- EQUITY**

a. Options issued to employees and directors:

A summary of the activity in options granted to employees and directors is as follows:

	<b>Number of options</b>	<b>Weighted- average exercise price</b>	<b>Weighted- average remaining contractual term (in years)</b>	<b>Aggregate intrinsic value</b>
Outstanding at 31 December, 2017	4,732,659	\$ 1.50	6.09	3
Granted	195,000	\$ 0.85		
Exercised	(5,000)	\$ 0.34		
Forfeited	(2,359,639)	\$ 1.58		
Outstanding at 30 September, 2018 (unaudited)	2,563,020	\$ 1.37	4.71	-
Exercisable at 30 September, 2018 (unaudited)	1,238,573	\$ 1.54	3.83	-

As of 30 September, 2018, the total compensation cost related to options granted to employees and directors, not yet recognized amounted to \$ 282.

The weighted average grant date fair values of options granted for the nine months ended 30 September, 2018 was \$ 0.37.

**NOTE 4:- EQUITY (Cont.)**

- b. Restricted Share Units ("RSU") issued to employees and directors:

	<b>Number of RSU's</b>
Unvested at 1 January, 2018	1,094,344
Granted	-
Vested	(420,158)
Forfeited	(186,028)
Unvested at 30 September, 2018 (unaudited)	488,158

As of 30 September, 2018, the total compensation cost related to RSUs granted to employees, not yet recognized amounted to \$ 115.

**NOTE 5:- REPORTABLE SEGMENTS**

- a. General

Following the implementation of the strategic plan in late 2017, the Company is focusing on its two core activities Team internet and Mobfox. In 2018, the Company's chief operating decision maker ("CODM") started to review and make decisions about resources based on three reporting segments consisting of Team internet, Mobfox and the remaining non-core activities which reflect the companies updated business activity and its focus strategic. Accordingly, for management purposes, the Company is organized into operating segments based on the products and services and has operating segments as follows:

- Mobile Advertising ("Mobfox") – Mobfox is a data-driven, supply-side platform (SSP) and exchange for mobile in-app advertising. Connected to developers and publishers, along with quality demand sources, Mobfox offers comprehensive support for all major mobile ad formats. Mobfox also offers media buying services on its myDSP demand-side platform (DSP). Following the sale in November 2018 (refer to note 7) this operating segment ceased to exist. In the annual financial statements for the year ended 31 December, 2018 and the following periods, this segment will be reported as Discounted Operations in accordance with ASC 205-20.
- Domain Monetization – Team Internet serves the domain monetization market and includes two brands which work seamlessly together to provide a complete offering. Parking Crew is a domain parking platform which integrates with many third-party applications. Tonic, the second platform, is a traffic marketplace that allows users to monetize traffic and target audiences with a variety of ad types.
- Non-core Activities – Matomy's non-core activities include email marketing under the Whitedelivery brand and video advertising services under the Video from Matomy and Optimatic Media Inc. ("Optimatic") brands. Following the sale of certain activities (refer to note 2b) and the restructuring of the remaining non-core

**MATOMY MEDIA GROUP LTD. AND ITS SUBSIDIARIES**

activities, this operating segment ceased to exist.

**NOTE 5:- REPORTABLE SEGMENTS (Cont.)**

b. Segments information:

	<b>Nine months ended 30 September, 2018</b>
	<b>Unaudited</b>
Revenues:	
Mobile Advertising	27,957
Domain Monetisation	59,551
Non-core activities	13,521
Total revenues	101,029
	<b>Nine months ended 30 September, 2018</b>
	<b>Unaudited</b>
Operating income (loss):	
Mobile Advertising	(3,514)
Domain Monetisation	11,420
Non-core activities	(3,685)
Reconciling items (1)	(43,225)
Total loss from operations	(39,004)

- (1) Reconciling items are primarily related to impairment loss and depreciation and amortization costs for the nine months ended September 30, 2018, as well as corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

**NOTE 5:- REPORTABLE SEGMENTS (Cont.)**

c. Geographical information:

Revenues by geography are classified based on the location where the consumer completed the action that generated the relevant revenues.

1. Revenues from external customers:

	<b>Nine months ended 30 September, 2018</b>
	<b>Unaudited</b>
United States	65,203
Europe	22,892
Asia	4,825
Israel	117
Other	7,992
	<b>101,029</b>

2. Property and equipment, net:

	<b>30 September, 2018</b>	<b>31 December, 2017</b>
	<b>Unaudited</b>	
Israel	3,940	5,614
United states	40	1,815
Germany	1,290	1,291
Other	63	76
	<b>5,333</b>	<b>8,796</b>

d. In the nine months ended 30 September, 2018, one customer contributed 42% of the Company's revenues, while no other customer contributed more than 10%.

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## Projected Consolidated Sources and Expected Uses of Funds Statement through December 2020

in thousands of USD

באלפי דולר

	Q4-2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	2020	
<b>Opening balance including short term credit</b>	<b>\$ 8,054</b>	<b>\$ 3,847</b>	<b>\$ (1,369)</b>	<b>\$ (1,031)</b>	<b>\$ 1,324</b>	<b>\$ 1,216</b>	<b>יתרת פתיחה</b>
<b>Sources:</b>							
<b>מקורות:</b>							
<b>Cash flow from Operations:</b>							
<b>תזרים מפעילות שוטפת:</b>							
Mobfox working capital	\$ 1,698	\$ 2,033	\$ 244	\$ -	\$ -	\$ -	הון חוזר מובפוקס
Tax Receivable	\$ -	\$ 1,351	\$ 198	\$ 920	\$ 3,897	\$ 1,920	החזר מס משלטונות המס האמריקאיים והגרמניים
Team Internet - FCF	\$ 1,605	\$ 1,411	\$ 2,041	\$ 2,516	\$ 3,466	\$ 9,434	תזרים מזומנים חופשיים אינטרנט
WHT on Team Dividend	\$ -	\$ (1,213)	\$ (501)	\$ (321)	\$ (570)	\$ (1,503)	ניכוי מס במקור דיבידנד טים
<b>Cash flow from Financing activity:</b>							
<b>INVESTMENT</b>							
Cost of investment round	\$ -	\$ (1,000)	\$ -	\$ -	\$ -	\$ -	השקעה של בעלי המניות עלות ההנפקה
<b>Cash flow from Investment activity:</b>							
<b>תזרים מפעילות השקעה:</b>							
Sale of business units	\$ 6,105	\$ 250	\$ -	\$ -	\$ -	\$ -	מכירת myDSP
	<b>\$ 9,408</b>	<b>\$ 12,831</b>	<b>\$ 1,982</b>	<b>\$ 3,114</b>	<b>\$ 6,794</b>	<b>\$ 9,851</b>	
<b>Expected Usage of Funds:</b>							
<b>שימושים צפויים:</b>							
Operations	\$ (4,161)	\$ (2,300)	\$ (438)	\$ (438)	\$ (438)	\$ (1,750)	<b>תזרים לפעילות שוטפת</b>
Legal cost of bond settlement	\$ -	\$ (500)	\$ -	\$ -	\$ -	\$ -	עלות הסדר החוב - משפטיות
Bond interest due	\$ (808)	\$ -	\$ (975)	\$ -	\$ (922)	\$ (1,529)	ריבית חצי שנתית לבעלי האג"ח
Hedging loss	\$ (98)	\$ (980)	\$ -	\$ -	\$ -	\$ -	הפסד מפעילות גידור
<b>Cash flow used for Financing activity:</b>							
<b>תזרים לפעילות מימון:</b>							
Repayment of credit line	\$ (5,131)	\$ -	\$ -	\$ -	\$ -	\$ -	סגירת קו אשראי בנק לאומי
Bank Leumi deposit	\$ (3,000)	\$ 1,150	\$ 173	\$ 175	\$ 178	\$ 524	פיקדון בנק לאומי
Early Bond principal payment	\$ -	\$ (1,500)	\$ -	\$ -	\$ (4,500)	\$ (6,000)	תשלום מוקדם למחזיקי האג"ח
Long term loan - quarterly payment	\$ (418)	\$ (417)	\$ (405)	\$ (407)	\$ (410)	\$ (413)	תשלום רבעוני הלוואות ארוכת טווח
Payments to Rainmaker	\$ -	\$ (13,500)	\$ -	\$ (90)	\$ (810)	\$ (360)	תשלומים ל-Rainmaker
	<b>\$ (13,616)</b>	<b>\$ (18,047)</b>	<b>\$ (1,644)</b>	<b>\$ (760)</b>	<b>\$ (6,902)</b>	<b>\$ (9,528)</b>	
<b>Closing balance including short term credit</b>	<b>\$ 3,847</b>	<b>\$ (1,369)</b>	<b>\$ (1,031)</b>	<b>\$ 1,324</b>	<b>\$ 1,216</b>	<b>\$ 1,540</b>	<b>יתרת סגירה</b>

**Assumptions:**

1. The statement assumes settlements between the Company, the bondholders, Rainmaker and any other relevant stakeholders, based on the key features published on January 1, 2019, which include:

- 1.1 A fundraising with a commitment from key shareholder to invest \$10M
- 1.2 Payment of \$13.5M to Rainmaker
- 1.3 Updated payment schedule on the principal of the bonds of \$1.5M, \$4.5M and \$6M in Q1 2019, Eo2019, and Eo2020 respectively

To date no agreement has been signed and there is no assurance with respect to the outcome of the actual foregoing discussions or with respect to the actual implementation of the proposed settlement

\* If a settlement cannot be reached, despite the Company's efforts, then the sums due will vary as follows:

- Payment to Rainmaker ~\$18M (excluding interests)
- Payment to bondholders ~\$30M (with a potential claim for immediate repayment)

2. The statement is provided on a fully consolidated basis of the Company and its consolidated subsidiaries\*\* resulting in:

- 2.1. inclusion of Team Internet's cash balances, line of credit and free cash flow
- 2.2 assumes no distribution from Team Internet to the Company

3. In connection with Bank Leumi's approval of the sale of Mobfox Matomy provided \$3M secured cash deposit to Bank Leumi against its liabilities (long term debt, securities related to lease agreements and Forex hedging). This cash deposit will be reduced proportionately as Matomy repays its liabilities over the next two years

\*\* As a result of the fact that this statement is provided on a full consolidation basis, it differs from the statement published in connection with the key features for a plan to the bondholders, which is presented for Matomy Media Group Ltd. only and excludes all bank cash reserves held by the Company's subsidiary Team Internet

4. Opening balance includes Team-Internet's credit line in the amount of \$3,045 (out of a total of \$7M available)

**Unreviewed Statement**

The statement contains unreviewed financial measures that do not have a standardized meaning prescribed by GAAP.

**Cautionary statement regarding forward-looking statements**

they do not relate only to historical or current facts or the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements include statements regarding the business strategy, objectives, financial condition, results of operations and market data of the Company and its subsidiaries (the "**Group**"), as well as any other statements that are not historical facts. These statements reflect the Company's current view with respect to future events and are based on assumptions made the Company (including, without limitation, assumptions concerning currency exchange rate fluctuations, requirements of additional capital, costs of closure of various operations and changes to regulations) and information currently available to the Company.

Although the Company considers that these views and assumptions are reasonable, by their nature, forward-looking statements involve unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Group. These factors, risks, uncertainties and assumptions could cause actual outcomes and results to be materially different from those projected. Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation that trends or activities underlying past performance will continue in the future. No representation is made or will be made that any forward-looking statements will be achieved or will prove to be correct. These factors, risks, assumptions and uncertainties expressly qualify all subsequent oral and written forward-looking statements attributable to the Company or persons acting on its behalf.

The forward-looking statements speak only as of the date of this announcement. Each of the Company and its respective affiliates expressly disclaim any obligation or undertaking to update, review or revise any forward-looking statement and disclaims any obligation to update its view of any risks or uncertainties described herein or to publicly announce the result of any revisions to the forward-looking statements made in this announcement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or otherwise, except as required by law.

No statement in this announcement is intended, or is to be construed, as a profit forecast or estimate or to be interpreted to mean that earnings per Company share or overall earnings for the current or future financial years will necessarily match or exceed the historical published earnings per Company share or overall earnings.