10 March 2021

Tremor International Ltd
(“Tremor” or the **“Company”)**

Full Year Audited 2020 Results

Record H2 and Q4 2020 performance
Strong start to 2021 underpins ongoing organic growth opportunities

Tremor International Ltd (AIM: TRMR), a global leader in video advertising technologies, announces its audited results for the year ended 31 December 2020.

Financial highlights

- A record performance in H2 and Q4 2020 dominated trading for the full year
    - Programmatic[1] net revenue increased by 30% to $161.6 million (2019: $124.2million) offset by an anticipated decrease of 43% in Performance[2] activity
    - Total net revenue increased by 12% to $184.3 million (2019: $164.0 million) with 88% of net revenues generated from Programmatic activities compared to 76% in 2019, and 91% in Q4 2020 – see table below
- Record H2 adjusted EBITDA[3] of $58.7 million, up 51% vs. H2 2019
    - Full year 2020 adjusted EBITDA of $60.5 million (2019: $60.4 million) impacted by Covid-19 related and industry-wide headwinds across global advertising markets in H1 2020
    - Increase in Programmatic activities, mainly attributable to revenue growth in Connected TV (“CTV”), self-serve platform as well as the DSP offerings in private marketplaces. This was offset by the anticipated decrease in Performance activities
- Building on the momentum from last year, we have seen a strong start to 2021 compared to the same period, pre Covid-19, in 2020, driven by strong organic growth
- Reported EPS of 1.6 cents (2019: 5.6 cents) and Adjusted Diluted EPS of 30.46 cents (2019: 37.05 cents). Net cash from operating activities of $35.2 million (2019: $45.1 million) mainly due to working capital requirements during record H2 and Q4 2020 performance
- Net cash as at 31 December 2020 of $96.8 million[4] (30 June 2020: $78 million), after returning $10.0 million to shareholders since March 2020 via the Company’s share buyback programmes
- Effective from 1 January 2020, Tremor now recognizes revenue on a net basis for the Programmatic activity, which had been recognized on a gross basis historically, including for 2019. Performance revenue will continue to be recognized on a gross basis for 2019 and 2020

(In thousands, except for percentages)	As reported	Adjusted*	As reported	2019 adjusted vs. 2020 As reported
Financial Report	**2019**	**2019**	**2020**	**19/20**
Programmatic	$241,464	$124,163	$161,624	30%
Performance	$84,296	$84,296	$50,295	-40%
Revenues**	**$325,760**	**$208,459**	**$211,920**	**2%**
Programmatic	$124,163	$124,163	$161,624	30%
Performance	$39,875	$39,875	$22,658	-43%
Net Revenue***	**$164,038**	**$164,038**	**$184,282**	**12%**
Programmatic	$98,788	$98,788	$129,706	31%
Performance	$39,726	$39,726	$22,407	-44%
Gross Profit	**$138,514**	**$138,514**	**$152,113**	**10%**

* In order to facilitate comparability of our results of operations, we have excluded Programmatic media cost for 2019 ($117.3 million). Programmatic media cost represents costs of acquiring publishers' advertising space that is purchased by advertisers via our Programmatic end-to-end solution.

** For the year ended 31 December, 2020, our audited revenue consists of Programmatic revenue that is recognized on a net basis (which excludes the Programmatic media cost as defined above) and Performance revenue that is recognized on a gross basis.

*** Net revenue is defined as our revenue calculated on a net basis by excluding the media cost for both Programmatic and Performance activities. Net revenue is a non-IFRS financial metric.

Operational highlights

- H2 2020 was a record period of growth for Tremor demonstrating strong organic growth and recovery following the adverse impacts of Covid-19, mainly during Q2 2020
- A number of initiatives successfully undertaken in the year to mitigate the impacts of Covid-19
    - Cost savings of c. $24 million achieved against yearly budget
    - Accelerated integration of Unruly into the Company delivered considerable synergies in H2 2020
- Significant progress achieved against the Company's strategy to focus on video advertising – specifically CTV, self-serve (enhancement of Tremor Tech stack) and PMP platforms – as part of Tremor's end-to-end software platform
- Strengthened the board and management team, with the appointments of Sagi Niri as Chief Financial Officer, the appointment of Yaniv Carmi as Chief Operating Officer and Rebekah Brooks, Norm Johnston as non-executive directors and Chris Stibbs as new non-executive chairman in 2020

Outlook

- Building on the momentum from last year, we have seen a very strong start to 2021 compared to the same period, pre Covid-19, in 2020, driven by strong organic growth
- The Board continues to monitor the Covid-19 situation very closely, with demand from certain industries such as hospitality and travel still subdued versus pre-pandemic levels
- The Board believes that the record performance achieved during the second half of 2020 can be sustained, and therefore remains confident in the Company's growth prospects
- The Company continues to explore, from time to time, the possibility of transactions in the capital markets, including the potential for a dual-listing of shares in the United States. No assurance can be made that any such transaction will be completed in the near term or at all. If applicable, the Company will provide further information in due course

[1] Programmatic activity defined as revenue generated through our end-to-end software platform
[2] Performance activity defined as our legacy performance based revenue
[3] Adjusted EBITDA is defined as operating profit adjusted for depreciation and amortization, stock-based compensation, restructuring and acquisition-related costs and other expenses (income), net
[4] Net cash is defined as cash and cash equivalents less short and long-term interest-bearing debt including capital leases

Ofer Druker, Chief Executive Officer of Tremor, commented:

"The record performance that Tremor achieved during the second half of 2020 and the strong start of 2021 is a clear endorsement of our strategy, the Company's platform and our ability to generate sustainable organic growth. Whilst, as previously flagged, Tremor was impacted in the first half of 2020, as Covid-19 reduced demand across the advertising sector, overall, 2020 was a significant year in the Company's development. It is clear that we have the right foundations in place to generate significant growth.

"On behalf of the Board and Tremor's management team, I would like to thank all of our employees worldwide for their tenacity and dedication during what has been a challenging period for everyone. Tremor's resilience, highlighted by our strong second half performance, would not be possible without each employee's contribution.

"We look forward to the future with real confidence in delivering further value for all our stakeholders."

A webcast detailing Tremor's final results will be made available on the Company's website in due course: https://www.tremorinternational.com/investors/.

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal Act) 2018 ("UK MAR").

About Tremor International

Tremor International Ltd is a global leader in advertising technologies, it has three core capabilities: Video, Data and CTV, and our unique approach is centred on offering a full stack end-to-end solution which provides the Company with a major advantage in the marketplace.

Tremor Video helps advertisers deliver impactful brand stories across all screens through the power of innovative video technology combined with advanced audience data and captivating creative content. Tremor Video is one of the largest and most innovative video advertising companies in North America and globally, with offerings in CTV, in-stream, out-stream and in-app.

The media side of Tremor, Unruly, drives real business outcomes in multiscreen advertising. Its highly ranked programmatic platform efficiently and effectively delivers performance, quality, and actionable data to demand and supply-focused clients and partners. Tremor has a meaningful number of direct integrations with publishers, unique demand relationships with the world's biggest advertisers and privileged access to News Corp inventory. Unruly works with 95% of the AdAge 100 and 82% of video views are delivered across Comscore 1,000 sites.

Tremor International Ltd is headquartered in Israel and maintains offices throughout the US and Canada, Europe, Asia-Pacific and Australia and is traded on the London Stock Exchange (AIM: TRMR).

CHAIRMAN'S STATEMENT

In my first final results statement as Chairman of Tremor, there is no question that the Covid-19 pandemic, which is still influencing our daily lives, has had a significant impact on the global economy. Despite these challenges, Tremor ultimately performed strongly and achieved significant strategic progress during 2020. This momentum has continued into Q1 2021, providing a further endorsement of Tremor’s strategy and that the Company has solid foundations in place to deliver future growth.

Despite starting 2020 well, our core digital advertising markets were adversely impacted as a result of the pandemic, however the team’s rapid action, which included the accelerated integration of Unruly – which the Company acquired in January 2020 – and the implementation of a number of cost-saving initiatives, ensured the Company’s robustness. This meant that Tremor was aptly placed to benefit from the recovery of these markets in the second half, which began in Q3 2020 and was further reinforced in the final quarter of the year. Tremor’s strategic focus on video, and specifically CTV and self-serve proved particularly effective, as Covid-19 has highlighted the value of on-screen in-home advertising globally.

The Company traded strongly during 2020 as a whole, achieving a 12% increase in net revenues to 184.3 million (2019: $164.0 million), primarily driven by the performance of our Programmatic activities generating an increase of 30% to $161.6 million (2019: $124.2 million) as a result of our strategic shift to focus on our Programmatic activities as a key growth driver. This led to Adjusted EBITDA of $60.5 million in 2020 (2019: $60.4 million), with our Adjusted EBITDA outturn impacted by the adverse impacts of Covid-19 in H1 2020. Overall, this is particularly impressive given the global macroeconomic uncertainty during the year, with certain sectors including the hospitality and leisure industries yet to recover to pre-pandemic levels. Pleasingly, significant momentum was achieved in Q4 2020, not only in Tremor’s topline performance – with the Company achieving record revenues – but also across all strategic areas such as CTV and self-serve.

In March 2020, the Company strengthened its management team and board of directors as a result of Tremor’s continued operational progress, with Yaniv Carmi, previously the Company’s Chief Financial Officer appointed Chief Operating Officer, and Sagi Niri joining the Company as Chief Financial Officer. In addition, as part of the acquisition of Unruly, Rebekah Brooks and Norman Johnston were also appointed to the board as non-executive directors in the first half of the year.

In August 2020, Tim Weller stepped down as Non-executive Chairman having held the position for six years, during which time he oversaw the acquisitions that have enabled the re-shaping of the Company’s platform, and I took up the position of Non-executive Chairman in September 2020. On behalf of the board and management team, I would like to thank Tim for his significant contribution and dedication to the Company during his tenure.

Tremor continues to be a highly cash generative business, maintaining a strong balance sheet, which enabled us to complete $10 million in share buybacks in the year at an average price of 148.05 pence per share, and commence a further $10 million share buyback programme in December 2020. The board continues to evaluate the best use of the Company’s capital to create value for its stakeholders, with Tremor ending the year with a net cash position of $96.8 million as at 31 December 2020. As ever, the Board continues to assess strategic acquisitions alongside continued investment in Tremor’s existing infrastructure and workforce, as well as the implementation of further share buybacks.

We do believe that the realization of the significant value that exists within Tremor’s platform, technology and teams supplemented by the recent share buybacks has resulted in a re-rating of the business, which is beginning to create significant value for all our key stakeholders.

The Company has entered 2021 in a very strong position and continues to see significant ongoing traction for its solutions as a further reinforcement of its strategy. Whilst clearly the ongoing Covid-19 pandemic continues to cast uncertainty across the wider macroeconomic backdrop, the significant strides that the Company undertook during 2020 to augment Tremor’s platform coupled with its sharp focus on the high growth digital video advertising markets, the board believes positions the Company for strong future growth, building on the momentum achieved in the second half of 2020.

Finally, on behalf of the board and management team, I would like to thank the entire Tremor team worldwide for their commitment and hard work during what has been a particularly challenging period for every individual. In addition, I would like to thank Tremor's senior management team for their dedication and performance in guiding the business during this time. I believe that the significant work undertaken in 2020 has resulted in Tremor being in the strongest position in its history, and we look to the future with real confidence in delivering material growth.

Christopher Stibbs
Non-executive Chairman

10 March 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

2020 was a great year for Tremor despite the effects of Covid-19 that mainly impacted the Company in the second quarter of the year. Like many other global businesses, we were impacted by the fact that many of our clients halted their activity and changed their strategy as a result of the uncertainty that Covid-19 created globally. It is important to mention that some of our clients in sectors such as hospitality and travel, are still not back to pre-pandemic levels.

The success of our strategy was emphasized and accelerated in 2020, with real evidence that we have the right foundations in place. This is demonstrated by the following:

1. **Connected TV ("CTV")** – with average consumer CTV usage time surging in 2020, this resulted in advertisers shifting their budgets to CTV to engage with their potential clients. Tremor delivered a significant growth in CTV net revenues in the year, with CTV representing 20% of net revenues, and we strongly believe that this trend will continue

2. **Data** – Tremor's 'bread and butter' is data usage and we continue to leverage our advantage as one of the only companies that owns and operates a Data Management Platform ("DMP")

3. **Video** – Tremor is primarily focused on video, the fastest growing format in online advertising and is unique in that it has a technology stack created around video, with video accounting for 70% of revenues in 2020 and 82% in Q4 2020

4. **End-to-end platform–** our platform continues to offer a number of advantages to advertisers and publishers including deliverability, prices, simplicity and reach

5. **M&A capabilities** – in January 2020 we acquired Unruly, and we integrated it into the Company despite limitations brought about by Covid-19. We have driven significant results from the Unruly assets as demonstrated by our strong growth in H2 2020. We believe this is another unique and fundamental capability for Tremor and will underpin our growth both organically and via acquisition

The Company traded strongly during 2020 as a whole, achieving a 12% increase in net revenues to $184.3 million (2019: $164.0 million), primarily driven by the 30% increase in net revenues from our Programmatic activities to $161.6 million (2019: $124.2 million). The Group generated Adjusted EBITDA of $60.5 million (2019: $60.4 million). Tremor achieved this performance despite the industry-wide headwinds relating to the

Covid-19 pandemic which adversely impacted trading in the first half of the year, in addition to the integration of Unruly in the first six months of the year requiring resources and management attention.

Tremor continues to be highly cash-generative and as at 31 December 2020, had a net cash position of $96.8 million (30 June 2020: $78 million). Our strong cash position leaves us well-placed to consider further share buybacks, and selectively evaluate additional strategic acquisitions.

Operational review

Key Performance Indicators
In 2020, we introduced three revenue KPIs to monitor our performance across our key strategic growth drivers of CTV, Private Marketplaces and Self-serve. Despite the unprecedented operating environment that we experienced through much of the year, we performed extremely well against each of these three metrics.

Net Revenues generated from CTV increased by 164% in the full year when compared to 2019. In addition, our growth within Tremor's programmatic activities, Self-serve and Private Marketplaces, delivered increases of 415% and 1,637% respectively in the full year 2020.

Net Revenue KPIs	2019 ($m)	2020 ($m)	% growth
Connected TV	14.0	36.8	164%
PMPs	1.2	21.1	1,637%
Self-serve Platform	0.7	3.6	415%

Connected TV
CTV is the most exciting and highest growth segment within video, and we have continued to see rapid adoption of CTV advertising throughout the year. In 2020, more than 300 clients executed CTV campaigns with Tremor Video, which marks a 71% increase year-on-year. Adoption of CTV continues unabated with over 100 million households using CTV in the United States alone, with that number set to grow to c. 113 million by 2024[3], representing nearly 86% of all US households. This has led to an increase in CTV advertising spend, which is expected to grow to over $11 billion in the US alone in 2021.

Through Tremor Video's unique end-to-end technology stack – including its managed and self-service demand side platform (DSP), premium supply footprint strengthened by the integration of Unruly, and its centralised data management platform (DMP)—a wide breadth and depth of audience data can be layered across all CTV media to provide advertisers with precision-based targeting across premium scale.

Throughout the year, Tremor continued to deepen its relationships with leading CTV publishers, adding 101 new publishers to our network in the last quarter of the year, a c. 90% increase compared to Q4 2019, highlighting our clients' confidence in our unique end-to-end technology stack.

There also continues to be meaningful tailwinds in CTV, which the industry anticipates will enhance future growth, with a disproportionately low amount of advertising spend in CTV versus number of viewing hours, of 9% and 26% respectively.

PMP activity
Our PMP offering has seen a 1,637% increase in net revenue year-on-year, as we continue to build relationships with tier one agency customers by providing high-quality video and CTV media, enhanced by our targeting capabilities. The Unruly brand contributed to the strength of our offering and assisted us in establishing strong relationships with the leading global advertisers.

In addition, our self-serve platform has also seen a significant 415% increase in net revenue year-on-year. This growth demonstrates the strength of our technology stack offering in the market, which is being adopted by an increasing number of partners in the USA. We will maintain innovation around data usage which is integrated into our self-serve capabilities and we anticipate these will become more effective during the second half of 2021.

TV intelligence solutions

The Company's ongoing strategy relating to connected TV (CTV) and addressable TV retargeting continues to evolve, with clear value now attributed to Tremor's end-to-end platform further strengthened by the upcoming introduction of our enhanced suite of TV intelligence solutions which was accelerated by LG's acquisition of Alphonso and the winding down of Alphonso as an exclusive technology partner of Tremor.

These enhancements are intended to address the ever-dynamic needs of advertisers in four key areas:

Audience Reach

- Access to a blend of data across a nationally represented US TV viewing footprint comprised of 12 million+ households and 100 million+ addressable devices in the US, with plans to increase this scale via the integration of additional data sources
- Partner-agnostic solution that will be able to aggregate multiple data sources and is not restricted to a single data provider, offering more turnkey audience activation for advertisers
- Enhanced ability to scale audience reach at the regional level

Programmatic Execution

- Managed service, self-service and hybrid platforms that will maximize the efficiency, speed and precision of campaign delivery across a robust supply network fueled by deep media relationships
- Expansive breadth and depth of predictive, granular audience data via our DMP that can be coupled with TV viewing data – including program-level CTV data segments – to reach the most relevant and responsive consumers

Analytics

- Advanced and customizable measurement solutions that can be actively used to inform campaign optimization
- Ability to track campaign performance across the full spectrum of priority KPIs, from top-funnel to bottom-funnel

Client Service

- Commitment to developing campaign strategies unique to the nuanced objectives and needs of each individual client, not a one-size-fits-all service model
- Proactive, problem-solving approach to generating the most value for our clients

Management believes that our enhanced TV intelligence offering, when launched, will further solidify our leadership position and allow us to cultivate even stronger client relationships in the future.

Covid-19 response

Clearly much of 2020 was dominated by the global Covid-19 pandemic with the impact of lockdown on the global advertising industry affecting the Company's trading in the first half of 2020. However, the Company introduced a number of measures intended to mitigate the impact in H1 2020 including cost-cutting initiatives, as well as accelerating the integration of Unruly, which was completed two months ahead of the initial schedule. The result of these measures was cost savings of c.$24 million in the year ended 31 December 2020 versus the yearly budget.

Covid-19 continues to provide an uncertain backdrop to the global markets, however we believe our business and workforce has responded incredibly well to the restrictions the pandemic has brought about, as we continued to deliver growth in 2020.

Growth Strategy

The second half of 2020 saw the Company's broader strategy come into fruition as we delivered record growth. We believe Tremor remains well-placed to continue to deliver meaningful growth, by leveraging its key strategic priorities of:

- **Growth drivers**: our Connected TV, Private Marketplace and Self-serve offerings

- **Technology innovation:** continued significant investment including within the Company's customized data segments, our self-self, demand and supply platforms and CTV marketplace

- **Global expansion:** broadening our reach into international markets beyond the US and forging additional relationships with global advertisers as well as leveraging existing partnerships

- **M&A:** continue to evaluate select acquisition targets with a focus on data technology, assets and partnerships, as well as the potential to add on the demand-side

Uber Settlement

In December 2020, we reached an agreement to settle the complaint brought by Uber Technologies, Inc. ("Uber") against Taptica, the Company's legacy performance marketing business. As we noted at the time of settlement, whilst there was no court finding as to wrongdoing by the Company or indeed the merits of the lawsuit, the Board elected to settle with Uber in order to resolve the matter in a timely manner and avoid any further expenses relating to a drawn-out litigation process, and paid $1.7 million, which resulted in the full dismissal of the case.

Outlook

Tremor has made a very solid start to 2021, with the traction we experienced in the second half of 2020 continuing into the first quarter. While we are pleased to see the continued roll out of vaccination programmes worldwide, management continues to monitor the Covid-19 pandemic very closely.

As a board, we believe that Tremor has all of the components to deliver significant and sustained growth through our technology offering, the dynamics of the markets within which we operate, and our team. The growth that we demonstrated in the second half of 2020, we believe marks an inflection point for our business, and is just the start of an exciting period. We are currently looking to the future with real confidence in delivering continued growth in the medium- to long-term.

The Company continues to explore, from time to time, the possibility of transactions in the capital markets, including the potential for a dual-listing of shares in the United States. No assurance can be made that any such transaction will be completed in the near term or at all. If applicable, the Company will provide further information in due course.

I would like to personally thank our workforce for their hard work and fortitude over the last year. The success Tremor has enjoyed this year is a testament to the talent and professionalism that all of our teams have displayed.

Ofer Druker
Chief Executive Officer

10 March 2021

[3]Source: e-Marketer

[4]Source: e-Marketer

CHIEF FINANCIAL OFFICER'S REVIEW

	Year Ended December 31, 2019 $	Year Ended December 31, 2020 $
(in thousands)		
Profit (loss) from operations	3,903	(6,025)
Depreciation and amortization	32,359	45,187
Stock-based compensation	15,809	14,490
Other expenses (income)	--	1,700
Restructuring	5,507	4,637
Acquisition-related cost	2,833	524
Adjusted EBITDA	**60,411**	**60,513**

Our adjusted EBITDA remained largely unchanged at $60.5 million for the year ended 31 December 31 2020, (2019: $60.4 million). This was primarily driven by the increase in our Programmatic activity, mainly attributable to the revenue growth in CTV, our self-serve platform and our DSP's offering in private marketplaces. This was offset by the decrease in our Performance activity.

In the first half of 2020, our business was negatively impacted by the COVID-19 pandemic, which resulted in a decrease in advertising demand globally. As client activity started to recover, the second half of 2020 saw a significant resurgence of advertising spend. Adjusted EBITDA in H2 2020 increased approximately 32 times vs H1 2020, which represented 51% year-over-year increase over our Adjusted EBITDA for H2 2019. Consequently, our full year adjusted EBITDA for 2020 remains intact, although some verticals have still not recovered, including travel, retail and hospitality.

	Year Ended December 31, 2019[1]		Year Ended December 31, 2020	
	As reported $	*As a % of revenue*	As reported $	*As a % of revenue*
(in thousands, except for percentages)				
Revenues	**325,760**	***100%***	**211,920**	***100%***
Cost of revenues	187,246	*57.5*	59,807	*28.2*
Gross profit	**138,514**	***42.5***	**152,113**	***71.8***
Research and development	33,042	*10.1*	33,086	*15.6*
Selling and marketing..	62,025	*19.0*	87,783	*41.5*
General and administrative.....................................	40,244	*12.4*	36,021	*17.0*
Other income (loss)...	(700)	*(0.2)*	1,248	*0.7*
Profit (loss) from operations.................................	**3,903**	***1.2***	**(6,025)**	***(2.8)***

Revenue decreased by $113.8 million, or 35%, to $211.9 million for the year ended 31 December 2020 (2019: $325.8 million). This decrease is primarily because effective from 1 January 2020, we recognize revenue on a net basis for the Programmatic activity, which had been recognized on a gross basis historically, including for 2019.

If revenue for 2019 had been presented on a comparable basis to facilitate comparability, our revenue would have increased by $3.5 million, or 2%, to $211.9 million for the year ended 31 December 2020 (2019: $208.5 million). The increase was mainly attributable to the growth of $37.5 million in our Programmatic businesses, which includes multiple integrated growth initiatives such as CTV, our self-serve platform and the Private MarketPlace solutions. CTV serves as a robust growth driver for our core businesses, supported by an increasing number of industry leading CTV partners.

However, this is largely offset by the decline of $34 million in our Performance activities, due to our strategic shift away from these activities.

Cost of revenues decreased by $127.5 million, or 68%, to $59.8 million for the year ended 31 December 2020 (2019: $187.3 million). This is primarily because effective January 1, 2020, we recognize revenue on a net basis for the Programmatic activity, which had been recognized on a gross basis historically, including for 2019. If revenue for 2019 had been presented on a comparable basis to facilitate comparability, cost of revenue for the year ended December 31, 2019 would be $69,945 thousand.

If revenue for 2019 had been presented on a comparable basis to facilitate comparability, our cost of revenue would have decreased by $10.1 million, or 14%, to $59.8 million for the year ended 31 December 2020 (2019: $69.9 million). This decrease was primarily driven by lowered costs due to our strategic shift away from Performance activities, partially offset by the greater usage of hosting and data services in our core business.

Gross profit margin increased by 29%, to 72% for the year ended 31 December 2020 (2019: 43%). This is primarily because effective 1 January 2020, we recognize revenue on a net basis for the Programmatic activity, which had been recognized on a gross basis historically, including for the year ended 31 December 2019.

If revenue for 2019 had been presented on a comparable basis to facilitate comparability, our gross profit margin would have increased by 6%, to 72% for the year ended 31 December 2020 (2019: 66%). This increase was primarily resulting from a strategic shift towards our higher-margin core businesses.

Research and development expenses remain largely unchanged at $33.1 million for the year ended 31 December 31 2020 (2019: $33.0 million). This was primarily the result of an increase in depreciation and amortization of $3 million mainly due to the Unruly acquisition, offset by decreases in (i) wages and salaries of $1.7 million attributable to the efficiencies and consolidation of our research and development efforts, (ii) the expense for research and development and engineering tools and services of $1.1 million and (iii) capitalized costs of $0.1 million.

Selling and marketing expenses increased by $25.8 million, or 42%, to $87.8 million for the year ended 31 December 2020 (2019: $62.0 million). This increase was partially driven by increase in amortization of the brand, domain name and customer relations as a result of the acquisitions of $5.6 million derived from the Unruly acquisition and $4.1 million derived from the RhythmOne acquisition. In addition, the increase was also attributable to (i) the wages, salaries and share-based payments of $13.9 million related to the Unruly acquisition, (ii) the share-based payment program of $3.3 million for our business managers and (iii) the salary increase of $1.3 million as a result of our business growth, which was partially offset by a decrease in marketing and other costs of $2.1 million driven by the efficiency improvements during the Covid-19 pandemic.

General and administrative expenses decreased by $4.2 million, or 10%, to $36.0 million for the year ended 31 December 2020 (2019: $40.2 million). This decrease was primarily driven by the decrease in wages, salaries and share-based payments of $1.5 million, as well as the recovery in 2019 of $4.1 million doubtful debts provision as a result of higher collection rates. This was partially offset by the increase in professional services and acquisition costs of $1.2 million.

As at 31 December 2020, our net cash* increased by 26%, from $76.9 million for the year ended December 31, 2019 to $96.8 million for the year ended 31 December 2020. This increase was primarily driven by (i) the net cash provided by operating activities of $35.2 million, mainly due to the increase in accounts receivable, and (ii) the net cash provided by investing activities of $4.9 million, including the net cash provided by the acquisition of Unruly, partially offset by the net cash used in financing activities of $22.4 million, primarily for leases repayment and acquisition of our own shares.

** Net cash is defined as cash and cash equivalents less short and long-term interest-bearing debt including capital leases*

Sagi Niri
Chief Financial Officer

10 March 2021

Auditors' Report to the Shareholders of Tremor International Ltd.

We have audited the accompanying consolidated statements of financial position of Tremor International Ltd. and its subsidiaries (hereinafter – "the Company") as of December 31, 2020 and 2019 and the related consolidated statements of operation and other comprehensive income, statements of changes in shareholders' equity and statements of cash flows, for each of the two years in the period ended December 31, 2020. These financial statements are the responsibility of the Company's Board of Director and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance) – 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2020 and 2019 and their results of operations, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2020, in accordance with International Financial Reporting Standards (IFRS).

Somekh Chaikin
Certified Public Accountants (Isr.)
Member Firm of KPMG International

March 10, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	**2019**

	Note	USD thousands	
Assets			
ASSETS:			
Cash and cash equivalents	10	97,463	79,047
Trade receivables, net	8	153,544	96,829
Other receivables	8	17,615	9,729
Current tax assets		2,029	3,611
TOTAL CURRENT ASSETS		270,651	189,216
Fixed assets, net	5	3,292	3,132
Right-of-use assets	6	18,657	21,003
Intangible assets, net	7	224,500	210,285
Deferred tax assets	4	31,717	17,606
Other long term assets		1,834	1,332
TOTAL NON-CURRENT ASSETS		280,000	253,358
TOTAL ASSETS		550,651	442,574
Liabilities and shareholders' equity			
LIABILITIES:			
Current maturities of lease liabilities	6	9,047	9,637
Trade payables	9	125,863	70,428
Other payables	9	47,122	25,049
Current tax liabilities		3,162	3,973
TOTAL CURRENT LIABILITIES		185,194	109,087
Employee benefits		495	556
Long-term lease liabilities	6	12,162	14,632
Deferred tax liabilities	4	15,963	17,687
Other long term liabilities	19(b)	7,824	-
TOTAL NON-CURRENT LIABILITIES		36,444	32,875
TOTAL LIABILITIES		221,638	141,962
SHAREHOLDERS' EQUITY:	14		
Share capital		380	351
Share premium		264,831	240,989
Other comprehensive income		3,330	494
Retained earnings		60,472	58,778
TOTAL SHAREHOLDERS' EQUITY		329,013	300,612
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		550,651	442,574

Chairman of the Board of Directors	**CEO**	**CFO**

Date of approval of the financial statements: March 10, 2021

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

STATEMENT OF OPERATION AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31 2020	2019
		USD thousands	
Revenues	11a	211,920	325,760
Cost of Revenues	11b	59,807	187,246
Gross profit		152,113	138,514
Research and development expenses		33,086	33,042
Selling and marketing expenses		87,783	62,025
General and administrative expenses	12	36,021	40,244
Other expenses (income), net	13	1,248	(700)
		158,138	134,611
Operating Profit (Loss)		(6,025)	3,903
Financing income		(445)	(773)
Financing expenses		1,862	1,088
Financing expenses, net		1,417	315
Profit (Loss) before taxes on income		(7,442)	3,588
Tax benefit	4	9,581	2,636
Profit for the year		2,139	6,224
Other comprehensive income items:			
Foreign currency translation differences for foreign operation		2,836	139
Total other comprehensive income for the year		2,836	139
Total comprehensive income for the year		4,975	6,363
Earnings per share			
Basic earnings per share (in USD)	15	0.016	0.056
Diluted earnings per share (in USD)	15	0.015	0.054

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Other comprehensive income	Retained Earnings	Total
			USD thousands		
Balance as of January 1, 2019	198	72,663	355	51,053	124,269
Total Comprehensive income for the year					

Profit for the year	-	-	-	6,224	6,224
Other comprehensive Income:					
Foreign currency translation	-	-	139	-	139
Total comprehensive income for the year	-	-	139	6,224	6,363
Transactions with owners, recognized directly in shareholders' equity					
Revaluation of liability for put option on non- controlling interests	-	-	-	1,501	1,501
Issuance of shares (net of issuance cost)	184	175,166	-	-	175,350
Own shares acquired	(41)	(24,696)	-	-	(24,737)
Share based payments	-	16,042	-	-	16,042
Exercise of share options	10	1,814	-	-	1,824
Balance as of December 31, 2019	**351**	**240,989**	**494**	**58,778**	**300,612**
Total Comprehensive Income for the year					
Profit for the year	-	-	-	2,139	2,139
Other comprehensive Income:					
Foreign Currency Translation	-	-	2,836	-	2,836
Total comprehensive Income for the year	-	-	2,836	2,139	4,975
Transactions with owners, recognized directly in shareholders' equity					
Issuance of shares in a Business Combination	25	14,092	-	-	14,117
Revaluation of liability for put option on non- controlling interests	-	-	-	(445)	(445)
Own shares acquired	(15)	(9,950)	-	-	(9,965)
Share based payments	-	18,770	-	-	18,770
Exercise of share options	19	930	-	-	949
Balance as of December 31, 2020	**380**	**264,831**	**3,330**	**60,472**	**329,013**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31	
	2020	**2019**
	USD thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	2,139	6,224
Adjustments for:		

Depreciation and amortization	45,187	32,359
Net financing expense (income)	1,310	(19)
Loss on sale of fixed assets	3	11
Gain on leases change contracts	(2,103)	(2,705)
Gain on sale of business unit	(503)	(700)
Share-based payment	14,490	15,809
Tax benefit	(9,581)	(2,636)
Change in trade and other receivables	(39,351)	36,466
Change in trade and other payables	25,882	(34,203)
Change in employee benefits	(23)	(290)
Income taxes received	1,168	3,184
Income taxes paid	(2,855)	(8,089)
Interest received	517	604
Interest paid	(1,117)	(942)
Net cash provided by operating activities	35,163	45,073
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in pledged deposits	229	841
Leases Receipt	2,885	1,669
Repayment of long-term loans	817	-
Acquisition of fixed assets	(594)	(1,063)
Acquisition and capitalization of intangible assets	(4,858)	(5,672)
Proceeds from sale of intangible assets	-	6
Proceeds from sale of business unit	232	-
Increase in bank deposit, net	-	(57)
Acquisition of subsidiaries, net of cash acquired	6,208	23,714
Net cash provided by investing activities	4,919	19,438
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	-	(17,273)
Acquisition of own shares	(9,965)	(24,737)
Proceeds from exercise of share options	949	1,824
Leases repayment	(13,351)	(12,607)
Net cash used in financing activities	(22,367)	(52,793)
Net increase in cash and cash equivalents	17,715	11,718
CASH AND CASH EQUIVALENTS AS OF THE BEGINNING OF YEAR	79,047	67,073
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	701	256
CASH AND CASH EQUIVALENTS AS OF THE END OF YEAR	97,463	79,047

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: GENERAL

a. Reporting entity:

Tremor International Ltd. (the "Company" or "Tremor International"), formerly known as Taptica International Ltd., was incorporated in Israel under the laws of the State of Israel on March 20, 2007. The ordinary shares of the Company are listed on the AIM Market of the London Stock Exchange. The address of the registered office is 121 Hahashmonaim Street Tel-Aviv, Israel.

Tremor International is a global Company offering an end-to-end software platform that supports a wide range of media types (e.g., video, display, etc.) and devices (e.g., mobile, Connected TVs, streaming devices, desktop, etc.), creating an efficient marketplace where advertisers (buyers) are able to purchase high quality advertising inventory from publishers (sellers) at scale. Tremor Video Inc. (“Tremor Video’’), a wholly owned subsidiary, is the Company’s Demand Side Platform (“DSP”) providing full-service and self-managed marketplace access to advertisers and agencies in order to execute their digital marketing campaigns in real time across various ad formats. RhythmOne PLC (“RhythmOne’’) and Unruly Holding Ltd (“Unruly”), both wholly owned subsidiaries, provide access to the Sell Side Platform (“SSP”) which is designed to monetize digital inventory for publishers and app developers by enabling their content to have the necessary code and requirements for programmatic advertising integration. The SSP provides access to significant amounts of data, unique demand and a comprehensive product suite to drive more effective inventory management and revenue optimization. The Company also provides a Data Management Platform (“DMP”) solution which integrates both DSP and SSP solutions enabling advertisers and publishers to use data from various sources in order to optimize results of their advertising campaigns.

Tremor International Ltd. is headquartered in Israel and maintains offices throughout the US, Canada, EMEA and Asia-Pacific.

On April 1, 2019, the Company completed an acquisition transaction with RhythmOne and on January 4, 2020 the Company completed an acquisition transaction with Unruly, see Note 19b. Following the acquisition of RhythmOne and Unruly, the Company invested and developed capabilities both in the DSP and SSP solutions which launched in 2020 to offer an end-to-end platform that provides customers access to an advertising marketplace in an efficient and scalable manner utilizing machine learning, artificial intelligence and advanced algorithms. As a result of those acquisitions and their influence on the Company’s operation and other changes in the industry practice, the Company has changed revenue presentation as of 2020 to a net basis with respect to its programmatic activity (see Note 3k).

The global spread of COVID-19, which was declared a global pandemic by the World Health Organization in March 2020, has created significant volatility, global macro-economic uncertainty and disruption in the business and financial markets. The COVID-19 pandemic and efforts to control its spread have curtailed the movement of people, goods, and services worldwide, including in the regions in which we and our customers and partners operate, and are impacting economic activity and financial markets. The spread of the COVID-19 pandemic has resulted in, regional quarantines, labor shortages or stoppages, changes in consumer purchasing patterns, and overall economic instability.

The COVID-19 pandemic has negatively impacted the first half of the year 2020, and may continue to negatively impact, our revenue and results of operations, the extent and duration of which we may not be able to accurately predict. The Company has introduced a number of measures to mitigate the impact of COVID-19, including cost-cutting initiatives with respect to reducing operating expenses, reducing headcount, freezing new hires, as well as accelerating the integration of Unruly which has been completed two months ahead of schedule. The Company continues to monitor and assess the impact of the COVID-19 pandemic on its operation, its customers and potential customers.

b. Definitions:

In these financial statements –

The Company	-	Tremor International Ltd.
The Group	-	Tremor International Ltd. and its subsidiaries.
Subsidiaries	-	Companies, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company such as RhythmOne PLC, Unruly Holding Ltd, Tremor Video Inc.
Related party	-	As defined by IAS 24, “Related Party Disclosures”.

NOTE 2: BASIS OF PREPARATION

a. Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Company’s Board of Directors on March 10, 2021.

b. Functional and presentation currency:

These consolidated financial statements are presented in US Dollars (USD), which is the Company’s functional currency, and have been rounded to the nearest thousands, except when otherwise indicated. The USD is the currency that represents the principal economic environment in which the Company operates.

c. Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis except for the following assets and liabilities:

- Deferred and current tax assets and liabilities
- Put option to non-controlling interests
- Provisions
- Derivatives

For further information regarding the measurement of these assets and liabilities see Note 3 regarding significant accounting policies.

d. Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Group's financial statements requires management of the Group to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Group prepares estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions made by the Group with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year are included in Note 6, on leases, with respect to determining the lease term and determining the discount rate of a lease liability, in Note 7, on intangible assets, with respect to the accounting of software development capitalization, in Note 4, on Income Tax, with respect to uncertain tax position and Note 19, on subsidiaries, with respect to business combinations.

e. Determination of fair value:

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

Further information about the assumptions that were used to determine fair value is included in the following notes:

- Note 16, share-based payments;
- Note 17, financial instruments; and
- Note 19, subsidiaries (regarding business combinations).

f. Change in classification

During the current year the Company reclassified the share-based compensation to share premium and reclassified other expenses (income) to operating expenses.

Furthermore, there was a correction of immaterial error in accrual for credit presented net of accounts receivables to other payables.

This classification did not have any effect on the profit of year ended in December 31, 2019.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

a. Basis of consolidation:

1) Business combinations:

The Group implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control.

The Group recognizes goodwill on acquisition according to the fair value of the consideration transferred less the net amount of the identifiable assets acquired and the liabilities assumed.

The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree, the liabilities incurred by the acquirer to the previous owners of the acquiree and equity instruments that were issued by the Group. In addition, the consideration transferred includes the fair value of any contingent consideration. After the acquisition date, the Group recognizes changes in the fair value of contingent consideration classified as a financial liability in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service. The unvested portion of the replacement award that is attributed to post-acquisition services is recognized as a compensation cost following the business combination.

Costs associated with the acquisitions that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees are expensed in the period the services are received.

2) Subsidiaries:

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commenced, until the date that control is lost.

3) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

4) Issuance of put option to non-controlling interests:

A put option issued by the Company to non-controlling interests that is settled in cash is recognized as a liability at the present value of the exercise price under the anticipated acquisition method. In subsequent periods, the Group elected to account for the changes in the value of the liability in respect of put options in shareholders' equity (see also Note 17(e)).

Accordingly, the Group's share of a subsidiary's profits includes the share of the non-controlling interests to which the Group issued a put option.

b. Foreign currency:

1) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated in to the functional currency at the exchange rate on that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate as of the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction.

2) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income and are presented in shareholders' equity.

c. Financial instruments:

1) Non-derivative financial assets

Initial recognition and measurement of financial assets

The Group initially recognizes trade receivables and debt instruments issued on the date that they are created. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

The Group has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Subsequent measurement and gains and losses

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Non-derivative financial liabilities

Non-derivative financial liabilities include trade and other payables.

Initial recognition of financial liabilities

The Group initially recognizes debt securities issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Subsequent measurement of financial liabilities

Financial liabilities (other than financial liabilities at fair value through profit or loss) are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are designated at fair value through profit or loss if the Group manages such liabilities and their performance is assessed based on their fair value in accordance with the Group's documented risk management strategy, providing that the designation is intended to prevent an accounting mismatch, or the liability is a combined instrument including an embedded derivative.

Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition, or are amortized as financing expenses in the statement of income when the issuance is no longer expected to occur.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3) Derivative financial instruments:

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge financial assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in profit or loss under financing income or expenses.

4) Share capital:

Ordinary shares

Ordinary shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from shareholders' equity, net of any tax effects.
Incremental costs directly attributable to an expected issuance of an instrument that will be classified as an equity instrument are recognized as an asset in deferred expenses in the statement of financial position. The costs are deducted from shareholders' equity upon the initial recognition of the equity instruments or are amortized as financing expenses in the statement of income when the issuance is no longer expected to take place.

Treasury shares

When share capital recognized as equity is repurchased by the Group, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from shareholders' equity. Repurchased shares are classified as a deduction in Share Premium. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in shareholders' equity, and the resulting surplus on the transaction is carried to share premium, whereas a deficit on the transaction is deducted from retained earnings.

d. Fixed Assets:

Fixed assets are measured at cost less accumulated depreciation. The cost of fixed assets includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided on all property and equipment at rates calculated to write each asset down to its residual value (assumed to be nil), using the straight line method, over its expected useful life as follows:

	Years
Computers and servers	3
Office furniture and equipment	3-17
Leasehold improvements	The shorter of the lease term and the useful life

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

e. Intangible assets:

1) Software development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use or sell the asset. The expenditure capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

In subsequent periods, capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

Where these criteria are not met development costs are charged to the statement of operation and other comprehensive income as incurred.

The estimated useful lives of developed software are three years.

Amortization methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

2) Acquired software:

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software licenses. These costs are amortized over their estimated useful lives (3 years) using the straight line method. Costs associated with maintaining software programs are recognized as an expense as incurred.

3) Goodwill:

Goodwill that arises upon the acquisition of subsidiaries is presented as part of intangible assets. For information on measurement of goodwill at initial recognition, see Note 3a(1).

In subsequent periods goodwill is measured at cost less accumulated impairment losses. The Group has identified its entire operation as a single cash generating unit (CGU). According to management assessment, no impairment in respect to goodwill has been recorded.

4) Other intangible assets:

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

5) Amortization:

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset less its accumulated residual value.

Internally generated intangible assets, such as software development costs, are not systematically amortized as long as they are not available for use, i.e. they are not yet on site or in working condition for their intended use. Goodwill is not systematically amortized as well, but is tested for impairment at least once a year.

The Group examines the amortization methods, useful life and accumulated residual values of its intangible assets at least once a year (usually at the end of each reporting period) in order to determine whether events and circumstances continue to support the decision that the intangible asset has an indefinite useful life.

Amortization is recognized in the statements of other comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use, since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in each asset, such as development costs, are tested for impairment at least once a year until such date as they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Trademarks	1.75-5 years
Software (developed and acquired)	3 years
Customer relationships	3-5.75 years
Technology	1-5 years
Others	1-3 years

Amortization methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

In the reporting period the Company changed the expected useful life of intangible asset items. For further information see Note 7 regarding the basis of preparation of the financial statements.

f. Impairment:

Non-derivative financial assets

Financial assets, contract assets and lease receivables

The Group recognizes a provision for expected credit losses in respect of:

- Financial assets at amortized cost;
- Lease receivables.

The Group has elected to measure the provision for expected credit losses in respect of financial assets and lease receivables at an amount equal to the full lifetime credit losses of the instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available. Such information includes quantitative and qualitative information, and an analysis, based on the Group's past experience and informed credit assessment, and it includes forward looking information.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
With respect to other debt assets, the Group measures the provision for expected credit losses at an amount equal to the full lifetime expected credit losses, other than the provisions hereunder that are measured at an amount equal to the 12-month expected credit losses:

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debt instruments and deposits, for which credit risk has not increased significantly since initial recognition.

Presentation of provision for expected credit losses in the statement of financial position

Provisions for expected credit losses of financial assets measured at amortized cost and are deducted from the gross carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group does not have reasonable expectations of recovering a financial asset at its entirety or a portion thereof. This is usually the case when the Group determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Write-off constitutes a de-recognition event.

g. Impairment of non-financial assets:

Non-financial assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).
Non-financial assets that were subject to impairment are reviewed for possible reversal of the impairment recognized in respect thereof at each financial reporting date.

h. Restricted Deposit:

The Company classifies certain restricted deposit balances within prepaid expenses and other current assets on the consolidated balance sheets based upon the term of the remaining restrictions. At December 31, 2020 and 2019 the Company had restricted deposit of USD 49 thousand and USD 119 thousand, respectively.

i. Share Based Compensation:

Compensation expense related to stock options, restricted stock units and performance stock units. The Company's employee stock purchase plan is measured and recognized in the consolidated financial statements based on the fair value of the awards granted. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. Stock-based compensation expense related to stock options and restricted stock is recognized over the requisite service periods of the awards.
Determining the fair value of stock options awards requires judgment. The Company's use of the Black-Scholes option pricing model requires the input of subjective assumptions. The assumptions used in the Company's option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment.

These assumptions and estimates are as follows:

Risk-Free Interest Rate. The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities approximating the expected term of the awards.

Expected Term. The expected term of an award is calculated based on the vesting date and the expiration date of the award.

Volatility. The Company determined the price volatility based on daily price observations over a period equivalent to the expected term of the award.

Dividend Yield. The dividend yield assumption is based on the Company's history and current expectations of dividend payouts.

Fair Value of Common Stock. The fair value of common stock is based on the closing price of the Company's common stock on the grant date

j. **Employee benefits:**

1) Post-employment benefits:

The Group's main post-employment benefit plan is under section 14 to the Severance Pay Law ("Section 14"), which is accounted for as a defined contribution plan. In addition, for certain employees, the Group has an additional immaterial plan that is accounted for as a defined benefit plan. These plans are usually financed by deposits with insurance companies or with funds managed by a trustee.

a) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of comprehensive income in the periods during which related services are rendered by employees.

According to Section 14, the payment of monthly deposits by a Company into recognized severance and pension funds or insurance policies releases it from any additional severance obligation to the employees that have entered into agreements with the Company pursuant to such Section 14. The Company has entered into agreements with a majority of its employees in order to implement Section 14 and as such, no additional liability with respect to such employees exist.

b) Defined benefit plans:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset).

2) Short-term benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave).

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

Share-based payment arrangements in which equity instruments are granted by the parent Company to the employees of the Company are accounted for by the Company as equity-settled share-based payment transactions.

k. Revenue recognition:

The Company recognizes revenue through the following five-step model:

(1) Identifying the contract with customer.
(2) Identifying distinct performance obligations in the contract.
(3) Determining the transaction price.
(4) Allocating the transaction price to distinct performance obligations.
(5) Recognizing revenue when the performance obligations are satisfied.

The Company generates revenue from transactions where it provides access to a platform for the purchase and sale of digital advertising inventory.

Its customers are both ad buyers, including brands and agencies, and digital publishers.

The Company generates revenue through platform fees that are tailored to fit the customer's specific utilization of our solutions and include: (i) a percentage of spend, (ii) flat fees and (iii) fixed costs per mile ("CPM"). CPM refers to a payment option in which customers pay a price for every 1,000 impressions an advertisement receives.

The Company maintains agreements with each publisher and buyer in the form of written service agreements, which set out the terms of the relationship, including payment terms and access to the Company's platform.

Publishers provide digital advertising inventory to the Company's platform in the form of advertising requests, or ad request. When the Company receives ad requests from a publisher, it send bid requests to buyers, which enable buyers to bid on sellers' digital advertising inventory according to a predefined set of parameters (e.g., demographics, intent, location, etc.). Winning bids create advertising, or paid impressions, for the publisher to present to the buyers.

The Company generates revenue from its Programmatic and Performance activities. Programmatic revenue is derived from the end-to-end platform of programmatic advertising, which uses software and algorithms to match buyers and sellers of digital advertising in a technology-driven marketplace. Performance revenue is derived from non-core activities, consisting of mobile-based activities that help brands reach their users.

Till the acquisitions of RhythmOne and its integration into the Company and the acquisition of Unruly in the beginning of 2020 (i.e. for the year ended December 31, 2019), the Company determined that it operated as a principal with respect to its Programmatic activity and therefore presented revenue on a gross basis mainly as: (i) the Company operated predominantly through a DSP platform prior to the acquisition and full integration of RhythmOne, (ii) the Company was highly involved in execution of the process, which required certain manual operations by Company employees and (iii) the Company determined that it had an implicit obligation to provide credits and inducements to customers to encourage use of the platform. That is, the Company determined, on this basis, that it had an implicit obligation to provide advertising space to customers, even though the contractual terms and conditions (including its Master Service Agreements (MSA) and Insertion Order (I/O)) do not explicitly state that the Company is obliged to deliver customers an applicable advertising space or to provide inducements to the customer. Consequently, the Company concluded that it was the primarily responsible for fulfillment of the contract.

Following the full integration with RhythmOne and the acquisition of Unruly in 2020, the Company positions itself as a stronger digital advertising platform in the marketplace with an integrated, end-to-end platform connecting the DSP and SSP sides of the business in a unified platform. As a result, the Company has changed its Programmatic business, tech stack, features, business models and activity as follow: (i) The Company implemented a material change in its tech stack and operations, offering new services and features that increased automation across the platform, significantly decreasing the need for Company employees to manually operate the platform; and (ii) The Company decreased significantly the level of credits and inducements offered to its customers.

The Company further concluded that as a result of such change in its Programmatic activity (i) it does not have manual control over the process, (ii) the Company is not primarily responsible for fulfillment, (iii) the Company has no inventory risk and (iv) the Company obtains only momentary a title to the advertising space offered via the end-to-end platform.

The Performance activity has not changed and the Company is still the primary obligor to provide the services and, as such, revenue is presented on a gross basis for the Performance activity. Management is focused on driving growth with the Programmatic activity through the end-to-end platform, while the Performance activity is declining over time.

The Company estimates and records reduction to revenues for volume discounts based on expected volume during the incentive term.

The Company generally invoices buyers at the end of each month for the full purchase price of ad impressions monetized in that month. Accounts receivable are recorded at the amount of gross billings for the amount it is responsible to collect and accounts payable are recorded at the net amount payable to publishers. Accordingly, both accounts receivable and accounts payable appear large in relation to revenue reported on a net basis.

l. Classification of expenses:

Cost of revenue

Cost of revenue includes expenses related to third-party hosting fees and the cost of data purchased from third parties, traffic acquisition costs, data and hosting that are directly attributable to revenue generated by the Company (see Note 11b).

Research and development

Research and development expenses consist primarily of compensation and related costs for personnel responsible for the research and development of new and existing products and services and amortization of certain intangible assets (see also Note 7). Where required, development expenditures are capitalized in accordance with the Company's standard internal capitalized development policy in accordance with IAS 38 (also see Note 3e(1)). All research costs are expensed when incurred.

Selling and marketing

Selling and marketing expenses consist primarily of compensation and related costs for personnel engaged in customer service, sales, and sales support functions, as well as advertising and promotional expenditures and amortization of certain intangible assets (see also Note 7).

General and administrative

General and administrative expenses consist primarily of compensation and related costs for personnel, and include costs related to the Company's facilities, finance, human resources, information technology, legal organizations and fees for professional services. Professional services are principally comprised of outside legal, and information technology consulting and outsourcing services that are not directly related to other operational expenses.

m. Financing income and expenses:

Financing income mainly comprises foreign currency gains and interest income.
Financing expenses comprises of exchange rate differences, interest and bank fees, interest on loans and other expenses.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

n. Income tax expense:

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of comprehensive income except to the extent that they relate to a business combination.

Current taxes

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences:
- The initial recognition of goodwill; and
- Differences relating to investments in subsidiaries to the extent it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing taxable dividends in respect of the investment.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Offset of deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Uncertain tax positions

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

o. Leases:

Determining whether an arrangement contains a lease

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

(a) The right to obtain substantially all the economic benefits from use of the identified asset; and
(b) The right to direct the identified asset's use.

For lease contracts that contain non-lease components, such as services or maintenance, that are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

Leased assets and lease liabilities

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments or provision for impairment, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

Other variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs.

Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

- Buildings 1-8 years
- Data centers 1-3 years

Reassessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Group and had an effect on the decision whether it is reasonably certain that the Group will exercise an option, which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Group re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset, or recognized in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

Lease modifications

When a lease modification increases the scope of the lease by adding a right to use one or more underlying assets, and the consideration for the lease increased by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract's circumstances, the Group accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Group allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate.

For lease modifications that decrease the scope of the lease, the Group recognizes a decrease in the carrying amount of the right-of-use asset in order to reflect the partial or full cancellation of the lease, and recognizes in profit or loss a profit (or loss) that equals the difference between the decrease in the right-of-use asset and re-measurement of the lease liability.

For other lease modifications, the Group re-measures the lease liability against the right-of-use asset.

Subleases

In leases where the Group subleases the underlying asset, the Group examines whether the sublease is a finance lease or operating lease with respect to the right-of-use received from the head lease. The Group examined the subleases existing on the date of initial application based on the remaining contractual terms at that date.

p. Earnings per share:

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, after adjustment for treasury shares, for the effects of all dilutive potential ordinary shares, which comprise restricted stock.

q. New standards, amendments to standards and interpretations not yet adopted:

Amendment to IFRS 3, Business Combinations

The Amendment adds an exception to the principle for recognizing liabilities in IFRS 3. According to the exception, contingent liabilities are to be recognized according to the requirements of IAS 37 and IFRIC 21 and not according to the conceptual framework. The Amendment prevents differences in the timing of recognizing liabilities that could have led to the recognition of gains and losses immediately after the business combination (day 2 gain or loss). The Amendment also clarifies that contingent assets are not to be recognized on the date of the business combination. The Amendment is effective for annual periods beginning on or after January 1, 2022. The Group has not yet commenced examining the effects of the Amendment on the financial statements.

Amendments to IFRS 9

The Amendments include practical expedients regarding the accounting treatment of modifications in contractual terms that are a result of the interest rate benchmark reform (a reform that in the future will lead to the replacement of interest rates such as the Libor and Euribor). Thus for example:

- When certain modifications are made in the terms of financial assets or financial liabilities as a result of the reform, the entity shall update the effective interest rate of the financial instrument instead of recognizing a gain or loss.
- Certain modifications in lease terms that are a result of the reform shall be accounted for as an update to lease payments that depend on an index or rate.
- Certain modifications in terms of the hedging instrument or hedged item that are a result of the reform shall not lead to the discontinuance of hedge accounting.

The Amendments are applicable retrospectively as from January 1, 2021 with early application permitted.

In the opinion of the Group, application of the Amendments is not expected to have a material effect on the financial statements.

NOTE 4: INCOME TAX

a. Details regarding the tax environment of the Israeli companies:

1) Corporate tax rate

Taxable income of the Israeli parent is subject to the Israeli corporate tax at the rate of 23% in 2020 and 2019.

2) Benefits under the Law for the Encouragement of Capital Investments

The Investment Law provides tax benefits for Israeli companies meeting certain requirements and criteria. The Investment Law has undergone certain amendments and reforms in recent years.
The Israeli parliament enacted a reform to the Investment Law, effective January 2011. According to the reform, a flat rate tax applies to companies eligible for the "Preferred Enterprise" status. In order to be eligible for Preferred Enterprise status, a company must meet minimum requirements to establish that it contributes to the country's economic growth and is a competitive factor for the gross domestic product.

On December 22, 2016 the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which the Encouragement Law was also amended (hereinafter: "the Amendment"). The Amendment added new tax benefit tracks for a "preferred technological enterprise" and a "special preferred technological enterprise" that awards reduced tax rates to a technological industrial enterprise for the purpose of encouraging activity relating to the development of qualifying intangible assets.

Preferred technological income that meets the conditions required in the law, will be subject to a reduced corporate tax rate of 12%, and if the preferred technological enterprise is located in Development Area A to a tax rate of 7.5%. The Amendment is effective as from January 1, 2017.

The Amendment also provides that no tax will apply to a dividend distributed out of preferred income to a shareholder that is an Israeli resident company. A tax rate of 20% shall apply to a dividend distributed out of preferred income to an individual shareholder or foreign resident, subject to double taxation prevention treaties.

On May 16, 2017 the Knesset Finance Committee approved Encouragement of Capital Investment Regulations (Preferred Technological Income and Capital Gain of Technological Enterprise) – 2017 (hereinafter: "the Regulations"), which provides rules for applying the "preferred technological enterprise" and "special preferred technological enterprise" tax benefit tracks including the Nexus formula that provides the mechanism for allocating the technological income eligible for the benefits.

In June 2016, Taptica, a wholly owned subsidiary, appealed for a tax ruling to apply "the preferred enterprise" track, which was obtained on April 2017 and will be apply for the years 2016-2020.

On 28 December 2016, Taptica Social, a wholly owned subsidiary, together with Taptica appealed for a tax ruling for a restructuring, whereby Taptica Social will be merged with and into Taptica in such a manner that Taptica Social will transfer to Taptica all its assets and liabilities for no consideration and thereafter will be liquidated. Accordingly, on 6 June 2017 the merger between the companies was approved by the Israeli Tax Authority and the effective merge date was determined as December 31 2016. As a result of the merger, the ruling previously obtained by Taptica regarding the preferred income required re- validation from the Israeli tax authority. Therefore Taptica appealed and received on December 2018 re-validation from the Israeli tax authority for the ruling which determines that Taptica owns an industrial enterprise and Preferred Technological Enterprise as defined in the Law for the Encouragement of Capital Investments – 1959. In addition, as a part of the re-validation of the ruling, Taptica also obtained an amendment that includes the acquisition and absorption of Tremor's operation in the rulings and apply the Law for the Encouragement of Capital Investments to this purchased activity as well. The tax rulings which was obtained on December 2018 will apply for the years 2017-2021.

On December 3, 2018, the Company together with Taptica submitted a request to the Israeli tax authorities for a tax ruling regarding to restructuring, whereby Taptica will be merged with and into the Company in such a manner that Taptica will transfer to the Company all its assets and liabilities for no consideration and thereafter will be liquidated. As of May 08, 2019, the merger between the companies approved by the Israeli Tax Authority and the effective merge date was determined as December 31, 2018. Following the approval of the restructuring, the tax ruling regarding Taptica owns an industrial enterprise and preferred technological enterprise which was obtained on December 2018 will apply on the merged Company for the years 2017-2021 with relative agreed changes.

b. Details regarding the tax environment of the non-Israeli companies:

Non Israeli subsidiaries are taxed according to the tax laws in their countries of residence as reported in their statutory financial statement prepared under local accounting regulations.

(1) US

As of the acquisition date of RhythmOne, RhythmOne had U.S. federal net operating loss carryforwards, or NOLs, of approximately USD 100.8 million as for the acquisition date, which will expire starting 2038. As of December 31, 2020 the NOLs are approximately USD 102 million.

Additionally, for tax years beginning after December 31, 2017, the Tax Cuts and Jobs Act limits the NOL deduction to 80% of taxable income, repeals carryback of all NOLs arising in a tax year ending after 2017 and permits indefinite carryforward for all such NOLs. NOL's arising in a tax year ending in or before 2017 can offset 100% of taxable income, are available for carryback, and expire 20 years after they arise. It should be noted that the Coronavirus Aid, Relief and Economic Security ("CARES") Act suspended the 80% limitation for tax years 2018, 2019 and 2020 and allowed for a 5 year carryback for NOLs for tax years beginning after December 31, 2017 and before January 1, 2021.

Pursuant to Section 382 of the Internal Revenue Code, RhythmOne underwent ownership changes for tax purposes (i.e. a more than 50% change in stock ownership in aggregated 5% shareholders) on April 2, 2019. As a result, the use of the Company's total US NOL carryforwards and tax credits generated prior to the ownership change will be subject to annual use limitations under Section 382 and may under section 383 of the Code and comparable state income tax laws.

(2) International

As of the acquisition date of Unruly, Unruly had an International NOLs of approximately USD 24 million. As of December 31, 2020 the NOLs are approximately USD 10.8 million.

c. Composition of income tax expense:

	Year ended December 31	
	2020	**2019**
	USD thousands	
Current tax expense		
Current year	3,022	4,571
Deferred tax (income)		
Creation and reversal of temporary differences	(12,603)	(7,207)
Tax benefit	(9,581)	(2,636)

The following are the domestic and foreign components of the Company's income taxes (in thousands):

	Year ended December 31	
	2020	**2019**
	USD thousands	
Domestic	1,661	(639)
US	(5,646)	(416)
International	(5,596)	(1,581)
Tax Benefit	(9,581)	(2,636)

d. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense:

	Year ended December 31	
	2020	**2019**
	USD thousands	
Profit (Loss) before taxes on income	(7,442)	3,588
Primary tax rate of the Company	23%	23%

Tax calculated according to the Company's primary tax rate	(1,712)	825
Additional tax (tax saving) in respect of:		
Non-deductible expenses net of tax exempt income (*)	(2,509)	3,584
Effect of reduced tax rate on preferred income and differences in previous tax assessments	170	(1,433)
Utilization of tax losses from prior years for which deferred taxes were not created	(5,887)	(5,050)
Effect on deferred taxes at a rate different from the primary tax rate	(768)	(873)
Foreign tax rate differential	947	311
Other differences	178	-
Tax benefit	(9,581)	(2,636)
Effective income tax rate	129%	(73%)

(*) including non- deductible share based payment expenses.

e. Deferred tax assets and liabilities:

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	Intangible Assets and R&D expenses	**Employees Compensation**	**Carryforward Losses**	**Accrued Expenses**	**Doubtful Debt**	**Other**	**Total**
	USD thousands						
Balance of deferred tax asset (liability) as of January 1, 2019	(74)	838	-	59	379	190	1,392
Business combinations	(20,720)	-	8,000	98	3,729	(2)	(8,895)
Changes recognized in profit or Loss	3,704	2,631	435	2,326	800	(2,689)	7,207
Effect of change in tax rate	-	-	-	-	-	-	-
Changes recognized in shareholders' equity	-	215	-	-	-	-	215
Balance of deferred tax asset (liability) as of December 31, 2019	**(17,090)**	**3,684**	**8,435**	**2,483**	**4,908**	**(2,501)**	**(81)**
Business combinations	(4,409)	85	2,330	250	168	530	(1,046)
Changes recognized in profit or Loss	4,626	1,190	3,380	1,723	(1,352)	3,036	12,603
Effect of change in tax rate	-	-	-	-	-	-	-
Changes recognized in shareholders' equity	(162)	4,280	-	-	-	160	4,278
Balance of deferred tax asset (liability) as of December 31, 2020	**(17,035)**	**9,239**	**14,145**	**4,456**	**3,724**	**1,225**	**15,754**

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets.

As of December 31, 2020 and 2019, the Company had gross unrecognized tax benefits of approximately USD 4,471 thousand and USD 3,946 thousand, respectively. The Company classifies liabilities for unrecognized tax benefits in Current tax liabilities.

NOTE 5: FIXED ASSETS, NET

	Computers And Servers	Office furniture and equipment	Leasehold improvements	Total
	USD thousands			
Cost				
Balance as of January 1, 2019	3,733	605	1,284	5,622
Exchange rate differences	-	-	2	2
Classification due to implementation of IFRS16	(945)	-	-	(945)
Additions	869	16	178	1,063
Business combinations (See Note 19)	2,023	109	271	2,403
Disposals	(106)	(6)	-	(112)
Balance as of December 31, 2019	5,574	724	1,735	8,033
Exchange rate differences	13	14	4	31
Additions	1,768	15	77	1,860
Business combinations (See Note 19)	346	411	73	830
Disposals	(18)	(32)	(19)	(69)
Balance as of December 31, 2020	**7,683**	**1,132**	**1,870**	**10,685**
Depreciation				
Balance as of January 1, 2019	1,912	196	635	2,743
Classification due to implementation of IFRS16	(527)	-	-	(527)
Disposals	(95)	(1)	-	(96)
Additions	2,149	185	447	2,781
Balance as of December 31, 2019	3,439	380	1,082	4,901
Exchange rate differences	35	2	18	55
Disposals	(16)	(31)	(19)	(66)
Additions	1,523	472	508	2,503
Balance as of December 31, 2020	**4,981**	**823**	**1,589**	**7,393**
Carrying amounts				
As of December 31, 2019	2,135	344	653	3,132
As of December 31, 2020	**2,702**	**309**	**281**	**3,292**

NOTE 6: LEASES

a. Leases in which the Group is the lessee:

The Group applies IFRS 16, Leases, as from January 1, 2019. The Group has lease agreements with respect to the following items:

- Offices;
- Data center;

1) Information regarding material lease agreements:

a) The Group leases Offices mainly in the United States of America (US), Israel, Canada and UK with contractual original lease periods ends between the years 2021 and 2027 from several lessors. The Group did not assume renewals in determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement.

A lease liability and right-of-use asset in the amount of USD 16,121 thousand and USD 5,925 thousand, and USD 21,105 thousand and USD 13,155 thousand respectively, have been recognized in the statement of financial position as of December 31, 2020 and December 31, 2019 in respect of leases of offices.

b) The Group leases data center and related network infrastructure with contractual original lease periods ends between the years 2021 and 2023. The Group did not assume renewals in determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement.

A lease liability in the amount of USD 5,088 thousand and USD 3,164 thousand as of December 31, 2020 and December 31, 2019, respectively and right-of-use asset in the amount of USD 4,897 thousand and USD 3,560 thousand as of December 31, 2020 and December 31, 2019, respectively have been recognized in the statement of financial position in respect of data centers.

2) Lease liability:

Maturity analysis of the Group's lease liabilities:

	December 31	
	2020	**2019**
	USD thousands	
Less than one year (0-1)	9,047	9,637
One to five years (1-5)	10,241	12,088
More than five years (5+)	1,921	2,544
Total	21,209	24,269
Current maturities of lease liability	9,047	9,637
Long-term lease liability	12,162	14,632

3) Right-of-use assets - Composition:

	Offices	**Data center**	**Total**
		USD thousands	
Balance as of January 1, 2019	9,336	845	10,181
Business combinations (See Note 19)	12,992	11,924	24,916
Depreciation on right-of-use assets	(5,644)	(5,258)	(10,902)

Additions	391	33	424
Provision for Impairment	(2,994)	(145)	(3,139)
Lease modifications	(124)	(3,839)	(3,963)
Disposals	(802)	-	(802)
Balance as of December 31, 2019	**13,155**	**3,560**	**16,715**
Business combinations (See Note 19)	1,026	-	1,026
Depreciation on right-of-use assets	(6,958)	(4,422)	(11,380)
Additions	1,629	5,680	7,309
Provision for Impairment	1,808	145	1,953
Lease modifications	(143)	-	(143)
Disposals	(4,570)	(77)	(4,647)
Exchange rate differences	(22)	11	(11)
Balance as of December 31, 2020	**5,925**	**4,897**	**10,822**

4) Amounts recognized in statement of operation:

	Year ended December 31	
	2020	**2019**
	USD thousands	
Interest expenses on lease liability	(1,117)	(779)
Depreciation and amortization of right-of-use assets, net	(8,855)	(9,109)
Gains recognized in profit or loss	1,829	1,749
Total	**(8,143)**	**(8,139)**

5) Amounts recognized in the statement of cash flows:

	Year ended December 31	
	2020	**2019**
	USD thousands	
Cash outflow for leases	**(14,468)**	**(13,386)**

b. Leases in which the Group is a lessor:

1) Information regarding material lease agreements:

The Group subleases offices at US, Canada and UK for periods expiring in 2027.

2) Net investment in the lease:

Presented hereunder is the movement in the net investment in the lease:

	Offices	
	Year ended December 31	
	2020	**2019**
	USD thousands	

Balance as of January 1,	4,288	1,064
Business combinations	-	3,327
Sublease receipts	(3,246)	(1,669)
Additions	7,094	1,566
Disposals	(301)	-
Balance as of December 31,	**7,835**	**4,288**

3) Maturity analysis of net investment in finance leases:

	Year ended December 31	
	2020	**2019**
	USD thousands	
Less than one year (0-1)	2,153	2,367
One to five years (1-5)	3,816	1,921
More than five years (5+)	1,866	-
Total net investment in the lease as of December 31,	**7,835**	**4,288**

4) Amounts recognized in statement of operation:

	Offices	
	Year ended December 31	
	2020	**2019**
	USD thousands	
Gain from subleases	274	956
Financing income on the net investment in the lease	361	71
Total	**635**	**1,027**

NOTE 7: INTANGIBLE ASSETS, NET

	Software	Trademarks	Customer relationships	Technology	Others	Goodwill	Total
	USD thousands						
Cost							
Balance as of January 1, 2019	8,187	8,201	7,414	27,458	1,044	32,985	85,289
Exchange rate differences	-	12	21	-	-	85	118
Additions	5,672	-	-	-	-	-	5,672
Business combinations (see Note 19)	5,378	17,470	30,284	17,629	-	100,633	171,394
Balance as of December 31, 2019	19,237	25,683	37,719	45,087	1,044	133,703	262,473
Exchange rate differences	-	529	567	73	47	1,280	2,496
Additions	4,858	-	-	-	-	-	4,858
Business combinations (see Note 19)	-	10,427	10,054	1,658	1,068	17,878	41,085
Balance as of December 31, 2020	24,095	36,639	48,340	46,818	2,159	152,861	310,912
Amortization							
Balance as of January 1, 2019	5,869	6,973	2,596	15,202	1,044	-	31,684
Exchange rate differences	-	13	23	-	-	-	36

Additions	3,363	4,472	5,238	7,395	-	-	20,468
Balance as of December 31, 2019	9,232	11,458	7,857	22,597	1,044	-	52,188
Exchange rate differences	-	202	285	(162)	70	-	395
Additions	5,214	8,976	9,053	9,598	988	-	33,829
Balance as of December 31, 2020	14,446	20,636	17,195	32,033	2,102	-	86,412
Carrying amounts							
As of December 31, 2019	10,005	14,225	29,862	22,490	-	133,703	210,285
As of December 31, 2020	9,649	16,003	31,145	14,785	57	152,861	224,500

Amortization

The amortization of technology and software is allocated to research and development expenses and amortization of trademarks, distribution channel and customer relationships is allocated to selling and marketing expenses.

Capitalized development costs

Development costs capitalized in the period amounted to USD 4,816 thousand (2019: USD 4,651 thousand) and were classified under software.

Impairment testing for intangible assets

The Company's qualitative assessment during the years ended December 31, 2020, and 2019, did not indicate that it is more likely than not that the fair value of its goodwill, intangible assets, and other long-lived assets is less than the aggregate carrying amount.

Following the acquisition of Unruly, the Company examined the useful life of intangible assets acquired in the past and determined to change the estimated economic life of part of the trademarks asset from 4.75 years to 2.75 years. The effects of the aforesaid change on amortization expenses for the year ended December 31, 2020, 2021, 2022 and 2023 is USD 1,512 thousands, USD 3,024 thousands, (USD 2,268) thousands and (USD 2,268) thousands, respectively.

NOTE 8: TRADE AND OTHER RECEIVABLES

	December 31	
	2020	2019
	USD thousands	
Trade receivables:		
Trade receivables	162,580	119,205
Allowance for doubtful debts	(9,036)	(22,376)
Trade receivables, net	153,544	96,829
Other receivables:		
Prepaid expenses	14,053	7,196
Loan to third party	689	1,099
Institutions	1,165	966
Pledged deposits	872	368
Other	836	100
	17,615	9,729

NOTE 9: TRADE AND OTHER PAYABLES

	December 31	
	2020	2019
	USD thousands	
Trade payables	125,863	70,428
Other payables:		
Advances from customers	13,406	8,717
Wages, salaries and related expenses	13,853	9,109
Related Parties	2,746	-
Provision for vacation	554	612
Institutions	1,112	300
Ad spend liability	5,987	-
Liability for options on non- controlling interest	2,903	2,440
Others	6,561	3,871
	47,122	25,049

NOTE 10: CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019

	USD thousands	
Cash	44,825	54,486
Bank deposits	52,638	24,561
Cash and cash equivalents	97,463	79,047

The Group's exposure to credit, and currency risks are disclosed in Note 17 on financial instruments.

NOTE 11a: REVENUE

	Year ended December 31	
	2020	2019
	USD thousands	
Programmatic (1)	161,625	241,464
Performance	50,295	84,296
	211,920	325,760

(1) In 2020 and 2019 programmatic revenue is reported on net basis and gross basis, respectively and performance revenue reported on gross basis for both years (see Note 3k).
Media cost amounted to USD 117,301 thousand in the year ended December 31, 2019.

NOTE 11b: COST OF REVENUE

	Year ended December 31	
	2020	2019
	USD thousands	
Programmatic (1)	31,918	142,676
Performance	27,889	44,570
Cost of Revenue	59,807	187,246

(1) In 2020 and 2019 programmatic revenue is reported on net basis and gross basis, respectively and performance revenue reported on gross basis for both years (see Note 3k). Media cost amounted to USD 117,301 thousand in the year ended December 31, 2019.

NOTE 12: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31	
	2020	2019
	USD thousands	
Wages, salaries and related expenses	15,274	11,973
Share base payments	9,420	14,100
Rent and office maintenance	(483)	232
Professional expenses	4,766	1,282
Depreciation and amortization	1,750	855
Depreciation and amortization of right of use assets	4,593	4,956
Doubtful debts	(1,091)	3,003

Acquisition costs	524	2,840
Other expenses	1,268	1,003
	36,021	40,244

NOTE 13: OTHER EXPENSES (INCOME), NET

On December 31, 2019, the Company entered into an Asset Purchase Agreement (as amended on February 14, 2020), with Netaktion LLC pursuant to which it sold to Netaktion LLC, RhythmOne's, owned and operated websites business for a purchase price consisting of (i) USD 100 thousand in cash, (ii) USD 600 thousand payable in the form of promissory note payable in eighteen (18) installment payments from April 2021 through December, 2022, and (iii) up to USD 2,800 thousand payable under a profit sharing arrangement derived from the percentage of future profit.

The Company recognized an immediate capital gain of USD 700 thousand. As of December 31, 2020, the outstanding balance of the promissory note was USD 618 thousand including interest.

On October 5, 2020, the Company entered into an Asset Purchase Agreement pursuant to which it sold to Fols Media LLC certain ad exchange operations for a purchase price consisting of (i) USD 51.6 thousand in cash, (ii) USD 85 thousand payable in the form of a bearing interest promissory note payable in 2020 through 2022 and (iii) up to USD 1,200 thousand payable under a revenue sharing arrangement derived from a percentage of future revenue.

The Company recognized an immediate capital gain of USD 502.6 thousand. As of December 31, 2020, the Company recognized USD 116 thousand in revenue sharing, and the outstanding balance of the promissory note was USD 71 thousand including interest.

The Company recognized a total amount of USD 1,700 thousand paid to Uber, in relation to the full dismissal of the case against the Company (see Note 21a).

NOTE 14: SHAREHOLDERS' EQUITY

Issued and paid-in share capital:

	Ordinary Shares	
	2020	**2019**
	Number of shares	
Balance as of January 1	124,223,182	68,521,997
Own shares held by the Group	(5,277,220)	(14,552,741)
Share based compensation	6,444,944	3,517,441
Shares issued in business combination	8,525,323	66,736,485
Issued and paid-in share capital as of December 31	133,916,229	124,223,182
Authorized share capital	300,000,000	300,000,000

1) Rights attached to share:

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

2) Director share allotment:

According to Director's employment commitment letter, the Company is committed to issue shares worth of GBP 6,250 each quarter in consideration of the director's services.
In the year ended December 31, 2019, the Company issued 8,761 ordinary shares of a par value of NIS 0.01 based on the share price on the date of the issuance, only for the first quarter of 2019.
The total expenses recognized in the statement of Operation and Other Comprehensive Income in the year ended December 31, 2019 with respect to the director share allotment amounted to USD 8 thousand.

3) Issuing new public shares:

Following the acquisition of Unruly, as described in Note 19b, the Company issued 8,525,323 shares at a quoted price of GBP 1.51 (USD 1.98) per share to former Unruly shareholders which became admitted to trading on AIM on January 10, 2020 and are subject to a 18-months lock-up.
In April 2019, following the acquisition of RhythmOne, as described in Note 19c, the Company issued 66,736,485 new shares for every 33 RhythmOne shares held, so that following the completion of the Acquisition, the Company's current shareholders held 50.1% and, RhythmOne Shareholders held 49.9% of the merged Group.

4) Own shares acquisition:

Following the Acquisition of RhythmOne, as described in Note 1, and as part of the Company's Board of Director approvals in April 2019 and June 2019 for a share buyback program for a total consideration of USD 25,000 thousand, the Company purchased during the year ended December 31, 2019 14,552,741 shares (of which 5,743,731 were purchased from former related parties) for a total consideration of USD 24,737 thousands.

In March 2020, following the Company's Board of Director approvals for a share buyback program for a total consideration of USD 10,000 thousand, the Company purchased during the twelve months period ended December 31, 2020 5,277,220 shares for a total consideration of USD 9,965 thousand.

The Ordinary Shares acquired pursuant to the buyback programs reclassified as dormant shares under the Israeli Companies Law (without any rights attached thereon) and held in treasury.

On December 17, 2020 the Company has received approval from the Israeli court authorizing the distribution of a dividend and the repurchase of up to USD 20,000 thousand of the Company's Ordinary Shares, if the Company elect to do so.

On December 22, 2020, the Company's Board of Directors has approved another share buyback program for an aggregate purchase price of up to USD 10,000 thousand.

Although the Company have paid dividends and share buybacks in the past, the Company does not anticipate paying any dividends in the foreseeable future. The Company currently intend to retain future earnings, if any, to finance operations and expand its business.

NOTE 15: EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share as of December 31, 2020 and 2019 was based on the profit for the year divided by a weighted average number of ordinary shares outstanding, calculated as follows:

Profit for the year:

	Year ended December 31	
	2020	**2019**
	USD thousands	
Profit for the year	2,139	6,224

Weighted average number of ordinary shares:

	Year ended December 31	
	2020	**2019**
	Shares of NIS 0.01 par value	
Weighted average number of ordinary shares used to calculate basic earnings per share as at December 31	133,991,210	111,231,769
Basic earnings per share (in USD)	0.016	0.056

Diluted earnings per share:

The calculation of diluted earnings per share as of December 31, 2020 and 2019 was based on profit or for the year divided by a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted):

	Year ended December 31	
	2020	**2019**
	Shares of NIS 0.01 par value	
Weighted average number of ordinary shares used to calculate basic earnings per share	133,991,210	111,231,769
Effect of share options on issue	4,714,985	3,576,114
Weighted average number of ordinary shares used to calculate diluted earnings per share	138,706,195	114,807,883
Diluted earnings per share (in USD)	0.015	0.054

NOTE 16: SHARE-BASED PAYMENT ARRANGEMENTS

a. Share-based compensation plan:

The terms and conditions related to the grants of the share options programs are as follows:

- All the share options that were granted are non-marketable.

- All options are to be settled by physical delivery of shares.
- Vesting conditions are based on a service period of between 0.5-4 years.

On April 2, 2019 the Company's shareholders adopted the New Tremor International Ltd. Management Incentive Scheme to provide for the grant of 11,772,932 equity incentive awards to executive officers. In addition, following the Acquisition of RhythmOne, the Company's shareholders adopted RhythmOne Plan to provide for the grant of 1,328,908 equity incentive award to RhythmOne executives and employees.

As part of the New Tremor International Ltd. Management Incentive Scheme, and following the acquisition of RhythmOne, the Company's shareholders approved a modification in the exercise price of 1,200,000 Company share options awarded to the CEO of the Group, out of which 1,080,000 share options will be vested subject to meet the performance-based metrics, and the remaining options will be vested over a shorter service periods. Furthermore, restricted stock units of 400,000 to the Group's CEO were modified for a shorter vesting periods.

As described in Note 1, part of the acquisition of RhythmOne, 849,325 RhythmOne's options and 1,058,776 RSU's were replaced by to 458,946 and 869,962 of the Company's options and RSU's, respectively.

As part of the acquisition of Unruly, as described in Note 1, the Group granted 415,074 restricted share units (RSU's) to Unruly executives and employees to replace the pre-acquisition equity incentive awards held by such Unruly executives and employees.

b. Stock Options:

During 2020 and 2019, the Group granted 1,801,000 and 458,946 share options to its executive officers and employees, respectively.

The number of share options is as follows:

	Number of options		Weighted average exercise price	
	2020	**2019**	**2020**	**2019**
	(Thousands)		(GBP)	
Outstanding at 1 January	4,828	7,731	2.89	3.10
Forfeited during the year	(1,621)	(2,290)	2.86	3.22
Exercised during the year	(1,227)	(1,072)	0.53	0.57
Granted during the year	1,801	-	1.62	-
Option assumed in Merger	-	459	-	4.38
Outstanding at December 31	3,781	4,828	1.60	2.89
Exercisable at December 31	51	2,054		

In January 2020, the Company's Board of Directors approved a change in the exercise price and vesting terms relating to 2,204,174 options for ordinary shares held by certain employees (the "Amended Options"), as follows:

		Originally granted		Amended Granted	
Grated date	**Number of options**	**Exercise price (GBP)**	**Exercisable date from**	**Exercise price (GBP)**	**Exercisable date from**

March 20, 2017	217,000	2.44	March 20, 2019	1.60	July 28, 2021
June 18, 2017	116,000	2.99	June 18, 2019	1.60	July 28, 2021
November 5, 2017	391,000	4.31	November 5, 2019	1.60	July 28, 2021
January 23, 2018	1,163,000	4.37	January 23, 2020	1.60	July 31, 2021
June 20, 2018	52,000	4.37	June 20, 2020	1.60	July 31, 2021
April 2, 2019 (*)	265,174	2.06-18.27	April 2, 2019	1.60	July 28, 2021

(*) Granted as part of RhythmOne's acquisition as listed above.

The options that had a vesting date up to July 2021 will now vest and become exercisable on July 2021, while the vesting and exercise periods of the rest of the options remain unchanged. The incremental fair value (amounting to USD 1,282 thousand) is recognized over the remaining vesting period. The new expiration date is one year after the last exercise date.

Information on measurement of fair value of share-based payment plans:

The fair value of employees share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments, expected dividends, and the risk-free interest rate (based on government debentures) (See Note 3i).

The parameters used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	2020	2019
Grant date fair value in USD	0.76-1.267	0.01-0.56
Share price (on grant date) (in GBP)	1.27-2.22	1.79
Exercise price (in GBP)	1.38-2.24	1.56-18.27
Expected volatility (weighted average)	60%	45%
Expected life (weighted average)	3.5-3.75	0-3.38
Expected dividends	0.00%	1.35%
Risk-free interest rate	0.15%-1.46%	2.3%

The total expense recognized in the year ended December 31, 2020 with respect to the options granted to employees, amounted to approximately USD 2,693 thousand.

c. Restricted Share Units:

During 2020 and 2019, the Group granted 3,334,074 and 5,220,480 Restricted Share Units (RSU's) to its executive officers and employees, respectively.

The number of restricted share units is as follows:

	Number of RSU's		Weighted-Average Grant Date Fair Value	
	2020	2019	2020	2019
	(Thousands)			
Outstanding at 1 January	3,969	1,024	2.372	4.673
Forfeited during the year	(46)	(198)	2.511	3.744
Exercised during the year	(3,480)	(2,077)	2.296	2.574
Granted during the year	2,919	4,350	2.538	2.035

Restricted stock units assumed in acquisition during the year	415	870	2.786	2.347
Outstanding at December 31	3,777	3,969	2.364	2.372

The total expense recognized in the year ended December 31, 2020 with respect to the options granted to employees, amounted to approximately USD 7,443 thousand.

d. Performance Stock Units:

During 2020 and 2019, the Group granted 725,000 and 4,350,796 Performance Stock Units (PSU's) to its executive officers, respectively.

The number of performance stock units is as follows:

	Number of PSU's		Weighted-Average Grant Date Fair Value	
	2020	2019	2020	2019
	(Thousands)			
Outstanding at January 1	5,071	1,080	2.105	2.904
Forfeited during the year	(206)	-	2.211	-
Exercised during the year	(1,738)	(360)	2.185	2.904
Granted during the year	725	4,351	2.592	1.973
Outstanding at December 31	3,852	5,071	2.155	2.105

The vesting of the PSU's is subject to continues employment and compliance with the performance criteria determined by the Company's Remuneration Committee and the Company's Board of Directors.

The total expense recognized in the year ended December 31, 2020 with respect to the options granted to employees, amounted to approximately USD 4,354 thousand.

e. Expense recognized in the statement of operation and other comprehensive income is as follows:

	Year ended December 31	
	2020	2019
	USD thousands	
Selling and marketing	4,515	1,257
Research and development	555	452
General and administrative	9,420	14,100
	14,490	15,809

NOTE 17: FINANCIAL INSTRUMENTS

a. Overview:

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk

- Liquidity risk
- Market risk

This note presents quantitative and qualitative information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

In order to manage these risks and as described hereunder, the Group executes transactions in derivative financial instruments. Presented hereunder is the composition of the derivatives:

	December 31	
	2020	2019
	USD thousands	
Derivatives presented under current assets		
Forward exchange contracts used for hedging	836	-
Derivatives presented under non-current assets		
Forward exchange contracts used for hedging	1,335	-
Total	2,171	-

b. Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

c. Credit risk:

The Group's credit risk is arise from the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

d. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follows:

	December 31

	2020	2019
	USD thousands	
Cash and cash equivalents	97,463	79,047
Trade receivables, net (a)	153,544	96,829
Other receivables	2,379	1,567
long term deposit	499	965
Long Term Receivables	1,335	367
	255,220	178,775

(a) At December 31, 2020, the Group included provision for doubtful debts in the amount of USD 9,036 thousand (December 31, 2019: USD 22,376 thousand) in respect of collective impairment provision and specific debtors that their collectability is in doubt.

	Allowance for Doubtful debts	
	2020	2019
	USD thousands	
Balance at January 1	22,376	2,822
Business combination	1,201	16,417
Allowance for doubtful debts expenses	(1,091)	3,394
Write-off bad debt	(13,397)	(303)
Exchange rate difference	(53)	46
Balance at December 31	9,036	22,376

e. Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

As of December 31, 2020 and December 31, 2019, the Group's contractual obligation of financial liability is in respect of leases, trade and other payables in the amount of USD 161,875 thousand and USD 101,008 thousand, respectively. The contractual maturity of the financial liability that is less than one year is in the amount of USD 147,243 thousand and USD 86,376 thousand for December 31, 2020 and December 31, 2019, respectively.

As part of the framework of the acquisition of Adinnovation INC (ADI) on July 17, 2017, the Company has a call option to purchase the remaining 43% of the issued share capital of ADI for a price of 8x net profit and for a period of six months commencing three years after closing. Thereafter, ADI's minority shareholders have a put option for a period of three months to sell at a price of 7x net profit. As a result of the aforesaid, the Company recognized the acquisition of full control (100%) over ADI and recorded liability inherent in exercise of the option according to its discounted value. The amount of the liability as at the acquisition date is estimated at USD 8,496 thousand and was estimated based on ADI's current business results and forecasts of ADI for the third year capitalized with annual discount rate of 2.9%. The Company elected to recognized changes in the value of the liability on every reporting date in shareholders' equity. In 2019, the Company recorded a revaluation to decrease the liability by USD 1,501 thousand, and in 2020, it was increased by USD 445 thousand.

In accordance with the terms of the framework acquisition, the Company exercised part of the call option on December 5, 2020, which will increase the Company's share in ADI to 82%, following the closing, for total consideration of USD 1,734 thousand which was not paid as of December 31, 2020. The remaining value of the option liability as of December 31, 2020 is USD 1,169 thousand (see Note 22).

f. Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, the CPM, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

At December 31, 2020, USD 371 thousand are held in NIS, USD 7,369 thousand are held in GBP, USD 2,061 thousand are held in EUR, USD 1,369 thousand are held in CAD, USD 6,591 thousand are held in JPY, USD 512 thousands are held in MXN, USD 1,120 thousand are held in SGD, USD 110 thousand are held in KRW, USD 1,835 thousands are held in AUD and USD 700 thousand are held in other currencies and the remainder held in USD.

g. Sensitivity analysis:

A change as of December 31 in the exchange rates of the following currencies against the USD, as indicated below would have affected the measurement of financial instruments denominated in a foreign currency and would have increased (decreased) profit or loss and shareholders' equity by the amounts shown below (after tax). This analysis is based on foreign currency exchange rate that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019.

	2020		2019	
GBP/USD	**+10%**	**-10%**	**+10%**	**-10%**
	USD thousands			
Profit / (Loss)	85	(85)	-	-
Increase / (Decrease) in Shareholders' Equity	(1,139)	1,139	479	(479)

	2020		2019	
NIS/USD	**+10%**	**-10%**	**+10%**	**-10%**
	USD thousands			
Profit / (Loss)	(798)	798	(790)	790
Increase / (Decrease) in Shareholders' Equity	835	(835)	906	(906)

Linkage and foreign currency risks

Currency risk

The Group is not exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group, the USD. The principal currencies in which these transactions are denominated are GBP, NIS, Euro, CAD, SGD, KRW, MXN, AUD and JPY.

At any point in time, the Group aims to match the amounts of its assets and liabilities in the same currency in order to hedge the exposure to changes in currency.
In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

NOTE 18: RELATED PARTIES

a. Compensation and benefits to key management personnel

Executive officers also participate in the Company's share option programs. For further information see Note 16 regarding share-based payments.
Compensation and benefits to key management personnel (including directors) that are employed by the Company and its subsidiaries:

	Year ended December 31	
	2020	2019
	USD thousands	
Share-based payments	7,061	12,607
Other compensation and benefits	3,932	3,948
	10,993	16,555

b. As of December 31, 2020, an amount of USD 2,746 thousand was due to a related party for proceeds due to sale of shares (See Note 9).

c. In 2019, an amount of USD 130 thousand was paid to a related party due to its efforts in the acquisition of RhythmOne.

NOTE 19: SUBSIDIARIES

a. Details in respect of subsidiaries:

Presented hereunder is a list of the Group's subsidiary:

Name of company	Principal location of the Company's activity	The Group's ownership interest in the subsidiary for the year ended December 31	
		2020	2019
Taptica Inc	USA	100%	100%
Tremor Video Inc	USA	100%	100%
Adinnovation Inc	Japan	57%	57%
Taptica Japan	Japan	100%	100%
Taptica UK	United Kingdom	100%	100%
RhythmOne PLC	UK	100%	100%
RhythmOne Holding Inc	USA	100%	100%
YuMe Inc *	USA	100%	100%
Perk.com US Inc *	USA	100%	100%

Perk.com Canada Inc	Canada	100%	100%
R1Demand LLC *	USA	100%	100%
RhythmOne LLC	USA	100%	100%
Unruly holdings Ltd*	UK	100%	0%
Unruly Group Ltd	UK	100%	0%
Unruly Media GmbH	Germany	100%	0%
Unruly Media Pte Ltd*	Singapore	100%	0%
Unruly Media Pty Ltd	Australia	100%	0%
Unruly Media KK	Japan	100%	0%
Unmedia Video Distribution Sdn Bhd	Malaysia	100%	0%
Unruly Media Inc	USA	100%	0%

* Under these companies, there are twenty five (25) wholly owned subsidiaries that are inactive and in liquidation process.

b. Acquisition of subsidiaries and business combinations during the current period:

Acquisition of Unruly:

On January 4, 2020, the Company completed the acquisition of Unruly Holdings Limited and Unruly Media Inc. from News Corp UK & Ireland Limited (UK Seller) and News Preferred Holdings Inc. (US Seller) for total consideration of: (i) issuance of 7,960,111 Ordinary Shares of the Company to the UK Seller in exchange for a loan in the amount of GBP 12,020 thousand (USD 15,729 thousand) between UK Seller (as lender) and Unruly Group Limited (as borrower); (ii) GBP 1 to UK Seller for 100% of the issued share capital of Unruly Holdings Limited; and (iii) issuance of 565,212 Ordinary Shares of the Company to the US Seller and USD 1 for 100% of the issued share capital of Unruly Media Inc.

The issuance of an aggregate 8,525,323 Ordinary Shares of the Company to UK Seller and US Seller represented approximately 6.91% of the Company's issued voting share capital at such time. The Sellers agreed not to sell, transfer or otherwise dispose of such Company Ordinary Shares for an 18-month period, subject to customary exceptions.

At the same time, Tremor Video entered into a Master Service Agreement (MSA) with the UK seller for an exclusive right to sell outstream video on various News Corp titles world-wide on a committed ad spend of GBP 30,000 thousand over a three-year period with an option to extend the MSA by two quarters at the discretion of UK seller. The obligation for the net discounted future payments exceeding market fair value aggregated to USD 14,073 thousand and is recognized according to the actual consumption. As of December 31, 2020, the ad spend liability balance aggregated to USD 13,811 thousand.

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	USD thousands
Equity instruments issued (1)	936
Ad spend liability (2)	14,073
UK debt (3)	13,181
Total purchase price	28,190

(1) The fair value of the Ordinary shares issued was based on the quoted price of GBP 1.51 per share considering the restrictions on sell of the shares as detail above.

(2) The Ad spend liability fair value was determined based on the unfavorable aspect of the contract to the Company relative to market prices. The Ad spend liability is included in other payables and other long term liabilities.

(3) The fair value of the UK debt was based on the quoted price of GBP 1.51 per share considering the restrictions on sell of the shares as detail above.

Identifiable assets acquired and liabilities assumed:

	USD thousands
Cash and Cash equivalents	7,095
Accounts Receivables	19,383
Other receivables	1,761
Institutions- Tax income	211
Fixed Assets	830
Deferred tax assets	3,363
Long term lease assets	1,026
Intangible assets	23,207
Current maturities of lease liabilities	(2,403)
Trade payables	(24,564)
Other Payables	(11,343)
Long-term lease liabilities	(3,845)
Deferred tax liabilities	(4,409)
Net identifiable assets	10,312

Measurement of fair values:

The fair value of the brand and the technology is based on the discounted estimated royalty payments that have been generated if as a result of the trademark being licensed. The fair value of the non-compete is based on the differences between two discounted estimated cash flow models, with and without the asset in place.
The fair value of customer relationships and backlog is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The following table summarizes the components of the acquired intangible assets and estimated useful lives (in thousands, except for estimated useful life) as of the acquisition date:

	Amount USD thousands	Estimated Useful Life
Backlog	162	1
Non Compete	906	1.5
Technology	1,658	1
Customer relations	10,054	5
Brand	10,427	5

	23,207

The aggregate cash flow derived for the Company as a result of the Unruly acquisition:

	USD thousands
Cash and cash equivalents at Unruly	7,095
Acquisition costs	(887)
Acquisition of subsidiary – Cash	6,208

Goodwill

Goodwill was recognized as a result of the acquisition as follows:

	USD thousands
Consideration transferred	28,190
Less fair value of identifiable net assets	10,312
Goodwill	17,878

The goodwill is attributable mainly to the increase offering to customers, enhanced opportunities for growth and the synergies expected to be achieved from integration into the Company's digital advertising platforms (see also Note 7 on intangible assets). None of the goodwill recognized is expected to be deductible for tax purposes.

Acquisition-related costs

The Company incurred acquisition-related costs of USD 887 thousand related to finders' fees, legal fees and due diligence costs. These costs have been included in general and administrative expenses in the statement of operation.

c. Acquisition of business combination in prior periods

Acquisition of RhythmOne:

On April 1, 2019, the Company completed Acquisition Transaction (hereinafter- "Acquisition") with RhythmOne Plc, a Company incorporated under the laws of England and Wales, whereby the Company acquired the entire issued ordinary shares of RhythmOne and each RhythmOne shareholder received 28 new shares of the Company (as such new 66,736,485 shares of the Company were issued , see also Note 14(3)) for every 33 RhythmOne shares held, so that following the completion of the Acquisition, the Company's current shareholders held 50.1% and, RhythmOne Shareholders held 49.9% of the merged Group. In addition, 849,325 options and 1,058,776 restricted shares units over RhythmOne share awarded were rolled over to 458,946 the Company's options and to 869,962 the Company's restricted units (hereinafter- "Replacement Award"). The consideration of the Acquisition amounted to USD 176,421 thousand (including consideration allocated to issuance of ordinary shares and Replacement Award).

NOTE 20: OPERATING SEGMENTS

The Group has a single reportable segment as a provider of marketing services.

Geographical information

The Company is domiciled in Israel and it produces its income primarily in USA, Israel, China, Germany, Japan, India and UK.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Year ended December 31	
	2020	2019
	USD thousands	
America	180,515	261,534
APAC	20,804	33,052
EMEA	10,601	31,174
Total (1)	211,920	325,760

(1) In the year ended December 31, 2020 and 2019 programmatic revenue is reported on a net basis and gross basis, respectively and performance revenue reported on gross basis in both years (see Note 3k).
In 2019, media cost amounted to USD 113,251 thousand in America, USD 887 thousand in APAC and USD 3,163 thousand in EMEA.

NOTE 21: CONTINGENT LIABILITY

a. On December 10, 2020, Taptica entered into a settlement agreement with Uber. There was no court finding as to wrongdoing by the Company or on the merits of the lawsuit. The Company made no admission of any liability or wrongdoing. In the settlement it was agreed that Taptica will pay a total amount of USD 1,700 thousand to Uber, which resulted in the full dismissal of the case against Taptica.

b. In January 2018, AlmondNet, Inc. and its affiliates (Datonics LLC and Intent IQ) contacted RhythmOne asserting that RhythmOne's online advertising system infringes eleven U.S. Patents owned by the AlmondNet Group. As of the date of this report, a claim was never filed and RhythmOne is currently in a commercial agreement with AlmondNet's affiliate. The Company believes that the likelihood of a material loss is remote but at this point is unable to reasonably estimate any potential loss and financial impact to the Company resulting from this matter.

NOTE 22: SUBSEQUENT EVENTS

D.A. Consortium, Inc., a minority shareholder of ADI, exercised, effective March 5, 2021, its put option pursuant to the Shareholders Agreement dated July 17, 2016, as amended November 20, 2020, to sell to Taptica Japan GK, a wholly owned subsidiary, its entire shareholding in ADI, reflecting 2,120 Class B Shares of ADI, for a purchase price equal to seven times the actual net profit of ADI for the last fiscal year, see Note 17 (e), reflecting approximately USD 1,169 thousand. Following the closing of the put option exercise, the Company will own through its subsidiary 100% of the share capital of ADI.