

FOR IMMEDIATE RELEASE
November 11, 2020
Matomy Media Group Ltd.

Re: **Merger Agreement with Global Auto Max Ltd**

Further to the announcement made by Matomy Media Group Ltd. (LSE: MTMY, TASE: MTMY.TA) (hereinafter: **'The Company'** or **'Matomy'**) on September 29, 2020 (RNS Number: 4816A) regarding entering a memorandum of understanding regarding a potential merger transaction between the Company and Global Auto Max Ltd., a private company that does business in the parallel import of a variety of leading automobile brands (hereinafter: **'Automax'**), the Company announces that on November 9, 2020, further to the approval of the Board of Directors of the Company of November 5, 2020, the Company has entered into a conditional merger agreement with Automax, Automax Shareholders (hereinafter: **'Automax Shareholders'**) and M.R.M. Merhaviv Holdings and Management Ltd. (the **'Corporate Adviser'**), by way of an exchange of shares between the Company and Automax Shareholders (hereinafter: **'the Merger Transaction'**).

Automax imports models made by Toyota, FCA (Jeep, Chrysler and Fiat), Mercedes-Benz, Hyundai, Volkswagen, Volvo and Ford. During last year, 2019, Automax sold approximately 3,000 vehicles with a turnover of ILS 355 million.

The main points of the Merger Transaction are as follows:

1. **The Merger Transaction**

According to the merger agreement, on the date of completion of the Merger Transaction (hereinafter: **'the Completion Date'**), an exchange of securities will be made, such that the Company will issue to Automax Shareholders shares, rights to shares when milestones are reached, which will constitute, after the merger, approximately 53% of the issued and paid-up capital of the Company and the voting rights in it, on a non-diluted basis.

In return, Automax Shareholders will transfer to the Company their shares and rights as shareholders of Automax, so that after the transfer thereof, the Company will hold 100% of the shares of Automax. The offered shares will be issued to Automax Shareholders according to their proportional share before the merger in the issued and paid-up capital of Automax.

Moreover, the Company will issue to the Corporate Adviser shares in a sum of approximately 2% of the issued and paid-up share capital of the Company with full dilution (assuming that all the milestones stated in section 2 below are reached), in addition to certain share options which are further described in section 6 below.

The completion of the Merger Transaction is conditional upon the fulfillment of the conditions precedent stated in section 5 below.

2. **Milestones**

On the Completion Date, rights will be issued to Automax Shareholders to receive additional shares of the Company, when the following milestones are reached:

The first milestone – immediately after the appointment of the Company/Automax as the direct importer of any brand of automobiles and after the completion of the sale of the tenth automobile of that brand, Automax Shareholders will be entitled to the issue of

additional ordinary shares, resulting in Automax Shareholders holding 55% of the issued and paid-up capital of the Company with full dilution.

The second milestone – if the Company achieves certain sales and net profit targets between April 1, 2021 and September 30, 2022 or if the market value of the Company's shares exceeds a certain target by June 30, 2022, Automax Shareholders will be entitled to the issue of additional shares of the Company, resulting in Automax Shareholders holding 62% of the issued and paid-up capital of the Company with full dilution.

If the second milestone is reached before the first milestone, Automax Shareholders will not be entitled to an additional issue for reaching the first milestone.

The third milestone – if the Company achieves certain sales and net profit targets between April 1, 2021 and December 31, 2023 or if the market value of the Company's shares exceeds a certain target by December 31, 2023, Automax Shareholders will be entitled to the issue of additional ordinary shares, resulting in Automax Shareholders holding 73% of the issued and paid-up capital of the Company with full dilution, on the basis of the capital on the Completion Date, whether or not shares were issued in connection with the first milestone or the second milestone.

If completion of the Merger Transaction occurs after April 30, 2021, the relevant periods for the milestones will be adjusted. The merger agreement also provides for partial achievement of each milestone.

Even if all of three milestones are achieved, the maximum holding of Automax Shareholders is not expected to exceed 73% of shares of the Company.

3. Issue of options to officers

In addition, on the Completion Date, the Company will issue to the officers of Automax, Messer Daniel Levy, Yinon Amit, Eyal Baruch, Emil Pozeilov, Chaim Levy, Gal Levy and Tomer Levy, 59,257,103 (non-listed securities) options that may be converted into shares of the Company according to the Company's option program, on a scale of 15% of the issued and paid-up capital of the Company (with full dilution and on the assumption of reaching the aforesaid milestones after the issue), which may be exercised for shares in return for ILS 0.32 per share, for a period of four years beginning on the Completion Date and with vesting period of 2 years. However, the officers will undertake to the Company on the Completion Date not to sell the shares that will result from exercising the options for two years from the Completion Date.

4. The net amount of cash on the Completion Date

One of the conditions precedent for the completion of the Merger Transaction is that on the Completion Date, the Company's account will contain a net amount of cash that will not be less than ILS 19,500,000 (i.e., the amount of the assets in cash), after payment of all the Company's undertakings that are agreed between the parties (hereinafter: '**the Net Amount of Cash on the Completion Date**').

5. Issue of options according to a prospectus

Immediately after the Completion Date, the Company will issue, according to a prospectus for a rights issue, subject to receiving the approvals required by law, to the holders of the entitling securities (as will be determined in the prospectus) 26,253,781 listed options, which will constitute approximately 6.65% of the issued and paid-up capital of the Company (with full dilution as defined in the footnote below) after the issue, as well as 14,012,754 listed options of the Company from the same series to the

Corporate Adviser of the Merger Transaction, which will constitute approximately 3.55% of the issued and paid-up capital of the Company (with full dilution as defined in this section) after the issue

Subject to the following paragraph, Automax Shareholders and the officers of Automax will give notice in advance that they undertake not to exercise the rights units that will be offered to them in the prospectus, insofar as they will be entitled to participate in the rights issue, and not to sell those rights in the course of trading, and they will give a suitable irrevocable instruction to the trustees who hold for them the securities that entitle them to participate in the rights issue. The Company will act to make the aforesaid issue on as early a date as possible after the Completion Date.

Moreover, the Corporate Adviser has the right to buy rights units from Automax Shareholders, instead of issuing options to the Corporate Adviser, in return for a sum of ILS 20 thousand, in such a way that will bring the total amount of options in the Company to the amounts (or percentages, as applicable) stated in this section above.

Without derogating from any other provision in the Merger Transaction, if as a result of the exercise of the options for the public, the total amount of the holdings of the Automax shareholders is less than 50% of the issued and paid-up capital of the Company, Automax Shareholders will be entitled to an additional issue of shares of the Company, from the first milestone shares, and insofar as they will not be sufficient to cover the difference, the balance will be from the second milestone shares, so that the percentage of the holding of the Automax shareholders will be 50% of the issued and paid-up capital of the Company, on the basis of the supplementary capital, even if the merged company did not reach any of the aforesaid milestones. The first additional shares will be held by a trustee for the Automax shareholders until one of the milestones that will entitle them to receive them is reached. If by the end of the period of the milestones, as stated in section 2 above, not even one of the milestones will be reached, the first additional shares will be returned by the trustee to the Company and will become dormant shares.

If, as a result of the exercise of the options to the public, Automax Shareholders hold less than 45% of the issued and paid-up capital of the Company, additional ordinary shares will be issued to the Automax shareholders, in such a number to bring their holding to 45% of the issued and paid-up capital of the Company, on the basis of the supplementary capital.

It should be clarified that as of the date of the report, the Company has not yet published a prospectus for a rights issue and there is no certainty that such a prospectus will be published.

6. Conditions precedent for the completion of the Merger Transaction

The Merger Transaction is conditional upon the complete fulfillment in aggregate of all the following conditions precedent by February 28, 2021:

- 6.1 Receiving lawful approval of the organs of the Company for all the matters that will be on the agenda of the general meeting for the approval of the Merger Transaction, according to its terms, including the issue of the shares, the rights to the milestone shares, the options for the officers, the issue of the Corporate Adviser's shares, the release from guarantees and the agreements with the officers of Automax.

- 6.2 Receipt of lawful approval for all the contracts within the framework of the Merger Transaction, for the completion of which the approval of Automax's organs is required.
- 6.3 Receipt of the approval of the TASE for the listing of all the securities issued according to the merger agreement (including the Corporate Adviser's shares, the shares that will derive from the exercise of the options for the officers and the shares that will derive from the realization of the rights to the milestone shares).
- 6.4 Before the completion of the Merger Transaction, and subject to its completion, the Company will comply with the Tel-Aviv Stock Exchange Ltd.'s (hereinafter: **'the TASE'**) rules for the purpose of moving the trading in its shares from the maintenance list to the main list (it should be clarified that the actual moving of the trading will occur after the completion of the Merger Transaction).
- 6.5 The receipt of approval from the tax authorities for the tax arrangement under the provisions of section 103T of the Income Tax Ordinance, which will apply to the Merger Transaction to the satisfaction of the Company, Automax and Automax's shareholders.
- 6.6 The Net Amount of Cash in the Company's account on the Completion Date will be a sum of ILS 19,500,000.
- 6.7 On the Completion Date, there will be no legal impediment to the performance of the Merger Transaction, and inter alia, there will be no valid judicial order that prevents the completion of the Merger Transaction according to its terms.
- 6.8 The receipt of the court's approval for a creditors' arrangement in which the Company's debts and undertakings of every kind will be written off.
- 6.9 The receipt of the approval of the Competition Commissioner for the merger between the parties according to the merger agreement.

If all the conditions precedent are not be fulfilled by February 28, 2021(hereinafter: **'the Expected Completion Date'**), each party will be entitled to give notice of an extension of the period for fulfilling them until May 31, 2021 (hereinafter: **'the Deferred Date'**). If the conditions precedent are not be fulfilled by the deferred date and the parties have not agreed on a deferral thereof and neither of the parties has given notice that it waives the fulfillment of a condition precedent that is for its benefit, the merger agreement will expire on the Expected Completion Date or the Deferred Date (as applicable), without either of the parties having any claim and/or demand thereunder for it not coming into effect or for its cancellation.

7. Removal from the TASE's maintenance list/De-listing from the LSE

As of the date of the report, the Company is a public company whose shares are traded on the TASE and on the High Growth segment of the Main Market of the London Stock Exchange (hereinafter: **'LSE'**).

Prior to the entry of the Merger Agreement, trading of the Company's securities both on the TASE and on the LSE has been suspended, and on September 22, 2020, the Company announced its intention to delist the shares from the LSE which was approved by shareholders (as announced on 20 October 2020), and as announced by the Company on 13 October 2020, the listing of the Company's shares on the LSE is expected to be cancelled with effect from November 23, 2020.

In addition, the Company's shares may be moved to be traded on the Tel-Aviv Stock Exchange in the Maintenance List, as a shell company.

The Merger Transaction is expected to allow the trading in the Company's shares to be moved from the Maintenance List to the Main List of the TASE. However, it should be clarified that the actual transfer of the trading to the Main List will occur after the completion of the Merger Transaction.

In order to comply with the TASE's Maintenance Rules for the purpose of moving the trading of the Company's shares from the Maintenance List to the Main List, the Company will be required to comply with the conditions required of a new Company of its kind as stated in the regulations under the second part of the TASE's rules, including the equity requirements, the value of public holdings, the percentage of public holdings and the seniority of activity.

As of the date of the report, there is no certainty that the completion of the Merger Transaction, insofar as it will be completed, will result in the move of the trading in the Company's shares from the TASE's maintenance list to the main list.

8. Additional provisions from the merger agreement

- 8.1 Before the Completion Date, the Automax shareholders will sign a voting agreement, which will relate, inter alia, to the appointment of directors in the merged company.
- 8.2 Subject to the completion of the Merger Transaction, for 12 months from its Completion Date, the Company will not raise capital according to an effective company value (which will be calculated on the basis of the issued capital immediately after the completion of the Merger Transaction) in an amount lower than ILS 67 million.
- 8.3 In addition, the agreement includes representations, no-shop provisions, indemnity provisions, report arranging provisions, jurisdiction provisions and other provisions that are usual in agreements of this type.

The information, forecasts and estimates stated in this report about the Company and/or Automax, including about the fulfillment of any of the conditions precedent for the Merger Transaction and/or the completion of the Merger Transaction and/or Automax's operations are forward-looking statements as defined in the Israeli Securities Law, 5728-1968. These forecasts and estimates may not materialize or may materialize on different conditions and dates than estimated by the Company and/or Automax, inter alia for reasons that are not within the control of the Company and/or Automax.