



XLMedia PLC

Interim Financial Statements 30 June 2020

XLMedia PLC
("XLMedia" or the "Group" or the "Company")

Results for the Six Months Ended 30 June 2020

XLMedia (AIM: XLM), a leading provider of digital performance publishing services, announces the Company's results for the six months ended 30 June 2020.

Financial summary

- Revenues of \$27.7 million (H1 2019: \$42.5million)
- Gross profit of \$16.6 million (H1 2019: \$28.8 million)
- Adjusted EBITDA⁽¹⁾ of \$5.1 million (H1 2019: \$18.6 million)
- Adjusted profit before tax⁽²⁾ of \$1.7 million (H1 2019: \$13.8 million)
- Reported Profit before tax of \$0.2 million (H1 2019: \$13.8 million)
- Cash balances of \$28.0 million as at 30 June 2020 (31 December 2019: \$30.6 million)

1 Adjusted EBITDA in all references is defined as Earnings Before Interest, Taxes, Depreciation and Amortisation, and excluding any share-based payments and reorganisation costs

2 Excluding reorganisation costs

Operating summary

- Business performance impacted by Google manual ranking penalty and Covid-19 – approximately \$2 million per month impact from late March
- Strengthened Executive Team with the appointment of Iain Balchin as Chief Financial Officer, Sarah Clark as Chief Operating Officer and Ken Dorward as President, North America
- Good progress made on restructuring the organisation to align with refreshed strategy, resulting in annualised cost savings of approximately \$5 million from second half of 2020
- Commenced evaluation process for possible disposal of certain Finnish assets
- After period end:
 - Corporation tax residence moved to the UK to reflect the senior management and governance concentration
 - Completed buy-out of remaining founder interests in [101greatgoals.com](https://www.101greatgoals.com)

Casino recovery

- Evolving the approach, including the development of new content-rich websites
 - Will submit specific rebuilt sites for reconsideration by Google, where appropriate, by the end of the fourth quarter of 2020
- Ongoing brand and content refresh of all main assets, including migration to new hosted technology platform, with the benefit of access to open source community

COVID-19 update

- Operationally, the Company adjusted well to the remote working requirements caused by the global Covid-19 pandemic
- Financially, Covid-19 negatively impacted revenue in Personal Finance and Sports
- Early signs of recovery were evident late in the period, as major sporting activity returned

Strategic clarity:

XLMedia is pursuing a more focused business model, premised on:

- A balanced portfolio of assets:
 - An attractive range of geographies
 - Stable and high growth verticals
 - Increased investment in regulated markets
- Branded, content-rich, engaging websites,
 - building deeper, more valuable, relationships with partners and consumers, underpinned by market-leading technology and data

Outlook

- Positive start to the second half of the year, particularly in Personal Finance and Sports
 - Covid-19 second wave produces some short-term uncertainty
- Continue to expect a material recovery in financial performance in 2021

Stuart Simms, Chief Executive Officer of XLMedia, commented:

"Our business has endured a number of unforeseen challenges during 2020 but, as we enter the second half of the year, I believe we are seeing signs of recovery in some key areas.

These green shoots, coupled with a detailed and diverse plan to mitigate the impact of the Google manual ranking penalty, give me and the Executive team confidence we can enter 2021 with significant positive momentum and enhanced levels of control."

A webcast of our results presentation will be available on our website today:

<https://www.xlmedia.com/investor-relations/webcasts/>

For further information, please contact:

XLMedia plc

Stuart Simms, Chief Executive Officer
Iain Balchin, Chief Financial Officer
Kieran McKinney, Investor Relations
www.xlmedia.com

ir@xlmedia.com

Vigo Communications

Jeremy Garcia
www.vigocomms.com

Tel: 020 7390 0233

Cenkos Securities plc (Nomad and Joint Broker)

Giles Balleny / Max Gould
www.cenkos.com

Tel: 020 7397 8900

Berenberg (Joint Broker)

Chris Bowman / Mark Whitmore / Simon Cardron
www.berenberg.com

Tel: 020 3207 7800

Chief Executive Officer review

First Half Performance

The first half of the year brought some significant challenges for the business, as detailed in the Trading Update on 23 July 2020, particularly the Google manual ranking penalty in the Casino vertical, originally identified in January, and the broad consumer downturn caused by the global Covid-19 pandemic. Against this backdrop, the Group delivered revenue of \$27.7 million (H1 2019: \$42.5 million), gross margin of \$16.6 million (H1 2019: \$28.8 million) and adjusted EBITDA of \$5.1 million (H1 2019: \$18.6 million). Following the Google manual ranking penalty in January and the growing impact of Covid-19 on economic activity by the end of March, monthly revenue ran approximately \$2 million behind the expectations at the start of the year.

The Google penalty, which was identified in January, has been well documented in a series of updates in the first six months of the year and, while there remains a lot to be done, we made good progress in rebuilding and upgrading the assets during the first half. I discuss this in more detail later.

Strategic Priorities

The industry we operate in and the markets we serve are constantly evolving. Changing consumer behaviour, evolving regulation, the ever-shifting algorithms of the major internet search engines and the increasing influence of social media create both challenges and opportunities for XLMedia. Consumers of our service increasingly demand higher quality content, which engages them and adds real value to their journey towards the ultimate service they seek - this is also true of Google and other internet search engines. This requires us to be agile, and willing and able to change and adapt, to take maximum advantage as opportunities present themselves.

Since joining XLMedia, with the support of the leadership team, I have focused on identifying the strengths and weaknesses of the business, both structurally and strategically, and assessing any changes required to best align the Company to current and future industry trends. This process highlighted certain business model and organisational structure challenges that needed to be addressed to transform the performance of the business in the years ahead.

Over the last six months, we have made good progress in reshaping the organisation, reducing complexity, flattening the hierarchy and beginning to bring in the complementary skills required for the future. Looking outward, as we laid out in April, the priorities of the business are changing, to reduce risk and drive sustainable growth in the top and bottom line. We have set out a clear strategic agenda under two fundamental priorities:

- **A balanced portfolio of online assets**
 - We seek to create a balanced portfolio of websites to cover a range of attractive geographies, both stable and high-growth verticals and with greater exposure to regulated markets. In doing so, we will focus particularly on developing our presence in North American sports, primarily through targeted acquisition.
- **Branded, content-rich, engaging websites**
 - XLMedia will consolidate its online portfolio, concentrating on a much smaller number of publishing assets, and focusing its resources on optimising this core set of premium sites for its chosen markets. These content-rich, engaging websites, underpinned by intelligent market-leading technology, will seek to build stronger lasting relationships with consumers and enhance monetisation opportunities.

Casino recovery

As disclosed in January 2020, a number of our high revenue premium Casino websites, were penalised by Google through a manual ranking penalty; this pushed and holds the websites far enough down the search rankings to make driving material new business virtually impossible.

Our thinking on the best way forward, in terms of speed, certainty and positive financial impact, has constantly evolved, informed by expert opinion, testing and experience. We carried out an unsuccessful test resubmission of a small number of sites to Google in July. We believe this test was not successful because the assets remained on our proprietary technology platform, rather than having been fully rebuilt on an open-source technology suite, as we plan to do; however no significant feedback or clarity is provided on the reasons for such an outcome. This further highlighted the risks of pursuing only one route to recovery, especially the possibility of consuming valuable internal resources on multiple reconsiderations, or even the possibility of the manual penalty never being removed in certain instances. Also, as time passes, the domain authority on some of the original websites is eroding due to lack of traffic, and with it the new revenue potential, gradually reducing the advantage over entirely new websites.

We are pursuing multiple routes to re-establishing our traffic levels in the casino vertical. Of the original premium websites, we have identified two where a joint venture partner will lead the efforts, sharing the upside; we expect these to be submitted for reconsideration over the coming weeks. Towards the end of the fourth quarter, we expect to submit a small number of the original penalised sites for reconsideration, where we feel this is optimal. For most others, we have already begun to develop new high-level sites using internal and external resources. In most instances, each of these sites will consolidate traffic from several former premium sites, more rapidly building authority and ranking. We expect this process to be largely complete by the end of the first quarter of 2021. This multi-track approach minimises risk and maximises possible upside, while focusing resources and ownership on a more concentrated set of assets, which will also be key well beyond the build phase. I believe the difference of this approach in financial terms will be immaterial in the short-term, but it will enable us to take greater and more immediate control of our performance, greatly enhancing the longer-term potential of the business.

Regulation

All of XLMedia's business units in some way are impacted by regulations. Even where regulatory change negatively impacts revenue in the short term, I believe that, on the whole, a fully regulated market is better over the longer term for large enterprises like XLMedia, when we factor in the reduced risk of shocks or unforeseen change. On a more obviously positive note, the type of regulatory change we are seeing in North American Sports, where a previously closed market opens, represents a significant opportunity.

Outlook

The second half of the year has started positively with much of the global sports programme being reopened and compressed into a couple of months, an uptick in Personal Finance activity and the stabilisation of the Casino vertical. However, there are clear signs of second waves of Covid-19 across the territories we operate in, and any tightening of restrictions could impact the recovery in our Personal Finance and Sports verticals; the very recent second lockdown in Israel could also delay elements of the transformation programme.

While there continue to be a number of moving parts, including possible disposals and acquisitions, the organisational changes we have made over the last year, and the ongoing work on developing a suite of websites fit for the future, give me confidence we can end the year with positive momentum, leading to a material financial recovery in 2021.

Stuart Simms
Chief Executive Officer
29 September 2020

Financial Review

\$'000	H1 2020	H1 2019	Change
Revenues	27,715	42,459	-35%
Gross profit	16,609	28,838	-42%
Operating expenses	(14,829)	(14,514)	+ 2%
Operating profit before reorganisation costs	1,780	14,324	-88%
Adjusted EBITDA ¹	5,093	18,616	-73%
Reorganisation costs	(1,501)	-	
Adjusted ² profit before tax	1,672	13,795	-88%
Profit before tax	171	13,795	

¹ Earnings Before interest, Taxes, Depreciation and Amortisation and excluding share-based payments and reorganisation costs

² Excluding reorganisation costs

Group revenues in the first half of 2020 totalled \$27.7 million (H1 2019: \$42.5 million), a decrease of 35% compared to the same period in the prior year. This was predominantly due to the well documented Google manual penalties imposed on a number of the company's Casino websites, the impact of COVID 19 and the closure of our remaining Media business.

Gross profit for the first half of 2020 was \$16.6 million (H1 2019: \$28.8 million), a 42% decrease, broadly in line with the decrease in revenues. Gross margin was 60%, against 68% in the prior period.

Operating expenses for the first half of 2020 were \$14.8 million (H1 2019: \$14.5 million).

Adjusted EBITDA² in the first half of 2020 was \$5.1 million (H1 2019: \$18.6 million), a decrease of 73% on the same period in the prior year, due entirely to the reduction in revenues.

In the first half of 2020, the Group recorded reorganisation costs of \$1.5 million, following the commencement of a significant restructuring of the Group to optimise the organisation for the future. This program will be largely complete by the end of 2020.

Adjusted profit before tax in the first half of 2020 was \$1.7 million (H1 2019: \$13.8 million), a decrease of 88%.

As at 30 June 2020, the Company had \$28.0 million in cash balances, compared to \$30.6 million as at 31 December 2019. The change in cash is due to the \$4.0 million generated by operating activities being offset by \$4.6 million used for investment activity, and \$2.3 million used for financing activities.

Current assets as at 30 June 2020 were \$36.0 million, compared to \$42.3 million as at 31 December 2019. The decrease in current assets was predominantly as a result of the decrease in cash balances mentioned above and a decrease in trade receivables of \$3.5 million, mainly as a result of the reduction in revenues. Non-current assets as at 30 June 2020 were \$59.0 million compared to \$57.0 million as at 31 December 2019.

Current liabilities as at 30 June 2020 were \$23.8 million, compared to \$27.2 million as at 31 December 2019. This decrease was mainly as a result of a fall in trade payables of \$1.4 million and repayment of the bank loan of \$1.5 million. Non-current liabilities as at 30 June 2020 were \$7.8 million, compared to \$8.6 million as of 31 December 2019. The decrease in non-current liabilities is mainly as result of lease liability repayments.

Total equity as at 30 June 2020 was \$63.5 million, or 67% of total assets (31 December 2019: \$63.5 million or 64% of total assets).

2020 has been a challenging year for the company so far, but we have remained resilient whilst we complete the restructuring. During this time, cash burn has been kept to an absolute minimum and we have removed significant future cost from the organisation. I am confident that the business will return to positive cash generation during the second half of the year.

Iain Balchin

Chief Financial Officer

29 September 2020

XLMEDIA PLC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 JUNE 2020

U.S DOLLARS IN THOUSANDS

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

Report on review
of interim condensed consolidated financial statements

The Board of Directors
XLMedia PLC.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of XLMedia PLC. and its subsidiaries ("the Group") as of 30 June 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

28 September 2020
Tel Aviv, Israel

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30 2020	31 December 2019
	Unaudited	Audited
	USD in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	24,847	27,108
Short-term investments	2,483	2,785
Trade receivables	4,210	7,755
Other receivables	4,458	4,522
Financial derivatives	34	222
	<u>36,032</u>	<u>42,392</u>
NON-CURRENT ASSETS:		
Long-term investments	687	682
Property and equipment	8,467	9,431
Domains and websites	40,815	40,215
Other intangible assets	8,503	6,428
Other assets	559	278
	<u>59,031</u>	<u>57,034</u>
	95,063	99,426

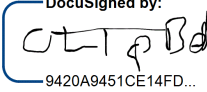
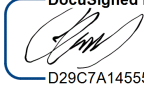
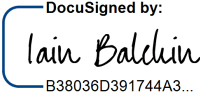
The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2020	31 December 2019
	Unaudited	Audited
	USD in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	1,626	3,028
Other liabilities and accounts payable	9,045	9,625
Income tax payable	11,958	11,874
Financial derivatives	-	79
Current maturities of long-term bank loans	-	1,465
Current maturities of lease liabilities	1,138	1,161
	<u>23,767</u>	<u>27,232</u>
NON-CURRENT LIABILITIES:		
Lease liability	7,185	8,067
Deferred taxes	527	516
Other liabilities	65	65
	<u>7,777</u>	<u>8,648</u>
Total liabilities	<u>31,544</u>	<u>35,880</u>
EQUITY		
Share capital	*) -	*) -
Share premium	82,465	112,624
Capital reserve from share-based transactions	2,418	2,276
Capital reserve from transaction with non-controlling interests	(2,445)	(2,445)
Treasury shares	-	(30,159)
Accumulated deficit	(19,210)	(19,041)
	<u>63,228</u>	<u>63,255</u>
Equity attributable to equity holders of the Company	<u>63,228</u>	<u>63,255</u>
Non-controlling interests	291	291
	<u>63,519</u>	<u>63,546</u>
Total equity	<u>95,063</u>	<u>99,426</u>

*) Lower than USD 1 thousand.

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

28 September 2020	DocuSigned by:  9420A9451CE14FD...	DocuSigned by:  D29C7A14555C4A6...	DocuSigned by:  B38036D391744A3...
Date of approval of the financial statements	Chris Bell Chairman of the Board of Directors	Stuart Simms Chief Executive Officer	Iain Balchin Chief Financial Officer

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited		Audited
	USD in thousands (except per share data)		
Revenues	27,715	42,459	79,695
Cost of revenues	11,106	13,621	26,002
Gross profit	16,609	28,838	53,693
Research and development expenses	1,156	696	1,554
Sale and marketing expenses	2,194	2,646	4,579
General and administrative expenses	11,479	11,172	21,214
	14,829	14,514	27,347
Operating profit before Impairment and Reorganisation costs	1,780	14,324	26,346
Impairment loss	-	-	81,350
Reorganisation costs	1,501	-	1,682
Operating profit (loss)	279	14,324	(56,686)
Finance expenses	(408)	(1,212)	(1,879)
Finance income	300	683	835
Finance expenses, net	(108)	(529)	(1,044)
Profit (loss) before taxes on income	171	13,795	(57,730)
Taxes on income	72	1,723	3,188
Income (loss) from continuing operations	99	12,072	(60,918)
Income from discontinued operations, net	-	79	2,217
Net income (loss)	99	12,151	(58,701)
Net income (loss) and other comprehensive income (loss)	99	12,151	(58,701)
Attributable to:			
Equity holders of the Company	(169)	11,770	(59,474)
Non-controlling interests	268	381	773
	99	12,151	(58,701)
Earnings per share attributable to equity holders of the Company:			
Basic and Diluted earnings (loss) per share from continuing operation (in USD)	*) -	0.06	(0.31)
Basic and Diluted earnings (loss) per share from discontinued operation (in USD)	-	*) -	0.01
Weighted average number of shares used in computing basic earnings per share (in thousands)	183,813	209,329	198,396
Weighted average number of shares used in computing diluted earnings per share (in thousands)	183,813	209,596	198,396

*) Lower than 0.01 USD.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve from share-based transactions	Capital reserve from transactions with non-controlling interests	Treasury shares	Retained earnings (accumulated deficit)	Total		
	Unaudited								
	USD in thousands								
Balance at 1 January 2020	*) -	112,624	2,276	(2,445)	(30,159)	(19,041)	63,255	291	63,546
Net income (loss) and other comprehensive income (loss)	-	-	-	-	-	(169)	(169)	268	99
Cost of share-based payment	-	-	142	-	-	-	142	-	142
Delisting of treasury shares **)	-	(30,159)	-	-	30,159	-	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	(268)	(268)
Balance at 30 June 2020	*) -	82,465	2,418	(2,445)	-	(19,210)	63,228	291	63,519

**) In April 2020, the Board resolved to cancel all shares held in treasury.

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve from share-based transactions	Capital reserve from transactions with non-controlling interests	Treasury shares	Retained earnings	Total		
	Unaudited								
	USD in thousands								
Balance at 1 January 2019	*) -	112,224	2,590	(2,445)	(468)	54,623	166,524	291	166,815
Net income and other comprehensive income	-	-	-	-	-	11,770	11,770	381	12,151
Cost of share-based payment	-	-	674	-	-	-	674	-	674
Acquisition of treasury shares	-	-	-	-	(9,653)	-	(9,653)	-	(9,653)
Dividend to equity holders of the Company (0.04 USD per share)	-	-	-	-	-	(8,226)	(8,226)	-	(8,226)
Exercise of options	-	128	(31)	-	-	-	97	-	97
Dividend to non-controlling interests	-	-	-	-	-	-	-	(381)	(381)
Balance at 30 June 2019	*) -	112,352	3,233	(2,445)	(10,121)	58,167	161,186	291	161,477

*) Lower than USD 1 thousand.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Non-controlling interests	Total Equity
	Share capital	Share premium	Capital reserve from share-based transactions	Capital reserve from transactions with non-controlling interests	Treasury shares	Retained earnings (accumulated deficit)	Total		
	USD in thousands								
Balance as of 1 January 2019	*) -	112,224	2,590	(2,445)	(468)	54,623	166,524	291	166,815
Net loss and other comprehensive income (loss)	-	-	-	-	-	(59,474)	(59,474)	773	(58,701)
Acquisition of treasury shares	-	-	-	-	(29,691)	-	(29,691)	-	(29,691)
Income from share-based payment	-	-	(218)	-	-	-	(218)	-	(218)
Dividend to equity holders of the Company	-	-	-	-	-	(14,190)	(14,190)	-	(14,190)
Exercise of options	*) -	400	(96)	-	-	-	304	-	304
Dividend to non-controlling interests	-	-	-	-	-	-	-	(773)	(773)
Balance as of 31 December 2019	*) -	112,624	2,276	(2,445)	(30,159)	(19,041)	63,255	291	63,546

*) Lower than USD 1 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Year ended
	30 June		31 December
	2020	2019	2019
	Unaudited		Audited
	USD in thousands		
Cash flows from operating activities:			
Net income (loss)	99	12,151	(58,701)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortisation	3,171	3,618	7,511
Impairment loss	-	-	81,350
Finance expense, net	109	1,311	1,976
Gain from discontinued operation	-	-	(1,811)
Cost of (income from) share-based payment	142	674	(218)
Taxes on income	72	1,782	3,228
Exchange differences on balances of cash and cash equivalents	(519)	(492)	(661)
	<u>2,975</u>	<u>6,893</u>	<u>91,375</u>
Changes in asset and liability items:			
Decrease in trade receivables	3,545	3,858	6,465
Decrease (increase) in other receivables	(502)	620	371
Decrease in trade payables	(1,402)	(1,419)	(2,239)
Increase (decrease) in other accounts payable	(441)	1,080	4,482
Decrease in other long-term liabilities	-	-	(183)
	<u>1,200</u>	<u>4,139</u>	<u>8,896</u>
Cash received (paid) during the year for:			
Interest paid	(61)	(356)	(752)
Interest received	82	89	101
Taxes paid	(518)	(1,167)	(2,859)
Taxes received	248	2,058	2,061
	<u>(249)</u>	<u>624</u>	<u>(1,449)</u>
Net cash provided by operating activities	<u>4,025</u>	<u>23,807</u>	<u>40,121</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited		Audited
	USD in thousands		
Cash flows from investing activities:			
Purchase of property and equipment	(186)	(111)	(260)
Acquisition of and additions to domains, websites and other intangible assets	-	(174)	(406)
Acquisition of and additions to technology	(4,394)	(4,137)	(8,447)
Proceeds from the sale of discontinued operation (adjustments of proceeds)*)	(270)	-	1,547
Short-term and long-term investments, net	298	139	281
Net cash used in investing activities	(4,552)	(4,283)	(7,285)
Cash flows from financing activities:			
Dividend paid to equity holders of the Company	-	(8,226)	(14,190)
Acquisition of treasury shares	-	(9,653)	(29,691)
Dividend paid to non-controlling interests	(184)	(319)	(652)
Exercise of options	-	117	270
Repayment of long and short-term liability	(1,500)	(2,750)	(5,500)
Repayment of lease liabilities	(569)	(703)	(1,253)
Net cash used in financing activities	(2,253)	(21,534)	(51,016)
Exchange differences on balances of cash and cash equivalents	519	526	661
Decrease in cash and cash equivalents	(2,261)	(1,484)	(17,519)
Cash and cash equivalents at the beginning of the period	27,108	44,627	44,627
Cash and cash equivalents at the end of the period	24,847	43,143	27,108

*) Net of cash balance of discontinued operation.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: GENERAL

XLMEDIA PLC and its subsidiaries (The Group) are a leading global digital performance publisher.

The Group attracts users through online marketing techniques (such as publications and advertisements) which are then directed, by the Group, to its customers in return for a share of the revenue generated by such user, a fee generated per user acquired, fixed fees or a hybrid of any of these three models.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of preparation of the interim condensed consolidated financial statements:

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

- b. Initial adoption of amendments to existing financial reporting and accounting standards:

Amendment to IFRS 3, "Business Combinations":

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment").

The Amendment clarifies that in order to be considered a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The Amendment also clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The Amendment includes an optional concentration test according to which it can be determined that a business has not been acquired, without additional assessments.

The Amendment is applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

The application of the Amendment is not expected to have a material effect on the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

- c. Disclosure of new standard in the period prior to their adoption:

Amendment to IFRS 16, "Leases":

In view of the global coronavirus crisis, in May 2020, the IASB issued "Covid-19-Related Rent Concessions - Amendment to IFRS 16, Leases" ("the Amendment"). The objective of the Amendment is to allow a lessee to apply a practical expedient according to which covid-19 related rent concessions will not be accounted for as lease modifications but as variable lease payments. The relief applies to lessees only.

The Amendment applies only to covid-19 related rent concessions and only if all of the following conditions are met:

- The revised future lease payments are substantially the same or less than the original lease payments immediately preceding the change;
- The reduction in lease payments relates to payments due on or before 30 June 2021; and
- No other substantive changes have been made to the terms of the lease.

The Amendment is to be applied retrospectively effective for annual periods beginning on or after 1 June 2020, with earlier application permitted.

The Company has evaluated the effects of the Amendment and estimates that its adoption is not expected to have a material impact on the financial statements since no material covid-19 related rent concessions have occurred or are expected to occur.

NOTE 3: SUPPLEMENTARY INFORMATION

The spread of Coronavirus has had an impact on the Group's operations. The Group has a well-balanced portfolio of assets, however in February 2020 many sport events were cancelled around the world which had a negative effect on the Group's revenue. A similar effect was seen in the Group's Finance and Technology units where many financial institutions cut marketing spend to a minimum. The Casino vertical remained resilient throughout in sites unaffected by the ongoing Google deranking. The Group is continually monitoring and responding to the potential impact of the outbreak, but as there is uncertainty regarding the duration of the impact on future events, so there is ongoing uncertainty regarding the total future effect on the Group's operations. The Board of Directors and management have determined that the Group will have sufficient liquidity for its operations for at least 12 months from the date of the interim consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4: DISCONTINUED OPERATIONS**

In February 2019, the Company's board of directors decided to reduce certain parts of its Media activities (comprising one CGU) which had lower profit margins. In August 2019, the Company completed the sale of Webpals Mobile Ltd ("Mobile") which is a substantial component of the CGU. The gain derived from the sale is USD 1.8 million.

a. Below is data of the operating results attributed to the discontinued operation:

	Six months ended		Year ended
	30 June		31 December
	2020	2019	2019
	Unaudited		Audited
	USD in thousands		
Revenues from sales	-	8,082	9,752
Cost of sales	-	6,409	7,733
Gross profit	-	1,673	2,019
Selling, general and administrative expenses and research and development expenses	-	1,459	1,610
Operating income	-	214	409
Financial expenses (income), net	-	76	(37)
Gain from sale of discontinued operation	-	-	1,811
Income before income taxes from discontinued operation	-	138	2,257
Taxes on income	-	59	40
Income from discontinued operation, net	-	79	2,217

b. Below is data of the net cash flows provided by (used in) the discontinued operation:

	Six months ended		Year ended
	30 June		31 December
	2020	2019	2019
	Unaudited		Audited
	USD in thousands		
Operating activities	-	(166)	1,109
Investing activities	-	-	80

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 5: OPERATING SEGMENTS**

a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance.

In 2019 the main part of the Group's Media activities was classified a discontinued activity and sold. Other Media activities which provided complementary activities to the Publishing activities were integrated into the Publishing segment activities. Subsequent to this integration the Group has one operating segment – Publishing, which consists the operation of over 2,300 owned informational websites in 18 languages. These websites refer potential customers to online businesses. The sites' content, written by professional writers, is designed to attract online traffic which the Group then directs to its customers online businesses.

b. Geographic information:

Revenues classified by geographical areas based on internet user location:

	Six months ended		Year ended
	30 June		31 December
	2020	2019	2019
	Unaudited		Audited
	USD in thousands		
Scandinavia	11,372	18,594	34,667
Other European countries	7,991	11,604	21,458
North America	5,434	9,302	16,162
Asia	17	146	224
Oceania	461	814	1,375
Other countries	38	298	104
Total revenues from identified locations	25,313	40,758	73,990
Revenues from unidentified locations	2,402	1,701	5,705
Total revenues	27,715	42,459	79,695

NOTE 6: SUBSEQUENT EVENTS

In August 2020, the Company decided not to exercise an option to renew a lease of certain office space, which renewal period was originally included in the determination of the lease liabilities and corresponding right-of-use assets in the interim condensed consolidated financial statements. Accordingly, in the second half of 2020, the Company will derecognise the lease liabilities by approximately \$ 3.7 million and the related right-of-use and other assets by approximately \$ 3.4 million. The expect impact on the profit before taxes on income will be gain of approximately \$ 0.3 million.
