

XLMEDIA PLC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 JUNE 2021

US DOLLARS IN THOUSANDS

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Report on review of interim financial information

The Board of Directors XLMedia PLC.

Introduction

We have reviewed the accompanying consolidated interim financial statements of XLMedia PLC. and its subsidiaries ("the Group") as at 30 June 2021 which comprise the interim consolidated statement of financial position as at 30 June 2021 and the related interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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 consolidated financial statements do not present fairly, in all material respects the financial position of the Group as at 30 June 2021, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 as adopted by the European Union.

Tel-Aviv, Israel
22 September 2021

Kost Forer Gabbay and Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2021	31 December 2020
	Unaudited	Audited
	\$ in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	36,061	12,648
Short-term deposits	870	1,228
Trade receivables	5,536	5,792
Other receivables	5,943	5,578
Financial derivatives	158	-
	<u>48,568</u>	<u>25,246</u>
NON-CURRENT ASSETS:		
Long-term deposits	1,525	1,478
Property and equipment	6,914	1,072
Domains and websites	81,292	55,941
Other intangible assets	9,410	7,925
Other assets	371	497
	<u>99,512</u>	<u>66,913</u>
	<u>148,080</u>	<u>92,159</u>

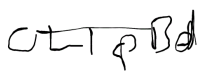

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2021	31 December 2020
	Unaudited	Audited
	\$ in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	2,134	2,000
Deferred consideration payable	9,875	-
Other liabilities and accounts payable	9,914	8,769
Income tax provision	11,349	11,899
Financial derivatives	-	304
Current maturities of lease liabilities	1,366	324
	<u>34,638</u>	<u>23,296</u>
NON-CURRENT LIABILITIES:		
Lease liability	4,723	366
Deferred tax liabilities	1,607	1,243
Deferred consideration payable	3,614	-
	<u>9,944</u>	<u>1,609</u>
Total liabilities	<u>44,582</u>	<u>24,905</u>
EQUITY		
Share capital	*) -	*) -
Share premium	121,828	86,022
Capital reserve from share-based transactions	2,888	2,368
Capital reserve from non-controlling interests transaction	(2,626)	(2,626)
Accumulated deficit	(18,592)	(18,510)
Total equity	<u>103,498</u>	<u>67,254</u>
	<u>148,080</u>	<u>92,159</u>

*) Lower than \$1 thousand.

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

22 September 2021			Rowan
Date of approval of the financial statements	Chris Bell Chairman of the Board of Directors	Stuart Simms Chief Executive Officer	Rowan Ellis Chief Financial Officer

XLMEDIA PLC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	2021	2020	2020
	Unaudited		Audited
	\$ in thousands (except per share data)		
Revenues	32,218	27,715	54,839
Cost of revenues	13,958	11,106	20,494
Gross profit	18,260	16,609	34,345
Research and development expenses	1,197	1,156	2,464
Sale and marketing expenses	1,939	2,194	4,202
General and administrative expenses	15,697	(*)12,980	(*)25,810
	18,833	16,330	32,476
Operating profit (loss) before impairment	(573)	279	1,869
Impairment loss	-	-	955
Operating profit (loss)	(573)	279	914
Finance expenses	(221)	(408)	834
Finance income	256	300	695
Finance income (expenses), net	35	(108)	(139)
Other income, net	99	-	332
Profit (loss) before taxes on income	(439)	171	1,107
Taxes on income (tax benefit)	(357)	72	315
Profit (loss) for the period	(82)	99	792
Total comprehensive income (loss), net of tax	(82)	99	792
Attributable to:			
Equity holders of the Company	(82)	(169)	531
Non-controlling interests	-	268	261
	(82)	99	792
Earnings per share attributable to equity holders of the Company:			
Basic and diluted earnings (loss) per share (in \$)	**) -	**) -	**) -

*) Reorganization costs in previous periods were reclassified as general and administrative expenses.

**) Lower than \$0.01.

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					
	Share capital	Share premium	Capital reserve from share-based transactions	Capital reserve from transactions with non- controlling interests	Accumulated deficit	Total equity
	Unaudited					
	\$ in thousands					
Balance at 1 January 2021	*) -	86,022	2,368	(2,626)	(18,510)	67,254
Loss for the period	-	-	-	-	(82)	(82)
Share-based payment	-	-	520	-	-	520
Share capital issuance (see also note 4e)	*) -	35,806	-	-	-	35,806
Balance at 30 June 2021 (unaudited)	*) -	121,828	2,888	(2,626)	(18,592)	103,498

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								
	Share capital	Share premium	Capital reserve from share-based transactions	Capital reserve from transactions with non-controlling interests	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	*) -	112,624	2,276	(2,445)	(30,159)	(19,041)	63,255	291	63,546
Net income and other comprehensive income	-	-	-	-	-	(169)	(169)	268	99
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

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve from share-based transactions	Capital reserve from transactions with non-controlling interests	Treasury shares	Retained earnings (losses)	Total	Non-controlling interests	Total Equity
Balance as of 1 January 2020	*) -	112,624	2,276	(2,445)	(30,159)	(19,041)	63,255	291	63,546
Net profit and other comprehensive income	-	-	-	-	-	531	531	261	792
Delisting of treasury shares **)	-	(30,159)	-	-	30,159	-	-	-	-
Share-based payment	-	-	92	-	-	-	92	-	92
Share capital issuance	-	3,557	-	-	-	-	3,557	-	3,557
Acquisition of non-controlling interest	*) -	-	-	(181)	-	-	(181)	(291)	(472)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(261)	(261)
Balance as of 31 December 2020	*) -	86,022	2,368	(2,626)	-	(18,510)	67,254	-	67,254

*) Lower than \$1 thousand.

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

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
	2021	2020	2020
	Unaudited		Audited
	\$ in thousands		
Cash flows from operating activities:			
Net income (loss)	(82)	99	792
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	3,587	3,171	7,720
Impairment loss	-	-	955
Finance expense (income), net	(497)	109	823
Share-based payment expense	520	142	92
Other Income	-	-	(1,122)
Taxes on income	(357)	72	315
Exchange differences on balances of cash and cash equivalents	82	(519)	(297)
	<u>3,335</u>	<u>2,975</u>	<u>8,486</u>
Changes in asset and liability items:			
Decrease in trade receivables	256	3,545	1,963
Decrease (increase) in other receivables	211	(502)	(340)
Increase (decrease) in trade payables	134	(1,402)	(1,028)
Increase (decrease) in other liabilities and accounts payable	56	(441)	(1,139)
Decrease in other long-term liabilities	-	-	(65)
	<u>657</u>	<u>1,200</u>	<u>(609)</u>
Cash paid during the year for:			
Interest paid	(38)	(61)	(544)
Interest received	2	82	99
Taxes paid	(255)	(518)	(799)
Taxes received	60	248	996
	<u>(231)</u>	<u>(249)</u>	<u>(248)</u>
Net cash provided by operating activities	<u><u>3,679</u></u>	<u><u>4,025</u></u>	<u><u>8,421</u></u>

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
	2021	2020	2020
	Unaudited		Audited
	\$ in thousands		
Cash flows from investing activities:			
Purchase of property and equipment	(809)	(186)	(319)
Acquisition of and additions to domains, websites and other intangible assets	(11,871)	-	(12,842)
Acquisition of and additions to technology	(3,125)	(4,394)	(6,642)
Adjustments of proceeds from the sale of discontinued operation	-	(270)	(270)
Loan for a third party	-	-	(500)
Short-term and long-term deposits, net	289	298	911
Net cash used in investing activities	<u>(15,516)</u>	<u>(4,552)</u>	<u>(19,662)</u>
Cash flows from financing activities:			
Acquisition of non-controlling interest	-	-	(472)
Share capital issuance, net of issuance costs	35,806	-	-
Dividend paid to non-controlling interests	-	(184)	(261)
Repayment of long term and short-term liability	-	(1,500)	(1,500)
Payment of lease liabilities	(474)	(569)	(1,283)
Net cash provided by (used in) financing activities	<u>35,332</u>	<u>(2,253)</u>	<u>(3,516)</u>
Exchange differences on balances of cash and cash equivalents	<u>(82)</u>	<u>519</u>	<u>297</u>
Increase (decrease) in cash and cash equivalents	23,413	(2,261)	(14,460)
Cash and cash equivalents at the beginning of the period	<u>12,648</u>	<u>27,108</u>	<u>27,108</u>
Cash and cash equivalents at the end of the period	<u>36,061</u>	<u>24,847</u>	<u>12,648</u>
Significant non-cash transactions:			
Acquisition of and additions to domains, websites, and other intangible assets mainly for deferred consideration	14,311	310	6,816
Right-of-use asset recognized with a corresponding lease liability	5,991	600	3,557
Acquisition of and additions to technology	988	-	-

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

- a. XLMedia PLC and its subsidiaries (The Group) are online performance marketing companies.

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.

- b. The spread of Coronavirus has an impact on the Group's operations. The Group has a well-balanced portfolio of assets. However, the global economic slowdown affected revenues related to Personal finance and Casino Business Units. The Group is continually monitoring and responding to the potential impact of the outbreak. Still, as there is uncertainty regarding the duration of the impact and future events, there is uncertainty regarding the total effect on the Group's operations. The Group Board of Directors and management determined that the Group will have sufficient liquidity for operation for at least 12 months from the date of the consolidated financial statements.

- c. Definition:

\$ - U.S. dollar.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements have been prepared in a condensed format as of 30 June 2021, and for the six months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of 31 December 2020, and for the year then ended and accompanying notes ("annual consolidated financial statements").

The interim condensed consolidated financial have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union.

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

Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 regarding the IBOR reform:

In August 2020, the IASB issued amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 4, "Insurance Contracts", and IFRS 16, "Leases" ("the Amendments").

The Amendments provide practical expedients when accounting for the effects of the replacement of benchmark InterBank Offered Rates (IBORs) by alternative Risk-Free Interest Rates (RFRs).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Pursuant to one of the practical expedients, an entity will treat contractual changes or changes to cash flows that are directly required by the IBOR reform as changes to a floating interest rate. That is, an entity recognizes the changes in interest rates as an adjustment of the effective interest rate without adjusting the carrying amount of the financial instrument. The use of this practical expedient is subject to the condition that the transition from IBOR to RFR takes place on an economically equivalent basis.

In addition, the Amendments permit changes required by the IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued, provided certain conditions are met. The Amendments also provide temporary relief from having to meet the "separately identifiable" requirement, according to which a risk component must also be separately identifiable to be eligible for hedge accounting.

The Amendments include new disclosure requirements in connection with the expected effect of the IBOR reform on an entity's financial statements, such as how the entity is managing the process to transition to the IBOR reform, the risks to which it is exposed due to the IBOR reform and quantitative information about IBOR-referenced financial instruments that are expected to change.

The Amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2021. Restatement of comparative data for prior periods is not required.

The above Amendments are not expected to have a material impact on the Company's interim financial statements.

NOTE 3: DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

- a. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after 1 January 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The Group will adopt the Amendment after 1 January 2023.

- b. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary

differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment is to be applied for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

NOTE 4: SUPPLEMENTARY INFORMATION

- a. In December 2020, the Company signed three new real estate lease agreements. The leases' commencement dates are 31 December 2020, 1 January 2021, and 15 February 2021. The impact for 2021 is an increase of approximately \$6 million in right-of-uses assets and a corresponding increase in lease liabilities.
- b. In March 2021, the Company acquired the activity and assets of Sports Betting Dime ("SBD") for a total consideration of \$26.4 million, comprised of: \$12.7 million initial cash consideration paid, \$10 million deferred consideration payable on the first anniversary ("first payment") and \$3.7 million deferred consideration payable after 18 months ("second payment"). The deferred consideration has been recorded as a financial liability discounted at an annual rate of 1.7% and 1.9% for the first and second payments accordingly. The Company accounted for this acquisition as an asset acquisition since substantially most of the fair value of the gross assets acquired is concentrated in domains and websites.
- c. In March 2021, the Company granted, to one key manager, 470,977 Restricted Stock Units ("RSUs"). The RSU Award is subject to a three-year performance period, with vesting subject to the achievement of performance measured by reference to total shareholder return over the performance period compared to the FTSE AIM 100, followed by a two-year holding period. The performance conditions to be achieved such that RSUs are capable of vesting are as follows:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4: SUPPLEMENTARY INFORMATION (Cont.)**

<u>XLMedia's Ranking relatively to the Comparator Group</u>	<u>% of RSUs capable of vesting</u>
Upper quartile or better	100%
Between upper quartile and median	The straight-line basis between 100% and 25% based on the Company's rank
Median	25%
Lower than median	-

The following table specifies the inputs used for the fair value measurement using the Monte Carlo simulation:

Exercise price GBP (\$)	-
Dividend yield (%)	-
Expected volatility of the share price (%)	73.94%
Risk-free interest (%)	0.29%
The expected life of share options (years)	3
Share price GBP	0.54

The total fair value was calculated at \$289 thousand at the grant date and will be recognized on a straight-line basis over the three years.

- d. In April 2021, the Company granted 1,190,476 and 769,231 Performance Stock Units ("PSUs") to the CEO and CFO, respectively. The award will vest on the fourth anniversary of the grant date if and to the extent that the performance target will be satisfied. The performance target relating to the performance of the Company's share price is as follows:

<u>Average share price</u>	<u>% of PSUs capable of vesting</u>
GBP1.5 or higher	100%
Between GBP1.35 and GBP1.50	On a straight-line basis, between 50% and 100%
Between GBP1.20 and GBP1.35	On a straight-line basis, between 25% and 50%
Less than GBP1.20	0%

The PSU award is a contingent right to acquire shares for no consideration. It is subject to a four-year vesting period followed by a one-year holding period and the achievement of performance targets measured by the increase in the Company's share price between 1 January 2021 and 31 December 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4: SUPPLEMENTARY INFORMATION (Cont.)**

The following table specifies the inputs used for the fair value measurement using the Monte Carlo simulation:

Exercise price GBP (\$)	-
Dividend yield (%)	-
Expected volatility of the share price (%)	68.6%
Risk-free interest (%)	0.5%
The expected life of share options (years)	4
Share price GBP	0.52

The total fair value was calculated at \$672 thousand at the grant date and will be recognized on a straight-line basis over the three years.

See also g below regarding the resignation of the CFO.

- e. In March and April 2021, the Company raised gross proceeds of \$37.4 million using a placing, a direct subscription with the Company, and an Open Offer and has thus issued and allotted 67.5 million new shares. The transaction costs were approximately \$1.6 million.
- f. In May 2021, the Company granted 910,000 options to Employees. The options vest in varying amounts over a period of up to three years from the grant date. The total fair value was calculated at \$627 thousand at the grant date and will be recognized on a straight-line basis over the three years.
- g. New appointments:
 1. In June 2021, the Company announced the appointment of Julie Markey as a new Non-Executive Director with immediate effect.
 2. In June 2021, the Company appointed Nigel Leigh to a new position, Chief Information Officer, with immediate effect.
 3. In July 2021, after the reporting date, the Company announced that Iain Balchin, the CFO, had left the Company on 22 July 2021. The Company appointed Rowan Ellis as the new interim CFO.

NOTE 5: OPERATING SEGMENTS

- a. General:

The Group has one operating segment – Publishing, which comprises less than 100 owned informational websites in 10 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 customer's online businesses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 5: OPERATING SEGMENTS (Cont.)**

b. Geographic information:

Revenues classified by geographical areas based on internet user location:

	Six months ended		Year ended
	30 June		31 December
	2021	2020	2020
	Unaudited		Audited
	\$ in thousands		
Scandinavia	8,876	11,372	21,387
Other European countries	7,800	7,991	15,473
North America	13,581	5,434	11,514
Oceania	352	461	941
Other countries	35	55	96
Total revenues from identified locations	30,644	25,313	49,411
Revenues from unidentified locations	1,574	2,402	5,428
Total revenues	<u>32,218</u>	<u>27,715</u>	<u>54,839</u>

NOTE 6: SUBSEQUENT EVENTS

In September 2021, after the reporting date, the Company announced the acquisition of Saturday Football Inc., a major online publisher of college football news, for a total cash consideration of \$23 million, made up of: upfront consideration of \$11 million in cash plus an additional \$12 million, payable over three years. In addition, the founders will receive \$1 million in long-term incentives in the Company's shares. These share awards will become fully vested on the fourth anniversary of the date of the grant, subject to meeting performance conditions and other criteria and a further two-year holding period.
