Matomy Media Group 2020 Interim Results

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Matomy Media Group Ltd
19 August 2020

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Matomy Media Group | 2020 Interim Results
Interim results for the six months period ended 30 June 2020 (Unaudited)

Matomy Media Group Ltd. (the "**Company**" or "**Matomy**"), announces its interim results for the six months ended 30 June 2020.

$ millions, except as otherwise indicated	**H1 2020**	**H1 2019**
	(Unaudited)	
Revenue	-	33.7
Cost of revenue	-	26.5
Gross profit	**-**	**7.2**
Reseasrch and development	-	0.3
Selling and marketing	-	1.9
General and administrative	0.9	3.3
Impairment, net of change in fair value of contingent consideration	-	16
Other expenses	-	1
Total operating expenses	**0.9**	**22.5**
Operating Loss	**(0.9)**	**(15.3)**
Financial expenses, net	0.1	2.1
Loss before tax benefit	**(1.0)**	**(17.4)**
Tax benefit	(0.1)	(0.8)
Net loss	**(0.9)**	**(16.6)**

Business and operating highlights

- In the six-months period ended 30 June 2020, the Company incurred a net loss of $***0.9*** million.
- The full and immediate repayment of the Company's outstanding convertible bonds (Series A) (the "Bonds") was transferred to the trustee of the Bonds, and the full redemption of the outstanding Bonds was executed on 8 January 2020.
- During the first quarter of 2020 Mr. Sami Totah (Chairman of the board of directors), Mr. Amir Efrati (Director), Mr. Nir Tarlovsky (Director), Mr. Stephane Estryn (Director) and Mr. Harel Locker (External Director) announced their resignation as members of the board of directors. In addition, Ms. Shirith Kasher (External Director) continued to serve as a member of the Company's board of directors.
- On 18 February 2020, Medigus Ltd. purchased 2,284,865 ordinary shares of Matomy, representing 2.32% of the issued and outstanding share capital of Matomy. On 25 March 2020, Medigus has completed a transaction to purchase additional 22,326,246 ordinary shares of Matomy, representing 22.67% of the issued and outstanding share capital of Matomy for a total consideration of approximately US$ 1.4 million.
- On 27 February 2020 the board of directors appointed Mr. Ilan Tamir as a member of the Company's board of directors. Mr. Tamir served as a director until the Extraordinary General Meeting that took place on 14 May 2020, at which the directors were appointed as detailed below.
- In May 2020, the Company received a demand letter from a German firm (the "German Firm") under which the German Firm contends it is entitled to a transaction fee of EUR 1.25 million under a consultancy agreement between the Company and the German Firm, in connection with the sale of Team Internet AG ("**Team Internet"**) which was consummated in December 2019, as further described in Note 1c of the Company's financial statements.
- On 13 May 2020, Mr. Amitay Weiss (Chairman of the board of directors), Mr. Lior Amit (Director), Mr. Liron Carmel (Director), Mr. Eli Yoresh (Director), Ms. Kineret Tzedef (Director) and Mr. Udi Kalifi (External Director) were appointed as members of the board of directors of the Company. On 21 May 2020, Mr. Amitay Weiss was appointed as the chairman of the board of directors of the Company by the Company's board of directors. On 21 May 2020, Mr. Ilan Tamir was appointed by the Company's board of directors to hold the position of interim Chief Executive Officer in addition to his position as the Chief Financial Officer of the Company. Mr. Tamir's employment with the Company will terminate on 30 September 2020.
- On 23 June 2020, the trading in the Company's shares was suspended both on TASE and LSE.
- On 23 June 2020, in accordance with the terms of the transaction between the Company, Rainmaker Investments GmbH and Centralnic Group PLC ("**CNIC**") regarding the sale of the Company shares (90%) in Team Internet to CNIC, the deferred cash payment of EUR 1.6 million was paid by CNIC to the Company.
- On 13 August 2020, the Company submitted to the Tel Aviv-Jaffa District Court (the "Court") a petition pursuant to Section 350 of the Israeli Companies Law (the "Petition"), requesting the Court to approve (i) the convening of separate meetings of preferential creditors, secured creditors, non-preferential creditors and a meeting of the shareholders of the Company, in order to approve an arrangement between the Company and its creditors and shareholders (the "Arrangement"); and (ii) the schedule of the proposed Arrangement.
- The Arrangement provides for the transfer of all the assets, rights and liabilities known to the Company or contingent (other than NIS5 million (US$1.47 million), the amount of cash necessary for the Company's operations for the next 12 months) to an account under the control of a trustee to be appointed by the Court, with the purpose of merging in the future a possible new activity into the Company free from any debt or claims associated with the Company's former activities. Any debt confirmed under the Arrangement will be paid out of the funds deposited with the trustee and any funds remaining following such process will be distributed as dividend to the Company's shareholders as of the approval date of the Arrangement by the Court.

Amitay Weiss, Chairman of the Board of Matomy, said:
"Following the sale of the Company shares (90%) in Team Internet, the Company is now seeking a new operational horizon, in which it can grow and prosper."

A copy of this announcement will be available on Matomy's website:
http://investors.matomy.com/rns.aspx.

About Matomy Media Group Ltd.
Matomy Media Group Ltd. (LSE: MTMY, TASE: MTMY.TA), founded in 2006 with headquarters in Tel Aviv, Matomy is dual-listed on the London and Tel Aviv Stock Exchanges.

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CHAIRMAN'S STATEMENT

Introduction
The first half of 2020 was a period of change. In this period, major shareholders, reportedly, sold their holdings in the Company to new major shareholders, and except for one, all directors resigned and were replaced by others.

Operating Performance
As Matomy has sold all its operations, the company has no revenues, and the expenses shown in this period relate to ongoing shutdown and public company expenses.

Outlook
The Company is now seeking a new operational horizon, in which it can grow and prosper.

Amitay Weiss
Chairman

FINANCIAL REVIEW

Revenue:

As Matomy exited and sold all its operations, the Company did not have any revenues in H1 2020.

($ millions)	**H1 2020**	**H1 2019**
	(Unaudited)	
Domain monetization	-	33.7

Cost of revenues:

$ millions, except as otherwise indicated	**H1 2020**	**H1 2019**
	(Unaudited)	
Media costs	-	24.8
Other cost of revenues	-	1.7
Cost of revenues	**-**	**26.5**
Gross margin (%)	-	21.4%
Adjusted gross margin (non-GAAP) (%)	-	26.4%

Operational expenses (income)

The decrease in operating expenses is attributable to the sale of Team Internet in late 2019 which lowered the operating expenses to the minimum.

Financial expenses (income)

Net financial expenses decreased by $2 million to $0.1 million expense for the six months ended 30 June 2020 (H12019: $2.1 million expense). The decrease is primarily due to the repayment of the bond on 8 January 2020, which caused minimum bond interest and no bond revaluation in H1 2020. Financial expenses in H1 2020 were caused primarily from revaluation of the investment in CNIC offset by an income due to exchange rate difference.

Tax benefit

Tax benefit decreased to $(0.1) million income for the six-month period ended 30 June 2020 (6.9% of loss before taxes), from an income of $0.8 million for the same period last year. Tax benefit in H1 2020 was due to decrease in operations and full valuation allowance on the Company's loss.

Amortization of intangible assets

Amortization expenses from continuing operations were $0 million in H1 2020 and $0.6 million in H1 2019. The decrease is a result of intangible assets being fully amortised or impaired in prior years and during 2019.

Net loss

Net loss was $0.9 million in H1 2020 (H1 2019: $16.6 million). The Net loss of $0.9 million in H1 2020 was mainly due to operating and finance expenses slightly off-set by tax benefit.

Liquidity and cash flows

The following table sets out selected cash flow information for the Group for the six months ended 30 June 2020 and 2019.

$ millions	**H1 2020**	**H1 2019**
	(Unaudited)	
Net cash provided by (used in) operating activities	(1.2)	3.8
Net cash provided by investing activities	1.8	1.5
Net cash used in financing activities	(29.2)	(3.7)
Increase (decrease) in cash and cash equivalents and restricted cash	(28.6)	1.6
Cash and cash equivalents and restricted cash at beginning of period	33.6	10.3
Cash and cash equivalents and restricted cash at end of period	5.0	11.9

Cash and cash equivalents decreased by $6.9 million, or 58%, to $5.0 million as at 30 June 2020, compared to $11.9 million as at 30 June 2019.

Cash flows used in operating activities were 1.2 million in H1 2020. This negative cash flow in H1 2020 is a result of the net loss generated from operating expenses with no revenue.
Net cash provided by investing activities of $1.8 million (H1 2019: $1.5 million) was related to $1.8 million cash received in H1 2020 from sale of subsidiary in 2019.
Cash flows used in financing activities of 29.2 million (H1 2019: $3.7 million) was related to full repayment of the convertible bond.

Principal risks

The directors assess and monitor the key risks of the business on an ongoing basis. The principal risks and uncertainties that could have a material effect on the Group's performance include, among other things, the following:

- Matomy's cash flow in the coming year depends on the share price of Centralnic Group PLC. (LON:CNIC), and Matomy's ability to successfully sell this asset.

- Matomy may be subject to third-party claims brought against it
- Matomy is an Israeli-domiciled company and as such the rights and obligations of shareholders are governed by Israeli law and differ in some respects from English law

Cautionary statement regarding forward-looking statements

This announcement includes certain forward-looking statements, 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.. These statements reflect the Company's current view concerning future events and are based on assumptions made by the Company (including, without limitation, assumptions concerning currency exchange rate fluctuations, requirements of additional capital, costs of sale or 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.

Directors' responsibility

The directors confirm that to the best of their knowledge the condensed set of reviewed financial statements, which has been prepared in accordance with US GAAP principles, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole as required by DTR 4.2.4R and the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R

Amitay Weiss	**Ilan Tamir**
Chairman	**COO**

MATOMY MEDIA GROUP LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL INFORMATION

AS OF 30 JUNE 2020

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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The Board of Directors
Matomy Media Group Ltd.

Review Report of Independent Auditors

We have reviewed the consolidated financial information of Matomy Media Group Ltd. and its subsidiaries (collectively "the Company"), which comprise the consolidated balance sheet as of 30 June 2020, and the related consolidated information of operations, changes in shareholder's equity and cash flows for the six-month periods ended 30 June 2020 and 2019.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information 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 information 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 information. A review of interim financial information 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 information. Accordingly, we do not express such an opinion.

Conclusion

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

Sale of all of the Company's activities

As described in Note 1b to the financial statements, in December 2019, the Company completed the sale of all of its activities and in January 2020 fully repaid all of its obligations to the bondholders. Our report is not modified with respect to this matter.

Tel Aviv, Israel
19 August, 2020

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	30 June 2020 Unaudited	31 December 2019 Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,984	$ 4,295
Restricted cash for bond payment	-	29,295
Other receivables and prepaid expenses	735	2,192
Investment in financial assets measured at fair value	2,204	-
Total current assets	7,923	35,782
LONG-TERM ASSETS:		
Investment in financial assets measured at fair value	-	2,450
Other assets	-	557
Total long-term assets	-	3,007
Total assets	$ 7,923	$ 38,789
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Convertible bond at fair value (principal of ILS 101,000 thousand)	-	29,225
Accrued expenses and other liabilities	3,317	4,004
Total current liabilities	3,317	33,229
LONG-TERM LIABILITIES:		
Other liabilities	105	173
Total long-term liabilities	105	173
EQUITY:		
Ordinary shares	254	254
Additional paid-in capital	81,007	80,993
Accumulated deficit	(75,645)	(74,745)
Treasury shares	(1,115)	(1,115)
Total equity	4,501	5,387
Total liabilities and equity	$ 7,923	$ 38,789

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

CONSOLIDATED INFORMATION OF OPERATIONS

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

	Six months ended 30 June 2020	Six months ended 30 June 2019	Yeear ended 31 December 2019
	Unaudited	Unaudited	Audited
Revenues	$ -	$ 33,701	$ 74,035
Cost of revenues	-	26,496	57,128
Gross profit	-	7,205	16,907
Operating expenses			
Research and development	-	289	601
Selling and marketing	-	1,879	3,594
General and administrative	849	3,339	6,411
Impairment, net of change in fair value of contingent consideration	-	15,984	15,984
Other expenses	-	1,000	-
Gain from sale of subsidiary	-	-	(2,575)
Total operating expenses	849	22,491	24,015
Operating loss	(849)	(15,286)	(7,108)
Financial expenses, net	118	2,076	12,270
Loss before taxes on income (tax benefit)	(967)	(17,362)	(19,378)
Tax on income (tax benefit)	(67)	(790)	1,579
Net loss	(900)	(16,572)	(20,957)
Net loss (income) attributable to other non-controlling interests in subsidiary	-	13	(1)
Net loss attributable to Matomy Media Group Ltd.	$ (900)	$ (16,559)	$ (20,958)
Basic and diluted loss per ordinary share	$ (0.01)	$ (0.17)	$ (0.22)
Weighted average number of shares used in computing basic and diluted net loss per share	98,517,443	97,161,102	97,218,972

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

CONSOLIDATED INFORMATION OF CHANGES IN SHAREHOLDERS' EQUITY

US dollars in thousands, except share data

	Ordinary shares Number	Ordinary shares Amount	Additional paid-in capital	Accumulated deficit	Treasury shares	Total equity
Balance as of 1 January 2020	98,483,839	$ 254	$ 80,993	$ (74,745)	$ (1,115)	$ 5,387
Stock-based compensation	-	-	14	-	-	14
Vesting of restricted share units	278,000	*)	*)	-	-	*)
Net loss	-	-	-	(900)	-	(900)
Balance as of 30 June 2020 (unaudited)	98,761,839	$ 254	$ 81,007	$ (75,645)	$ (1,115)	$ 4,501

	Ordinary shares Number	Ordinary shares Amount	Additional paid-in capital	Accumulated other comprehensive Loss	Accumulated deficit	Treasury shares	Total Matomy Media Group Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2019	98,372,339	$ 254	$ 86,031	$ (3,174)	$ (53,788)	$ (6,231)	$ 23,092	$ 255	$ 23,347
Stock-based compensation	-	-	99	-	-	-	99	-	99
Net loss	-	-	-	-	(16,559)	-	(16,559)	(13)	$(16,572)
Balance as of 30 June 2019 (unaudited)	98,372,339	$ 254	$ 86,130	$ (3,174)	$ (70,347)	$ (6,231)	$ 6,632	$ 242	$ 6,874

*) Represents an amount lower than $ 1.

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

CONSOLIDATED INFORMATION OF CHANGES IN SHAREHOLDERS' EQUITY

US dollars in thousands, except share data

	Ordinary shares Number	Ordinary shares Amount	Additional paid-in capital	Accumulated other comprehensive Loss	Accumulated deficit	Treasury shares	Total Matomy Media Group Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2019	98,372,339	$ 254	$ 86,031	$ (3,174)	$ (53,788)	$ (6,231)	$ 23,092	$ 255	$ 23,347
Stock-based compensation	-	-	78	-	-	-	78	-	78
Vesting of restricted share units	111,500	*)	*)	-	-	-	-	-	*)
Sale of subsidiary	-	-	(5,116)	3,277	-	5,116	3,277	(256)	3,021
Net loss	-	-	-	(103)	(20,957)	-	(21,060)	1	(21,059)
Balance as of 31 December 2019 (audited)	98,483,839	$ 254	$ 80,993	$ -	$ (74,745)	$ (1,115)	$ 5,387	$ -	$ 5,387

*) Represents an amount lower than $ 1.

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

CONSOLIDATED INFORMATION OF CASH FLOWS

US dollars in thousands

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	Unaudited	Unaudited	Audited
Cash flows from operating activities:			
Net loss	$ (900)	$ (16,572)	$ (20,957)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	-	960	1,694
Stock-based compensation	14	99	78
Impairment of intangible assets, goodwill and capitalized research and development	-	15,984	15,984
Change in deferred tax, net	-	(2,187)	(2,269)
Change in accrued interest and effect of foreign exchange differences on long term loans and leases liability	-	(67)	(109)
Fair value revaluation - convertible bond	-	691	10,685
Decrease (increase) in trade receivables	-	6,473	(1,086)
Decrease in other receivables and prepaid expenses	14	116	187
Decrease (increase) in other assets	-	6	(552)
Decrease in trade payables	-	(4,189)	(5,157)
Changes in fair value of payment obligation recognized in earnings	-	1,587	1,833
Decrease in tax receivable	179	3,326	8,728
Decrease in accrued expenses and other liabilities	(754)	(2,374)	(1,839)
Gain from sale of activities and subsidiary	-	-	(2,575)
Change in fair value of investment in financial assets	246	-	(863)

Other	-	(44)	(68)
Net cash provided by (used in) operating activities	(1,201)	3,809	3,714
Cash flows from investing activities:			
Sale of activities and subsidiary, net	1,820	1,839	26,024
Purchase of property and equipment	-	(86)	(149)
Purchase of domains	-	-	(73)
Capitalization of research and development costs	-	(298)	(646)
Net cash provided by investing activities	1,820	1,455	25,156

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

CONSOLIDATED INFORMATION OF CASH FLOWS

US dollars in thousands

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited		Audited
Cash flows from financing activities:			
Short-term bank credit, net	$ -	$ (2,345)	$ (3,807)
Repayment of convertible bond	(29,225)	-	-
Repayment of bank loans	-	(1,332)	(1,774)
Net cash used in financing activities	(29,225)	(3,677)	(5,581)
Effect of exchange rate differences on cash	-	3	-
Increase (decrease) in cash, cash equivalents and restricted cash	(28,606)	1,590	23,289
Cash, cash equivalents and restricted cash at beginning of period	33,590	10,301	10,301
Cash, cash equivalents and restricted cash at end of period	$ 4,984	$ 11,891	$ 33,590
Supplemental disclosure of cash flow activities			
Cash paid during the period for:			
Income taxes	$ -	$ -	$ 390
Interest paid	$ -	$ -	$ 950
Non-cash investing activities:			
Receivable in connection with sale of subsidiary and activities	$ -	$ -	$ 2,288
Investments in financial assets measured at fair value in connection with sale of subsidiary	$ -	$ -	$ 1,587

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

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

US dollars in thousands (except share and per share data)

NOTE 1:- GENERAL

a. Matomy was incorporated in 2006. The Company's shares were traded on the London Stock Exchange ("LSE") and on the Tel Aviv Stock Exchange ("TASE"), until 23 June 2020, when the trading in the Company's shares was suspended both on TASE and LSE.

In the period spanning from mid-2017 through December 2019, the Company exited all its activities, as further described in Note 1b below. In addition, on 8 January 2020, the Company fully repaid all its obligations to the bondholders.

b. Sale of subsidiary:

On 15 November 2019, the Company and Rainmaker Investments GmbH ("**Rainmaker**"), a minority shareholder (10%) in Team Internet AG ("Team Internet"), signed a binding agreement with Centralnic Group PLC, whose shares are traded on the AIM Market of the London Stock Exchange, ("**Purchaser**" or "**CNIC**") to sell all the shares in Team Internet (the "**Transaction**") for total consideration of €45,854,332, plus Interest Amount as determined in the agreement. On 24 December 2019 the Transaction was completed. The **Purchase Price** consisted of the following:

(a) A cash payment on closing date in an amount of €39,554,332 (the "Cash Payment"), plus Interest Amount (€764,286), in addition to a retained amount of €900,000 (the "**Retention Amount**"). The Retention Amount will be fully released after 15 months period, less deductions for settled claims or for outstanding claims (which are supported by documents as specified in the agreement). The retention amount (net of deferred cash payment that Rainmaker are entitled to receive - see below) is presented at fair value of $551 upon closing and is included within other receivables and prepaid expenses in the amount of $573 on the balance sheet as of 30 June 2020 and in the amount of $557 as of 31 December 2019 and is included within other assets.

(b) 3,911,650 Purchaser shares. The number of shares was determined by dividing €2,700,000 by the Purchaser's share price, as determined in the agreement. Such shares are subject to a lock-up period of 12 months, plus an additional 6-month period during which any disposal must be approved by and coordinated with the Purchaser and its broker. The investment in these shares (net of shares paid to Rainmaker - see below), is presented at fair value of $1,587 on the closing date ($2,204 and $2,450 as of 30 June 2020 and 31 December 2019, respectively) and is presented as investment in financial assets measured at fair value on the balance sheets.

(c) A deferred cash payment of €2,700,000 payable 6 months following the closing. Such payment (net of deferred cash payment that Rainmaker are entitled to receive). The full deferred cash payment in the amount of $1,820 was received on 23 June 2020.

As part of the Transaction, immediately prior to closing date, the Company consummated the purchase of the remaining 10% stake of Rainmaker in Team Internet in accordance with the share purchase agreement dated December 2017 between the Company and Rainmaker, by assigning to Rainmaker a portion of the Purchase Price. Rainmaker received a total sum of €19,050,000: (i) a sum of € 16,508,190 out of the Cash Payment; (ii) €1,087,350 paid in Purchaser shares (1,575,309 shares); (iii) a sum of €1,087,350 out of the deferred cash payment; (iv) a sum of € 367,110 out of the Retention Amount.

The remaining amount of the Cash Payment (€23,046,142) plus the Interest Amount of €765,286, in total €23,810,427 was paid in December 2019 to the trustee of the Bonds (Series A) (the "**Bonds**" and the "**Trustee**", respectively) for a full early redemption of the outstanding Bonds (ILS101,000 thousands) (principal and interest). The full redemption of the outstanding Bonds in the amount of $29,225 was executed on 8 January 2020.

c. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

In March 2020 the Company received a demand letter from a German firm (the "**German Firm**") under which the German Firm contends it is entitled to a transaction fee of EUR1.25 million under a consultancy agreement between the Company and the German Firm dated November 22, 2017, in connection with the sale of Team Internet AG which was consummated in December 2019 (the "**Transaction**").

The Company rejects the claims under the demand letter since, among other reasons, it appears that the German Firm did not provide any services to the Company after November 2018 and was not involved in the Transaction. The Company sent a letter to the German Firm rejecting these claims, and to date, has not heard back from the German Firm.

d. On 13 August 2020, the Company submitted to the Tel Aviv-Jaffa District Court (the "Court") a petition pursuant to Section 350 of the Israeli Companies Law (the "Petition"), requesting the Court to approve (i) the convening of separate meetings of preferential creditors, secured creditors, non-preferential creditors and a meeting of the shareholders of the Company, in order to approve an arrangement between the Company and its creditors and shareholders (the "Arrangement"); and (ii) the schedule of the proposed Arrangement.
The Arrangement provides for the transfer of all the assets, rights and liabilities known to the Company or contingent (other than NIS5 million ($1,470), the amount of cash necessary for the Company's operations for the next 12 months) to an account under the control of a trustee to be appointed by the Court, with the purpose of merging in the future a possible new activity into the Company free from any debt or claims associated with the Company's former activities. Any debt confirmed under the Arrangement will be paid out of the funds deposited with the trustee and any funds remaining following such process will be distributed as dividend to the Company's shareholders as of the approval date of the Arrangement by the Court.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Unaudited interim financial information:

The accompanying unaudited interim consolidated financial information 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 information. 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 six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the year ended 31 December 2020.

In the preparation of the interim consolidated financial information it applied the significant accounting policies, on a consistent basis to the annual financial statements of the Company as of 31 December 2019.

The unaudited interim consolidated financial information 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 2019.

b. 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 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.

c. Fair value of financial instruments:

The carrying amounts of financial instruments carried at cost, including cash and cash equivalents, short-term deposits, 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

The following table present liabilities measured at fair value on a recurring basis as of 30 June 2020 and 31 December 2019:

	30 June 2020			
	Fair value measurements using input type			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment in financial assets measured at fair value	$ -	*) $ 2,204	$ -	*) $ 2,204
Total financial assets (Unaudited)	$ -	*) $ 2,204	$ -	*) $ 2,204

*) Investment in financial assets measured at fair value:

Six months ended 30 June 2020

	(Unaudited)
	$
Quoted price	2,488
Discount for lock up period (refer to Note 1b)	(284)
	$
Total fair value at 30 June 2020	2,204

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	31 December 2019			
	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment in financial assets measured at fair value	$ -	*) $ 2,450	$ -	*) $ 2,450
Total financial assets	$ -	*) $ 2,450	$ -	*) $ 2,450
Liabilities:				
Bonds	$ 29,225	$ -	$ -	$ 29,225
Total financial liabilities (audited)	$ 29,225	$ -	$ -	$ 29,225

*) Investment in financial assets measured at fair value:

	Year ended 31 December 2019
	$
Quoted price	2,758
Discount for lock up period (refer to Note 1b)	(308)
	$
Total fair value at the end of year (audited)	2,450

NOTE 3:- EQUITY

a. Options issued to employees and directors:

No options were granted during the six month period ended 30 June 2020. 278,000 RSUs, which were fully vested, were granted during the six month period ended 30 June 2020.

b. Treasury shares

As of 30 June 2020 and 31 December 2019, treasury shares amounted to 9,758,875 shares.

NOTE 4:- TAXES ON INCOME

a. Loss before taxes on income is comprised as follows:

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited		
Domestic	$ (888)	$ (3,934)	$ (24,736)
Foreign	(79)	(13,428)	5,358
	$ (967)	$ (17,362)	$ (19,378)

NOTE 4:- TAXES ON INCOME (Cont.)

b. Taxes on income (tax benefit) are comprised as follows:

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited		
Current:			
Domestic	$ -	$ 51	$ 175
Foreign	(67)	1,346	3,673
	(67)	1,397	3,848
Deferred:			
Foreign	-	(2,187)	(2,269)
	-	(2,187)	(2,269)
	$ (67)	$ (790)	$ 1,579

NOTE 5:- OTHER INFORMATION

a. Geographical information:

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

Revenues from external customers:

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited		
United States	$ -	$ 19,871	$ 39,883
Europe	-	9,510	24,092
Asia	-	1,330	3,476
Other	-	2,990	6,584
	$ -	$ 33,701	$ 74,035

b. In the six months periods ended 30 June 2020 and 2019 and in the year ended 31 December 2019, one customer contributed 0 %, 90 % and 87% of the Company's revenues, while no other customer contributed more than 10%.

NOTE 6:- FINANCIAL EXPENSES, NET

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited		
Financial income:			
Interest income	$ 14	$ 100	$ 167
Hedging transactions	-	-	77
Foreign currency remesurement.net	121	-	156
Revaluation of expected cash from CNIC	39	-	-
Revaluation of investment in financial assets measured at fair value (Refer to Note 1b)	-	174	863
	174	274	1,263
Financial expenses:			
Bank fees	(4)	(92)	(179)
Interest expense	(42)	(952)	(1,939)
Foreign currency remeasurement, net	-	(22)	-
Change in fair value of convertible Bonds	-	(691)	(10,685)
Revaluation of investment in financial assets measured at fair value (Refer to Note 1b)	(246)	-	-
	(292)	(2,350)	(13,533)
	$ (118)	$ (2,076)	$ (12,270)

NOTE 7:- RELATED PARTIES

The Company had activity with related parties as part of its ordinary business. The majority of the related parties' transactions included domain monetization activity with the non-controlling interest of Team Internet.

Cost of revenues to related parties amounted to $ 0, $ 1,495 and $ 2,882 for the six months ended 30 June 2020 and 2019 and for the year ended 31 December 2019 respectively.
