

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

24 September 2019

**Tremor International Ltd
("Tremor" or the "Company")**

Interim Results

Integration of RhythmOne a major step-change; the Company well-positioned to deliver stronger second half

Tremor International Ltd (AIM: TRMR), a global leader in video advertising technologies, announces its interim results for the six months ended 30 June 2019.

Following the Company's successful merger with RhythmOne, completed in April 2019 ("the Merger"):

- Management are focused on exploiting both scale and operational benefits of the enlarged company alongside delivering significant cost savings
 - Tremor has already made substantial progress on integration, identifying over \$20 million of cost savings and synergy benefits in the current financial year
 - A number of integration milestones have already been achieved with further initiatives expected in the short to medium-term
- The Company will continue to prioritise the branding side of the business (Tremor and RhythmOne), which generates the majority of revenue, and is well-positioned to deliver a stronger second half for the Company

Financial highlights

- Revenue: \$144.9 million (H1 2018: \$144 million), including three months contribution from RhythmOne
 - As previously announced, the Taptica Performance business showed further weakness in earnings, balanced out by three months' contribution from RhythmOne
 - Revenue split by division: \$102.6 million (71%) of revenue from the Branding business (Tremor Video and Q2 only for RhythmOne's branding activity) and \$42.3 million (29%) from the consolidated Performance business in H1(only Q2 for RhythmOne), compared to \$71.9 million (50%) branding and \$72.1 million (50%) from the performance business in H1 2018
 - The Company remains highly cash generative with a strong balance sheet
- Gross profit: \$58.4 million (H1 2018: \$58.5 million)
 - Gross margin: 40.3% (H1 2018: 40.6%)
- Adjusted EBITDA*: \$21.4 million (H1 2018: \$21.6 million)
- Reported EPS of (0.05) cents (H1 2018: 0.16 cents) and Adjusted DPS** of 0.12 cents (H1 2018: 0.24 cents)
- Net cash inflow from operating activities: \$19.7 million (H1 2018: \$21.5 million)
- Net cash as at 30 June 2019 of \$66.5 million*** (31 December 2018: \$54.5 million), after paying \$18.9 million in share buybacks
- Repaid all RhythmOne and Tremor bank loans totalling \$18 million from Company resources

**Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortisation, non-recurring income/expenses and share-based payment expenses.*

***Designates Diluted Earnings Per Share, not Dividend Per Share*

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

Operational highlights

- Transformational merger with RhythmOne, completed in April 2019:
 - Initial focus has been on consolidating teams and resources, streamlining operations and leveraging technology synergies
 - Expanding the Company's global customer base, while continuing to foster greater cross-selling opportunities
- Significant progress has been made in combining product capabilities as further detailed below
- Ofer Druker appointed as Chief Executive Officer in April 2019, and Christopher Stibbs as Non-executive Director in June 2019.
- In June 2019, completed the renaming of the Company to Tremor International Ltd to better reflect the Company's ongoing focus on video and to leverage Tremor's brand equity

Acquisition of RhythmOne Plc

Management is focused on exploiting both scale and operational benefits of the enlarged company alongside delivering significant cost savings. Tremor has already made substantial progress with integration and has implemented over \$20 million of annualised cost savings and synergy benefits in the current financial year.

Tremor Video and YuMe's (RhythmOne's advanced TV solution) capabilities have been successfully merged creating a powerful connected TV ("CTV") offering. Underpinning the rationale for the Merger, the combination is a significant milestone within the integration plan and presents a compelling platform for brands to utilise in order to realise value from CTV advertising.

Tremor's media division (RhythmOne) has launched its programmatic advertising platform in Europe and APAC. It is amongst the largest in the world with a potential reach of 334.2 million unique customers worldwide. The Company's data management platform ("DMP") allows for further tailoring of audiences using the Company's proprietary data, as well as being connected to RhythmOne's RhythmGuard technology to combat fraud and invalid traffic.

In the current year, Tremor has successfully launched Private Marketplace Packages ("PMP"), a combination of Tremor Video's demand side platform ("DSP") and RhythmOne's video advertising capabilities enabling the Company's clients to share their stories with unique, highly relevant and qualified audiences. The PMP also benefits from RhythmGuard, ensuring precision and quality. Bolstering this enhanced video advertising offering, the Company has also launched Creative Studio, a dedicated team of industry experts whose primary focus is the innovation of video and advertising solutions to further increase the value of the Company's offerings.

The Company continues to focus primarily on the branding and CTV side of the business (Tremor and RhythmOne's YuMe), which generates the majority of revenue, and is well-positioned to capitalise on the growth in the CTV market worldwide by effectively activating audiences using the Company's combined DMP, DSP and Exchange.

Outlook

Despite the continuing weakness in the Performance business, the Board was pleased to see this mitigated by the first contributions from RhythmOne. The Board is continuing to refocus the business on video and branding and has undertaken mitigating actions to stabilise the Performance side of the business. As the mix of Performance revenues decreases, this weakening will have a reduced impact on the Company as a whole.

The Board remains focused on generating quality revenues ensuring that the Company's margins and cash generation remain strong. The Company's strategic shift to focus on video, data and CTV operations, has created a stronger platform for growth, which we anticipate will deliver tangible results during H2 2019.

Management is confident in the Company's growth prospects in the medium to long-term, with the Merger being key to achieving the scale required to prosper in the brand ecosystem. In order to right-size the Company and to capitalise on this significant opportunity, management has taken a number of proactive measures in H1, which included exiting a number of sub-scale markets, divesting from non-core and loss-making activities and more importantly applying Tremor's stringent accounting policies to RhythmOne. This coupled with the weakness in the Performance division year on year means that the Board believe the Company will be marginally behind full year expectations on profitability for 2019. However, cost controls and cash generation remain strong.

Ofer Druker, Chief Executive Officer of Tremor, commented:

"The merger with RhythmOne has been truly transformational for the Company and is central to our vision of creating a robust and innovative video advertising company, now amongst the largest in the US. Despite only completing the transaction in April, we have already made significant progress in identifying, maximizing and delivering the full potential that the merger has created, taking those first critical steps to implement our vision.

"Our initial focus has been on both streamlining our operational footprint, as well as consolidating our product stack to ensure we are best-placed to capitalise on the significant opportunity that we believe exists in video, data and Connected TV, which is now our core focus. We have already received a hugely encouraging response from our enlarged customer base as we launch a number of exciting product opportunities.

"Given the merger, 2019 was always going to be a year of transition for Tremor, and there is still much to be done in completing the integration and in re-energizing parts of RhythmOne. We are however, fast realising the synergies and benefits that the enlarged business has presented and, although much of the heavy lifting is being carried out in the current financial year, we expect the Company to feel the full benefit thereafter.

"We continue to remain hugely optimistic about the future growth prospects of the Company."

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About Tremor International

Tremor International Ltd is a global leader in video advertising technologies, has three core divisions: Tremor Video (brand advertising), RhythmOne (media) and Taptica (performance advertising).

Tremor Video helps advertisers deliver impactful brand stories across all screens through the power of creative video intelligence—innovative video technology combined with advanced audience data and

captivating creative. Tremor Video is one of the largest and most innovative video advertising companies in USA, with offerings in CTV, influencer marketing, and private marketplaces.

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

Operational review

Introduction and integration update

The first six months of the current financial year have been dominated by the Company's merger with RhythmOne, completed in April 2019. Management's core focus has therefore been on the integration of both businesses, with the enlarged company well positioned to generate significant value for stakeholders. The rationale for the transaction was underpinned by the broader trends in the digital advertising market and the Company's intention to create an industry player of significant scale to focus on video as the central medium for digital advertising, specifically with a focus on data and CTV.

In the first six months of the year, the Company completed share buybacks totaling \$18.9 million in order to generate value for shareholders. The Board continues to evaluate how best to deploy the Company's cash reserves in order to optimise shareholder value, but currently does not intend to pay an interim dividend to shareholders, as it wishes to focus on long-term value generation.

Revenue was slightly ahead of H1 last year, up to \$144.9 million (H1 2018: \$144 million), with Adjusted EBITDA* flat at \$21.4 million (H1 2018: \$21.6 million). Performance revenue continues to weaken but was mitigated by the three months' synergetic contribution from RhythmOne. Notwithstanding the integration, adjusted operating expenses did not change thanks to synergy and cost saving efforts. In addition, both gross profit and gross margin were flat and, when naturalising the one-time effect of last year, were higher by \$1.5 million, despite the weakness in the Performance business revenue where margins are considerably higher. The Company aligned RhythmOne to Tremor's existing, more prudent accounting policies and reporting methods, in-line with the Board's strategy of delivering quality revenue, further contributing to this year's numbers.

The following table demonstrates the non-accounting GAAP income statement for H1:

	Six months ended June 30		Year ended 31-Dec
	2019	2018	2018
	(Unaudited)		(Audited)
	USD thousands		USD thousands
Revenues	144,899	144,027	276,872
Cost of sales	(86,503)	(87,124)	(167,038)
Gross profit	58,396	56,903	109,834
Research and development expenses	7,289	5,883	12,302
Selling and marketing expenses	22,415	20,698	38,162
General and administrative expenses	7,258	8,758	15,234
	36,962	35,339	65,698

Adjusted EBITDA	21,434	21,564	44,136
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Adjustments to adjusted EDITDA:

Depreciation and amortization - Fixed assets	5,148
Depreciation and amortization - Intangible assets	8,247
Share Base Payment exp.	7,251
Acquisition and other reconstruction Expenses	3,518

Adjusted EBITDA	21,434
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The performance-based division has continued to be impacted in 2019 by the well-documented headwinds which have affected both topline revenue and profitability. The Company has adjusted the structure of this business to accommodate these changes in the marketplace and will continue to assess the viability of this division.

Brand advertising continues to trade in parallel with the seasonality of the sector. Within the first three months of integration, considerable effort has been made in consolidating the enlarged company's sales functions in order to foster better cross-selling opportunities in the second half of the year. Given Q4 is a key period of trading for this division, this was considered a priority from a future revenue generation perspective.

A full audit of the Company's technology stack has been carried out as part of the integration process. Several of RhythmOne's products have been discontinued alongside its demand-side platform ("DSP"). The development of RhythmOne's data management platform ("DMP") has also been taken in-house. This initiative created an operational challenge for management, however they believe the decision will markedly benefit the company in the medium-term. The reduced development, maintenance and data centre costs form part of the wider initiative to streamline the Company's operations.

A central focus in our activity since the Merger has been to shut down activities that are either not profitable or not in-line with the Company's overall strategy. In addition, as the Board highlighted prior to completion of the Merger, RhythmOne's performance to the year-ended 31 March 2019 was below market expectations on a standalone basis. Management have implemented a number of proactive integration measures in order to rationalise the cost base of the enlarged company.

Post-merger, management is now wholly focused on rightsizing the business in terms of our geographical footprint and developing our technology stack and go-to-market strategy, which the Board believes will future-proof our business.

The integration of RhythmOne into the Company has continued at pace. Initially the Company has been split into three core divisions:

- **Tremor Video:** Video division, which consists of Tremor Video and RhythmOne's legacy YuMe
- **Taptica:** Performance arm, which consists of Taptica, Perk Media and other small business units
- **RhythmOne:** Media division, which consists of the RhythmOne programmatic Exchange platform, RhythmOne Influencer, AdKarma and Perk Apps

Management anticipates that following completion of the integration, the Company will be consolidated into two central lines of business: Performance (Taptica) and Branding (Tremor and RhythmOne).

To-date, management has delivered the following integration initiatives:

1. Established a strong unified management team to achieve our global ambition
2. Consolidated the sales teams of Tremor Video and RhythmOne's Yume and RadiumOne, to generate cross selling opportunities
3. Combined the capabilities of the Video offering, which we anticipate will deliver tangible results during H2 2019
4. Unified the Company's management platform (Salesforce), which concluded in August 2019
5. Launched the process of consolidating the finance function under the Tremor practice, which will be finalised at the end of Q3
6. Identified technology synergies including adjusting the size and cost of the technology and product teams, consolidating and shutting down RhythmOne's DSP, adjusting the investment in the DMP and moving it in-house, and removing niche products
7. Reviewed and optimised the Company's data centres
8. Consolidated all regional offices
9. Implemented initiatives to ensure key talent is retained

Growth strategy

The clear shift in the wider industry landscape continues as advertisers and brands are increasingly growing their budgets for digital video – US ad spend is set to grow from \$27.8 billion in 2018 to over \$42 billion by 2020, with 54% of advertisers increasing spend on digital video advertising in the following 12 months (*eMarketer Sept 2017, eMarketer Feb 2019, IAB Video Advertising Spend Report 2019*). The global increase in the consumption of content through CTV platforms and the resultant consumption of over-the-top ("OTT") media continues to accelerate. The rapid rise of platforms such as Amazon Prime and Netflix are testament to this trend, with Android TV set to further disrupt the digital advertising landscape.

Video is the fastest growing segment in online advertising and the optimal format for advertisers to communicate their messages. Data is enabling advertisers to better reach the audiences that they are trying to engage with, and CTV is where most users are interacting in the new digital age. Tremor has major assets in this ecosystem and continues to see this as a considerable opportunity for the Company.

Following completion of the Merger, we have invested heavily in consolidating the assets around video, CTV and data. Our strategy is to streamline operations and monetise product consolidations and synergies to focus resources on the strategic areas of activity that will generate growth in 2020 and beyond.

Specifically, our growth will stem from branding activities that were further enhanced by the Merger. We recognise that we have a major opportunity in the managed-video vertical and that the Exchange and the Data Management Platform we acquired have created substantial growth opportunities for the Company.

Our main growth initiatives, are to:

1. Further integrate our technology platforms to closely align our data and CTV offering under one managed offer
2. Focus on 'self-serve' for our customers by launching new unique capabilities that would expand our addressable market with clients
3. Enhance the resources around our Exchange in the US and retain and grow our relationships with CTV platforms

4. Expand the Exchange into international markets by leveraging our strong centre in Israel, supported by a number of regional sales and business development offices across Asia and Europe

The Company's Performance business (Taptica) continues to face the well-documented industry headwinds as both regulation and competition continue to compress margins. Management continues to assess the Performance business in order to optimise margins and cash generation within this division.

The Board's vision for the Company is to create one of the largest unified programmatic marketplaces specialised in Video and powered by Tremor's Supply Side Platform, Data Management Platform and Demand Side Platform. This will enable us to connect self-service and managed service buyers directly to publishers and their audiences at scale, while enriching transactions through unique audience segments and insights.

Our unique proposition

Our business is about using technology to efficiently connect advertisers to their target audiences. This is achieved by collaborating with leading publishers (who need to monetise their content) and delivering the best return on their investment. Our clients want scale and an increasingly broader service offering. The acquisition of RhythmOne brought this to the Company as well as an increasingly sophisticated ability in-house to analyse data. These capabilities, combined with our scale, gives the Company a number of advantages over its peers, specifically in terms of:

- **Pricing:** our access to a large number of direct publisher partnerships through our DSP gives us a strong price advantage that benefits both our supply and demand partners
- **Reach:** the addition of RhythmOne has significantly increased our scale and reach, which is key
- **Data unification:** our unified platform enables us to transact across the same audience database providing accurate insights and forecasts with no cross-platform loss
- **Audience intelligence:** the combination of RhythmOne's and Tremor's audience analysis capabilities gives us unique insights

Litigation update

In June 2019, Uber Technologies, Inc. ("Uber") filed a complaint against Taptica Ltd. and Taptica, Inc. Taptica was one of a number of adtech vendors, which was retained by Fetch Media Ltd. ("Fetch") to promote Uber's mobile app. There was no direct engagement between Uber and the Company or any of its subsidiaries. The revenue associated with the Uber Campaign directly relating to the Company does not represent a material portion of Tremor's revenue and the relationship between Uber and Fetch has been troubled historically. Therefore, the Company reiterates that it considers the claims to be without merit. The Company has hired a law firm to handle the case and together are currently reviewing the options before deciding on next steps.

Board composition

Following completion of the Merger, Ofer Druker was appointed Chief Executive Officer of the Company in April 2019. Having previously been Executive Chairman of the Tremor Video division, Mr Druker was considered by the Board to be the ideal candidate to lead the enlarged company given its ongoing focus on digital video. In addition, Christopher Stibbs, who is currently CEO of the Economist Group, was appointed as an independent non-executive director in June 2019.

Outlook

Despite the continuing weakness in the Performance business, the Board were pleased to see this mitigated by the first contributions from RhythmOne. The Board is continuing to refocus the business on Video and Branding and has undertaken mitigating actions to stabilise the Performance side of the business. As the mix of Performance revenue decreases, this weakening will have a reduced impact of the Company as a whole.

The Board remains focused on generating quality revenues to ensure that the Company's margins and cash generation remain strong. The Company's strategic shift to focus on video, data and CTV operations, has created a stronger platform for growth, which we anticipate will deliver tangible results during H2 2019.

Management is confident in the Company's growth prospects in the medium to long-term, with the acquisition of RhythmOne being key to achieving the scale required to prosper in the brand ecosystem. In order to right size the Company and to capitalise on this significant opportunity, management has taken a number of proactive measures in H1, which included exiting a number of sub scale markets, divesting from non-core and loss-making activities and more importantly applying Tremor's stringent accounting policies to RhythmOne. This coupled with the weakness in the Performance division year on year means that the Board believe the Company will be marginally behind full year expectations of revenue and profitability for 2019. Cost controls and cash generation remain strong.

Ofer Druker
Chief Executive Officer
23 September 2019

Yaniv Carmi
Chief Financial Officer

Tremor International Ltd.

**Condensed Consolidated Interim
Financial Statements**

As at June 30, 2019

(Unaudited)

Review Report of the Independent Auditors to the Shareholders of Tremor International Ltd.

Introduction

We have reviewed the accompanying financial information of Tremor International Ltd. and its subsidiaries (hereinafter - "the Group") comprising the condensed consolidated interim statement of financial position as of June 30, 2019 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

Sincerely,

Somekh Chaikin

Certified Public Accountants (Isr.)

Member Firm of KPMG International

September 24, 2019

Condensed Consolidated Interim Statements of Financial Position as at

	June 30		December 31
	2019*	2018	2018
	(Unaudited)		(Audited)
	USD thousands		USD thousands
Assets			
Cash and cash equivalents	69,849	57,734	67,073
Trade receivables, net	105,663	64,817	64,329
Other receivables	10,549	5,106	6,990
Total current assets	186,061	127,657	138,392
Fixed assets, net	32,003	2,096	2,879
Long-term deposit	1,154	-	-
Intangible assets, net	211,308	57,540	53,605
Deferred tax assets	13,944	2,798	2,383
Total non-current assets	258,409	62,434	58,867
Total assets	444,470	190,091	197,259
Liabilities			
Credit and current maturities of loans	2,049	5,870	12,672
Trade payables	74,058	42,553	39,630
Other payables	40,557	14,905	14,920
Total current liabilities	116,664	63,328	67,222
Employee benefits	710	946	836
Long-term loans	1,274	9,706	-
Other Long-term liabilities	18,355	-	-
Deferred tax liabilities	19,492	1,304	991

Liability for put option on non-controlling interests	4,214	8,901	3,941
Total non-current liabilities	44,045	20,857	5,768
Total liabilities	160,709	84,185	72,990
Equity			
Share capital	353	196	198
Share premium	221,752	63,056	65,305
Capital reserves	15,585	5,054	7,713
Retained earnings	46,071	37,600	51,053
Total equity	283,761	105,906	124,269
Total liabilities and equity	444,470	190,091	197,259

*Includes Business combination with respect of the purchase of RhythmOne- See Note 1

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

Condensed Consolidated Interim Statements of Comprehensive Income

	Six months ended June 30		Year ended
			December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	USD thousands		USD thousands
Revenues	144,899	144,027	276,872
Cost of sales	(86,503)	(85,526)	(165,440)
Gross profit	58,396	58,501	111,432
Research and development expenses	15,148	10,053	20,187
Selling and marketing expenses	27,410	24,054	44,702
General and administrative expenses	18,568	10,490	19,847
	61,126	44,597	84,736
Profit/(Loss) from operations	(2,730)	13,904	26,696
Profit from operations before amortization of purchased intangibles and business combination related expenses*			
	6,735	18,330	35,642
Financing income	344	774	1,251
Financing expenses	(926)	(445)	(778)
Financing income (expenses), net	(582)	329	473
Profit /(Loss) before taxes on income	(3,312)	14,233	27,169
Taxes on income	(1,397)	(3,431)	(5,015)
Profit/(Loss) for the period	(4,709)	10,802	22,154

Profit for the year before amortization of purchased intangibles and business combination related expenses (net of tax)**	3,437	15,087	30,960
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Other comprehensive income items:

Foreign currency translation differences for foreign operation	<u>262</u>	<u>56</u>	<u>361</u>
Total other comprehensive income for the year	<u>262</u>	<u>56</u>	<u>361</u>

Total comprehensive income for the period	<u>(4,447)</u>	<u>10,858</u>	<u>22,515</u>
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Earnings per share

Basic earnings per share (in USD)	(0.0476)	0.1612	0.3281
Basic earnings per share (in USD) before amortization of purchased Intangibles and business combination related expenses (net of tax)**	0.0348	0.2251	0.4585
Diluted earnings per share (in USD)	(0.0466)	0.1553	0.3179
Diluted earnings per share (in USD) before amortization of purchased Intangibles and business combination related expenses (net of tax)**	0.0340	0.2170	0.4442

* Amounting to USD 9,465 thousand (December 31 2018: USD 8,946 thousand, June 30 2018: USD 4,426 thousand) of amortization of purchased intangibles acquired in business combination and related acquisition expenses.

** Amounting to USD 8,146 thousand (December 31 2018: USD 8,806 thousand, June 30 2018: USD 4,285 thousand) of amortization of purchased intangibles acquired in business combination and related acquisition expenses.

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

	Share capital	Share premium	Capital Reserves (**)	Retained earnings	Total
	US\$ thousands				
For the six months ended June 30 2019					
(unaudited)					
Balance as at January 1 2019	198	65,305	7,713	51,053	124,269
Total comprehensive income for the period					
Loss for the period	-	-	-	(4,709)	(4,709)
Other comprehensive income	-	-	262	-	262
Total comprehensive income for the period	-	-	262	(4,709)	(4,447)
Transactions with owners, recognized					
directly in equity					
Revaluation of liability for put option on					
non-controlling interests	-	-	-	(273)	(273)
Public issuance of shares	184	175,166	-	-	175,350
Share based payments	-	-	7,880	-	7,880
Exercise of share options	1	597	(270)	-	328
Buy Back shares	(30)	(19,316)	-	-	(19,346)
Balance as at June 30 2019	353	221,752	15,585	46,071	283,761
For the six months ended June 30 2018					
(unaudited)					
Balance as at January 1 2018	180	32,886	1,276	30,576	64,918
Total comprehensive income for the period					
Profit for the period	-	-	-	10,802	10,802
Other comprehensive income	-	-	56	-	56
Total comprehensive income for the period	-	-	56	10,802	10,858
Transactions with owners, recognized					
directly in equity					
Revaluation of liability for put option on					

non-controlling interests	-	-	-	(127)	(127)
Issuance of shares (net of issuance cost)	15	29,707	-	-	29,722
Share based payments	-	-	3,835	-	3,835
Exercise of share options	1	463	(113)	-	351
Dividend to owners	-	-	-	(3,651)	(3,651)
Balance as at June 30 2018	<u>196</u>	<u>63,056</u>	<u>5,054</u>	<u>37,600</u>	<u>105,906</u>

For the year ended December 31 2018 (Audited)

Balance as at January 1 2018	180	32,886	1,276	30,576	64,918
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Total comprehensive income for the year

Profit for the year	-	-	-	22,154	22,154
Other comprehensive income	-	-	361	-	361
Total comprehensive income for the year	-	-	361	22,154	22,515

Transactions with owners, recognized

directly in equity

Revaluation of liability for put option

on non-controlling interests	-	-	-	4,678	4,678
Issuance of shares (net of issuance cost)	15	29,707	-	-	29,722
Buy Back shares	-	(135)	-	-	(135)
Share-based payments	-	25	8,012	-	8,037
Exercise of share options	3	2,822	(1,936)	-	889
Dividends to owners	-	-	-	(6,355)	(6,355)
Balance as at December 31 2018	<u>198</u>	<u>65,305</u>	<u>7,713</u>	<u>51,053</u>	<u>124,269</u>

(*) Less than 1 thousand USD

(**) Includes reserves for share-based payments and a commitment to issue shares under business combination and other comprehensive income.

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

Condensed Consolidated Interim Statements of Cash Flows

	Six months ended June 30		Year ended
			December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	USD thousands		USD thousands
Cash flows from operating activities			
Profit/(Loss) for the period	(4,709)	10,802	22,154
Adjustments for:			
Depreciation and amortization	13,395	5,404	10,808
Net financing (income) expense	315	(329)	(505)
Share-based payments	7,251	3,835	8,037
Income tax expense	1,397	3,431	5,015
Change in trade and other receivables	34,442	16,564	15,557
Change in trade and other payables	(31,721)	(7,025)	(10,580)
Change in employee benefits	(136)	131	(73)
Income taxes received	3,064	-	217
Income taxes paid	(3,609)	(11,097)	(12,774)
Interest received	354	178	381
Interest paid	(355)	(388)	(693)
Net cash provided by operating activities	19,688	21,506	37,544
Cash flows from investing activities			
Decrease (increase) in pledged deposits	30	(755)	51
Payment of earn-out	-	(1,218)	(1,218)
Acquisition of fixed assets	(211)	(567)	(1,461)
Acquisition and capitalization of intangible assets	(2,371)	(679)	(1,444)
Proceeds from sale of intangible assets	-	118	118

Acquisition of subsidiaries, net of cash acquired	<u>25,715</u>	<u>-</u>	<u>-</u>
Net cash provided (used in) by investing activities	<u>23,163</u>	<u>(3,101)</u>	<u>(3,954)</u>
Cash flows from financing activities			
Issuance of shares	-	29,539	29,539
Repayment of loans	(18,098)	(15,328)	(18,195)
Buy back of shares	(18,891)	-	(135)
Proceeds from exercise of share options	328	351	889
Lease liability repayment	(3,502)	-	-
Dividends paid	<u>-</u>	<u>(2,921)</u>	<u>(6,355)</u>
Net cash provided by (used in) financing activities	<u>(40,163)</u>	<u>11,641</u>	<u>5,743</u>
Net increase in cash and cash equivalents	2,688	30,046	39,333
Cash and cash equivalents as at the beginning of the period	67,073	26,985	26,985
Effect of exchange rate fluctuations on cash and cash equivalents	<u>88</u>	<u>703</u>	<u>755</u>
Cash and cash equivalents as at the end of the period	<u>69,849</u>	<u>57,734</u>	<u>67,073</u>

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

Note 1 - General

A. Reporting entity

Tremor International Ltd. (the “Company” or “Tremor International”) formerly named Taptica International Ltd. was incorporated in Israel under the laws of the state of Israel on March 20, 2007, listed on AIM Market of the London Stock Exchange. The address of the registered office is 121 Hahashmonaim Street Tel-Aviv, Israel.

Tremor International (AIM: TAP) is a global end-to-end performance-based mobile marketing and brand advertising platform that helps top brands reach their users worldwide. Tremor International works with leading brands and companies in a variety of segments all over the world. The Company is headquartered in Tel Aviv with offices in USA (the biggest offices are located in San Francisco and New York) Beijing, Seoul, London, Tokyo, Berlin, New Delhi Mexico and Singapore.

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 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, as part of the Acquisition, the RhythmOne options and RhythmOne RSUs holders rolled over the equivalent options and RSUs over Tremor shares, see also Note 4B.

The consideration of the Acquisition amounted to USD 176 million (including consideration allocated to issuance of ordinary shares and Replacement Award).

Following the completion of the Acquisition the Company executed share buy-back program, see also Note 5(C).

B. Definitions

In these financial statements –

- (1) The Company – Tremor International Ltd. (former name: Taptica International Ltd.)
- (2) The Group – Tremor International Ltd. and its subsidiaries.
- (3) Subsidiaries – Companies, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company.
- (4) Related party – As defined by IAS 24, “Related Party Disclosures”.

Note 2 - Basis of Preparation

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2018 (hereinafter – “the annual financial statements”).

These condensed consolidated interim financial statements were authorized for issue by the Company’s board of directors on September 24, 2019.

B. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to exercise judgment when making assessments, 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 significant judgments made by management in applying the Group’s accounting policies and the principal assumptions used in the estimation of uncertainty were the same as those that applied to the annual financial statements.

Note 3 - Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements.

Presented hereunder is a description of the changes in accounting policies applied in these condensed consolidated interim financial statements and their effect:

A. Initial application of new standards, amendments to standards and interpretations

As from January 1, 2019 the Group applies the new standards and amendments to standards described below:

(1) IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, “Leases” (“the new Lease Standard”). The new Lease Standard is effective for annual periods beginning on or after January 1, 2019. According to the new Lease Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The effects of the adoption of the new Lease Standard are as follows:

- According to the new Lease Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, “Leases”. Lessees will also recognize interest expense and depreciation expense separately.

Note 3 - Significant Accounting Policies (cont'd)

A. Initial application of new standards, amendments to standards and interpretations

(1) IFRS 16, Leases

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.
- In the event of a change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.
- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.
- The new Lease Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

The Group elected to apply the standard using the modified retrospective approach, resulting in an increase in the company's assets and liabilities as at January 1, 2019 and without a restatement of comparative data.

In measurement of the lease liabilities, the Group discounted lease payments using the nominal incremental borrowing rate at January 1, 2019. The discount rates used to measure the lease liability range between 3.128% and 3.118%. This range is affected by differences in the lease term, differences between asset groups, and so forth.

As a result of applying IFRS 16, in relation to the leases that were classified as operating leases according to IAS 17, the Group recognized right-of-use assets and lease liabilities as at June 30, 2019 in the amount of USD 24,176 thousand and USD 25,963 thousand, respectively.

Furthermore, instead of recognizing lease expenses in relation to those leases, during the six months period ended June 30, 2019 the Group recognized additional depreciation expenses in the amount of USD 3,343 thousand, and additional financing expenses in the amount of USD 255 thousand.

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:

- Offices 1-8 years
- Data Centers 1-4 years

Note 3 - Significant Accounting Policies (cont'd)

A. Initial application of new standards, amendments to standards and interpretations (cont'd)

(2) IFRIC 23, Uncertainty Over Income Tax Treatments

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 for uncertainties in income taxes. According to IFRIC 23, when determining the taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments, the entity should assess whether it is probable that the tax authority will accept its tax position. Insofar as it is probable that the tax authority will accept the entity's tax position, the entity will recognize the tax effects on the financial statements according to that tax position. On the other hand, if it is not probable that the tax authority will accept the entity's tax position, the entity is required to reflect the uncertainty in its accounts by using one of the following methods: the most likely outcome or the expected value. IFRIC 23 emphasizes the need to provide disclosures of the judgments and assumptions made by the entity regarding uncertain tax positions.

IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019.

The Group has examined the effects of applying IFRIC 23, and in its opinion the effect on the financial statements will be immaterial.

Note 4 - Share-Based Payment

A. Share-based compensation plan

On April 2, 2019 the Company's shareholders adopted the New Taptica 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 1,607,403 equity incentive award to RhythmOne executives and employees.

B. New grants during the period

During the six months period ended June 30, 2019, the Group granted 458,946 share options, and 9,571,276 Restricted Share Units (RSUs) to its executives officers and employees from outstanding awards under the Company's share incentive plans (see also Note 14 to the Company's financial statement for December 31, 2018).

In addition, as part of the Acquisition as described in Note A, 849,325 RhythmOne options and 1,058,776 RhythmOne RSU's were Rolled over to 458,946 the Company's options and 869,962 the Company's RSU's under RhythmOne Plan, see Note 7 regarding the accounting treatment.

C. The total expense recognized in the condensed consolidated interim statement of Comprehensive Income in the six-month period ended June 30, 2019 with respect to the options and RSUs granted to employees, amounted to USD 7,244 thousand.

The grant date fair value of the share options granted was measured based on the Black-Scholes option pricing model.

Note 4 - Share-Based Payment (cont'd)

D. The number of share options (in thousands) is as follows:

	Weighted average exercise price	Number of options
	GBP	(Unaudited)
Outstanding at January 1, 2019	2.44	9,835
Exercised	0.74	(345)
Granted	0.21	10,030
Forfeited	2.91	(1,272)
Outstanding at June 30, 2019	0.99	18,248
Exercisable at June 30, 2019	1.34	3,171

Note 5 - Capital and Reserves

A. Share capital (in thousands of shares of NIS 0.01 par value)

	<u>June 30 2019</u>
	<u>(Unaudited)</u>
Issued and paid-in ordinary share capital	<u>124,633</u>
Authorized share capital	<u>300,000</u>

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.

B. Issuing new public shares

Following the Acquisition of RhythmOne, as described in Note 1, the Company issued 66,736,485 new shares at a quoted price of the Company's share as at the business combination date to former RhythmOne shareholders which became admitted to trading on AIM on April 2, 2019.

C. Own shares acquisition

Following the Acquisition of RhythmOne, as described in Note 1, and as part of the Company's approvals in April 2019 and June 2019 for a share buyback program for a total consideration of USD 25 million, the Company purchased during the six month period ended June 30, 2019 10,978,628 shares (of which 5,743,731 were purchased from former related parties) for a total consideration of USD 19,346 thousand.

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

Note 6 - Income Tax

- (1) On December 4, 2018, the Company together with Taptica (fully owned subsidiary) 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 June 30, 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 2017-2022 with relative agreed changes.
- (2) In May 2019 the Company submitted a request for a tax-exempt transfer of assets between its subsidiaries in accordance with the provisions of Section 104A(a) of the Ordinance, by which the Company requests to carry out a restructuring that will unite the subsidiaries companies of the Group (Taptica Inc. and Tremor Video DSP) under one American holding subsidiary. As at the date of approval of the financial statements, the Company's aforesaid request has not yet been approved.

Note 7 – Business Combination

Acquisition of RhythmOne

On April 1, 2019, the Company completed Acquisition Transaction (hereinafter- "Acquisition") with RhythmOne Plc (hereinafter- "RhythmOne"), 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 5B) 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. In order to determine the portion of the replacement award that is part of the Acquisition consideration and the portion that is remuneration for post- combination service, the Company measures both the replacement awards granted by Tremor and RhythmOne awards as of the acquisition date in accordance with IFRS2. The portion of the replacement award attributable to Acquisition consideration is the fair-value of RhythmOne award multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of RhythmOne award (hereinafter- "Replacement Award").

The consideration of the Acquisition amounted to USD 176 million (including consideration allocated to issuance of ordinary shares and Replacement Award).

The purchase price was allocated to the acquired tangible assets, intangible assets and liabilities on the basis of their fair value at the acquisition date. The fair value of the assets and liabilities is subject to a final allocation of the purchase price to the fair value of the assets and liabilities, which has not yet been completed at the date of approval of these financial statements. Presented hereunder are the assets and liabilities that were allocated to RhythmOne at the acquisition date on a provisional basis:

Note 7 – Subsidiaries (cont'd)

Acquisition of RhythmOne (cont'd)

	<u>USD millions</u>
Cash and cash equivalents	28.1
Accounts receivables	76.4
Other current asset	4.6
Property, plant and equipment	23.7
Other non- current assets	1.2
Deferred tax asset	11.5
Intangible assets - purchased and capitalized see (1) below	163.5
Trade payables	(57.2)
Other current liabilities	(48.6)
Deferred tax liability	(19.8)
Long term loan	(6.7)
Other long term liabilities	(0.7)
	<u>176</u>

(1) Comprised as follow:

**Fair value as at
March 31 2019**

USD millions

Purchased and capitalized Intangible assets	5.4
Brand and domain name	17.5
Technology	17.6
Customer relations	28.4
Residual goodwill	94.6
	<hr/>
	163.5
	<hr/>
Deferred tax liabilities	(19.8)
	<hr/>

The aggregate cash flow derived for the Group as a result of the RhythmOne acquisition in 2019:

	<u>USD millions</u>
Purchase price in ordinary shares	175.4
Purchase price according to Replacement Award	0.6
Total purchase price – Non cash	<hr/>
	176
	<hr/>
Less- Cash and cash equivalents of the RhythmOne	28.1
Add – acquisition costs*	2.4
Acquisition of subsidiary – Cash	<hr/>
	25.7
	<hr/>
	150.3
	<hr/>

Note 7 – Subsidiaries (cont'd)

* An amount of USD 130 thousand was paid to a related party due to his efforts related to the Acquisition of RhythmOne.

Note 8 – Contingent Liability

- (1) In October 2014, Taptica, alongside a number of other adtech vendors, was retained by Fetch Media Ltd. ("Fetch") to promote Uber's mobile app (the "Uber Campaign"). There was no direct engagement between Uber and the Company or any of its subsidiaries..

On June 11, 2019 the Company was informed that Uber Technologies, Inc. filed a complaint in the Superior Court of the State of California (U.S.), County of San Francisco, against the Company, alleging fraudulent concealment, negligence and unfair competition.

The revenue associated with the Uber Campaign directly relating to the Company does not represent a material portion of Taptica's revenue.

The Company reiterates that it considers the claims to be without merit and, as such, will aggressively defend against these claims.

- (2) RhythmOne litigation

- (a) Edenbrook Capital LLC ("Edenbrook") sent a letter to RhythmOne asserting several allegations, including breach of fiduciary duties and conversion (detention of property). Edenbrook alleges that the shareholders of YuMe that chose not to tender their shares in the merger with RhythmOne were discriminated against, in that the tendering shareholders received consideration in a more expedient manner than those who did not tender. In the case of Edenbrook (which did not tender), it received its RhythmOne shares only on March 8, 2018, following a significant decline in the stock price. As a result, Edenbrook claims to have suffered losses as it intended to sell its stock immediately after the merger closing. In addition, Edenbrook claims that it initially received an incorrect number of shares from Computershare, which further delayed its ability to sell its shares. Accordingly, it demands that RhythmOne repurchase its stock for a price of £2.70 per share (for a total of \$7,353,711).

On February 4th, Edenbrook filed a complaint in the US District Court of Northern California against RhythmOne plc and YuMe Inc, alleging RhythmOne violated Section 14(e) of the US Securities Exchange Act of 1934. The complaint demands recessionary and compensatory damages in an unstated amount and costs and disbursements of bringing the action, including reasonably attorneys and experts fees.

On March 28th, RhythmOne filled a motion to dismiss requesting dismissal of the action with prejudice.

The Company believes, based on its legal consults, that the claim is without merit and it cannot estimate at this time what the damages might be with any certainty.

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. RhythmOne's General Counsel informed that AlmondNet offered to execute a patent license agreement, which as of the report release date the sides did not come to an agreement