

The background of the entire page is a dark blue, textured composition. It features a network of white lines connecting small dots, resembling a digital or data network. Overlaid on this are faint, semi-transparent images of people's faces and various documents, suggesting a focus on human resources and business operations. The overall aesthetic is modern and technological.

TREMOR

INTERNATIONAL Ltd.

Annual Report and Accounts

For the year ended 31 December 2019

Tremor International Ltd. is a global leader in advertising technologies with operations in more than 60 countries. Tremor is traded on the London Stock Exchange (AIM: TRMR).

Tremor has three core divisions: **Tremor Video**, which helps advertisers deliver impactful brand stories across all screens through the power of innovative video technology combined with advanced audience data; **RhythmOne**, our media division which drives real business outcomes in multiscreen advertising; and **Unruly**, a strong video marketplace with more than 2,000 direct integrations with publishers and unique demand relationships with the world's biggest advertisers.

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Financial Highlights

A strong performance from **Tremor's brand advertising activities** continued to drive profitability. The business remains highly cash-generative with a strong balance sheet.

- **Revenues** of \$325.8 million, up 18% (2018: \$276.9 million)
 - **Revenue split by division:** Branding: \$248.5 million; Performance: \$77.3 million (2018: Branding \$146.0 million, Performance \$130.8 million)
 - **Revenue from Connected TV ("CTV")** grew from \$2.2 million in Q1 2019, to \$18.1 million in Q4 2019, total for the year of \$31.9 million
- **Gross profit** increased by 24% to \$138.5 million (2018: \$111.4 million)
- **Gross margin** of 42.5% (2018: 40.3%)
- **Adjusted EBITDA*** increased 37% to \$60.4 million (2018: \$44.1 million)
- **Reported EPS** of 5.6 cents (2018: 32.81 cents)
- **Adjusted Diluted EPS** of 37.05 cents (2018: 52.36 cents)
- **Net cash inflow** from operating activities of \$45.1 million (2018: \$37.5 million)
- **Net cash as at 31 December 2019** of \$76.9 million***

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

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

Operational Highlights

Tremor is now an **established digital video advertising technologies business of real scale with an end-to-end technology stack**. We completed the integration of RhythmOne, **delivering \$40 million of annualised cost savings** as a result of operational synergies.

- Launched a number of combined product offerings, including:
 - **Private Marketplace Packages:** provide high-quality video supply, auction-based marketplaces
 - A **combined CTV solution**
 - The **Creative Studio:** dedicated team of video advertising solution industry experts
- RhythmOne's **programmatic advertising marketplace in Europe**
- Introduction of a **number of self-service enhancements** to the Company's existing DSP
- Added **a number of new clients** including Estée Lauder, Honda Powersports, Pinterest, Remy Martin, Symantec, Takeda, TikTok and Twitch
- **Renewed global data partnership with Alphonso**, the TV data and measurement business, for a further two years, with data continuing to drive Tremor's ongoing success

Post-period End/Outlook

- In January 2020, Tremor announced the acquisition of Unruly Holdings Limited and Unruly Media Inc. and a global partnership with News Corp, strengthening the Company's focus on video
- It is too early in the outbreak of COVID-19 to fully assess the impact on Tremor's performance and overall outlook for 2020, but the Company will keep shareholders informed as to market guidance as appropriate
- Despite the current uncertainty in the global economy, the Company's business model remains strong and management is confident Tremor's talent and market position will be maintained
- The Company has a strong balance sheet with net cash of \$76.9 million as at 31 December 2019, which allows it to undertake a share buy-back of \$10 million and be confident of trading through the coming period of uncertainty

Our Business

A truly global video advertising company

TREMOR INTERNATIONAL Ltd.



TREMOR VIDEO

One of the largest and most innovative video advertising companies with market-leading Connected TV and second-screen device solutions. We help advertisers deliver the most engaging brand stories in a complex video landscape by empowering them with creative video intelligence—advanced technology combined with precision audiences and captivating creativity.

UNRULY

Unruly is a data-driven marketplace with more than 2,000 direct integrations with publishers, unique demand relationships with the world's biggest advertisers and privileged access to News Corp inventory. Unruly uses emotional data to deliver brand-safe advertising to 1.2bn people. By combining our proprietary EQ data and audience intelligence, we optimise content for different formats, build effective custom audiences and deliver better campaign ROI at scale.



RHYTHMONE

RhythmOne drives real business outcomes in multiscreen advertising. Our highly-ranked programmatic platform efficiently and effectively delivers performance, quality, and actionable data to demand- and supply-focused clients and partners and our influencer marketing offering fosters action and awareness by connecting brands with influencers who create and distribute branded content to engaged consumers.

WHO WE ARE...

Tremor is a global leader in digital video advertising technologies

WHAT WE DO...

we help advertisers deliver impactful stories and connect to their target audiences

WHY WE DO IT...

a significant market opportunity exists within video advertising as the sector continues to expand

OUR VISION...

to create one of the largest unified programmatic marketplaces specialized in video



Chairman's Statement



Tim Weller
Chairman

“ Tremor has entered 2020 in a strong and unique position following a year in which management fundamentally repositioned the business. ”

Tremor's transformation was largely driven by the merger with RhythmOne plc (the “Merger”) and its subsequent integration and consolidation into the group, enabling us to undergo a strategic pivot to focus on video as our key digital advertising medium.

Clearly, the COVID-19 pandemic is having a significant global impact. Tremor has put in place the initiatives necessary to protect our workforce and we are taking measures to ensure the capabilities of the Company are maintained. We will, of course, continue to monitor the situation closely.

Tremor traded strongly throughout 2019 achieving a 18% increase in revenues to \$325.8 million (2018: \$276.9 million), and a 36% increase in adjusted EBITDA to \$60.4 million (2018: \$44.1 million), with our brand advertising segment performing particularly well as our focus on video began to come into fruition. Tremor remains highly cash-generative, and at the year ended 31 December 2019, had a net cash position of \$76.9 million. This strong cash position was delivered post the \$25 million share buyback programme during 2019 and \$5 million of data pre-payments for 2020. We are consistent in our approach of deploying capital in the best interests of our shareholders and we will continue to review options as a Board. Today, we have also announced the commencement of a \$10 million buyback program. In addition, our strong cash position gives us the flexibility to continue to evaluate

select strategic acquisitions which continues to form an important part of our growth strategy.

One such example, is the acquisition of Unruly Group Ltd (“Unruly”), which we announced in January 2020 alongside the exclusive partnership with News Corp. This highly strategic transaction further augments our expert focus on video, and through the alliance with News Corp gives us access to a roster of premium titles globally. In addition, it provides us with a very well-regarded brand in Unruly, from which to drive our international growth outside North America, which is key to our ongoing success.

During 2019 and post-period end, we announced a number of appointments to the board and senior management in order to bolster our leadership team. This included Ofer Druker's appointment as Chief Executive Officer in April 2019 and Christopher Stibbs' appointment as Non-executive Director in May 2019. In addition, post period-end, in January 2020, we announced the addition of Rebekah Brooks to the board as Non-executive Director (who joins the Board as of today) as well as the appointments of Norm Johnston as Non-Executive Director and Sagi Niri as Chief Financial Officer who will both join the Board, subject to shareholder approval, after the upcoming Annual General Meeting. Once completed, we will have a market-leading team with an unrivalled breadth and depth of experience both across traditional and evolving media channels to drive Tremor forward on our exciting growth trajectory.

Whilst we had aptly positioned the business for an exciting 2020, the COVID-19 pandemic is affecting the global economy including business sentiment, and we anticipate it will have an effect on our performance at least in the short-term, although it is too early to tell the extent of this impact, however we feel assured in the Company's capabilities, fundamentals and scale and therefore its resilience amidst the current global uncertainty.

I would like to thank the whole Tremor team for their contribution to-date in what has been a significant period of change and adjustment. The board remains confident in delivering year-on-year growth and we look forward to further updating our shareholders as we continue to deliver on our strategy.

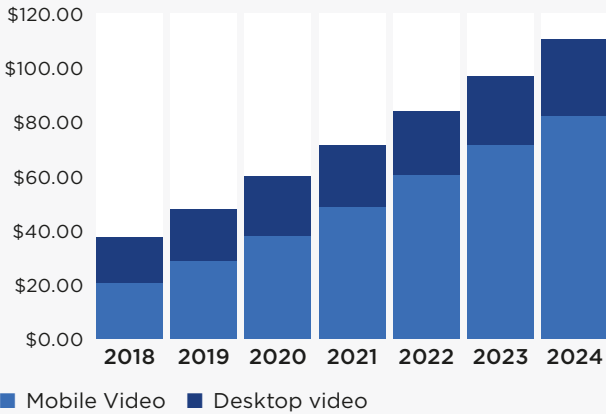
Tim Weller
Non-executive Chairman

30 March 2020



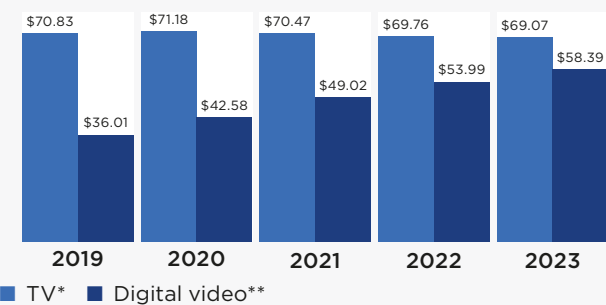
The Market Opportunity

Video ad spending worldwide 2018 - 2024 (billions)



Source: Cowen and Company, Jan 10, 2019

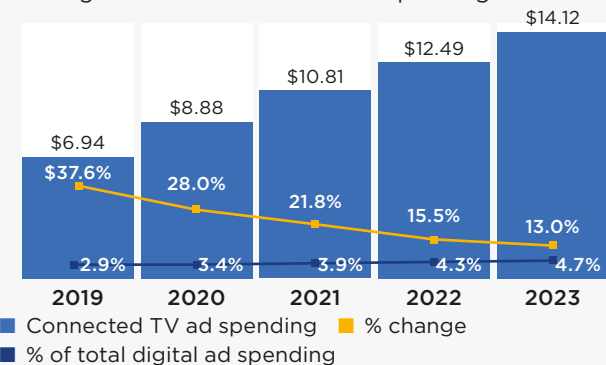
US TV* and digital ad spending 2019 - 2023 (billions)**



Note: *excludes digital; **includes in-stream video such as those appearing before, during or after digital video content in a video player (pre-roll, mid-roll, post-roll video ads) and video overlays; includes social network in-stream video advertising in platforms such as Facebook Watch and Snapchat Shows; includes outstream video ads such as native, in-feed (including video ads in Facebook's News Feed and Twitter's Promoted Tweets), in-article, in-banner and interstitial video ads; appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; data for 2008-2016 excludes outstream video ads

Source: eMarketer, Feb 2019

US connected TV ad spending, 2019 - 2023 (billions)
% change and % of total media ad spending



Note: digital advertising that appears on connected TV (CTV) devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising

Source: eMarketer, Oct 2019



Growth in the video advertising market is showing no signs of abating. Video ad spending worldwide is expected to grow to over **\$100 billion** in 2024.



There is an increasing shift towards digital video ad spend, with this expected to continue given the proliferation of connected devices. Digital ad spend in the US is expected to grow to over **\$58 billion** in 2023.



Advertising spend within ConnectedTV in the US is also demonstrating robust growth, which is important for Tremor as CTV is a core **future growth** engine for our business.

Chief Executive Officer's Review



Ofer Druker
Chief Executive Officer

" 2019 was a year in which the Company established the infrastructure and technology stack, from which to deliver material growth.

Looking forward, we are focused on aggressively expanding our global customer base alongside continuing to develop our product offering. "

\$325.8m

Revenues
increased by 18%

\$60.4m

Adjusted EBITDA*
increased by 37%

\$76.9m

Net cash as at
31 December 2019

Introduction

2019 was a milestone year for Tremor, as we established ourselves as a global leader in the digital video advertising technologies space. The merger with RhythmOne in April provided Tremor with end to end technology capabilities, including a Media platform with knowledge and deep business relationships in Connected TV ("CTV"), one of the most exciting and high-growth segments in video advertising, and Tremor is already benefitting from this trend below. In addition, TV retargeting, which has become core to Tremor in the past four years, is gaining strong validation in the market.

We have succeeded in building a company of significant scale with a comprehensive end-to-end technology solution, which includes Tremor Video's demand-side platform ("DSP"), RhythmOne's exchange and supply-side platform ("SSP"), that is CTV rich. This end-to-end solution, puts our business at the vanguard of the space, providing a substantial opportunity for further growth.

The acquisition of RhythmOne brought a number of strong components and capabilities to the Company, including:

- 1) The RhythmOne Exchange, with a strong specialism and focus in video
- 2) A CTV component with a significant track-record rooted in YuMe, a CTV focused company that was acquired by RhythmOne a year prior to the Merger
- 3) A sales team and client base focused on using CTV as a medium to reach their target audiences.
- 4) A media business which has enabled Tremor to offer Private Marketplaces ("PMP") to our top-tier clients who choose to work with their preferred DSP

CTV has fast become an important element in video advertising and today it's the driving force in the growth of the segment. In the USA alone, the size of CTV market is growing rapidly with advertising spend of c. \$8.8 billion expected in 2020¹.

After integrating the RhythmOne teams into Tremor and merging the technology stack, CTV revenues grew from c. \$2.2 million in Q1 2019, to \$18.1 million in Q4 2019, and we expect our CTV capabilities to form the bedrock of Tremor's growth in the short to medium-term. In addition, RhythmOne's processes, such as accounting policies, have been brought in-line with Tremor's.

We released our PMP product at the end of 2019 and this product, along with the practices which are central to Unruly, which we acquired in January 2020, will provide us with an important growth engine in the coming years. In addition, Tremor is now able to offer an end-to-end self-serve platform, focused primarily on CTV, we expect to see growth in this business unit in the second half of 2020, and that it will become a key growth platform for Tremor going forward.

The Company traded strongly in 2019, generating a 18% increase in revenues to \$325.8 million (2018: \$276.9 million), and a 36% increase in adjusted EBITDA to \$60.4 million (2018: \$44.1 million). This is impressive growth, as the Tapica performance revenues decreased, with revenues from video and branding

mitigating this well-flagged decline. Tremor also remains highly cash-generative, with a net cash position at 31 December 2019 of over \$76.9 million.

Our growth strategy continues to be underpinned by three core components:

- 1) **Video** – the highest growth medium in digital advertising, with this trend expected to continue
 - Tremor has a sharp focus on video, which was further enhanced through the acquisition of Unruly
- 2) **Data** – Tremor’s commercial edge is bedded-in TV retargeting
 - The Company has had a leading position in this segment for over four years and encompasses unique data sources
- 3) **Media with an emphasis on Connected TV** – our end-to-end position is providing us with an advantage in the marketplace and CTV is the engine of growth within the exchange
 - Tremor’s presence within CTV through its now combined RhythmOne assets is well ahead of much of the market with its solution gaining significant traction

Video advertising market growth

The global market for digital video advertising both in the US – a key market for Tremor – and worldwide is expected to continue to grow markedly. Video advertising spend in the US alone is anticipated to be c. \$42.6 billion in 2020². However, all forecasts pre-date the outbreak of the COVID-19 pandemic.

These overarching market trends underpinned the Company’s strategic shift to focus wholly on video advertising and more specifically key areas like CTV, which given the proliferation of smart TVs and the ever-increasing number of streaming providers, will remain an exciting growth segment. In addition, the increase in video advertising spend globally is showing no signs of abating, with the market anticipated to grow to over \$110 billion by 2024³, and importantly the shift from desktop video to mobile video spend is also expected to continue. International expansion is central to Tremor’s strategy and we believe we are well-placed to do so following the acquisition of Unruly.

Our proposition

Tremor’s proposition is all about video, and our robust end-to-end solutions, which is the new model for companies in this field, enables us to offer a diverse suite of products to generate a number of revenue streams. These include:

- Direct/managed – our sales force offers two main products, which are CTV and retargeting solutions, as well as a combination of both
- Private Marketplaces – we enable leading agencies that only work with preferred marketplaces, the ability to run, including on CTV media, and use TV retargeting segments that are connected to our Exchange
- Self-Serve – we offer second tier agencies a full platform to run their video campaigns and we offer a DSP with connectivity to our exchange and a rich CTV portfolio, as well as offering TV retargeting and other data segments

Operational Review Brand Advertising

Tremor’s video advertising business continued to trade well in 2019, benefitting from the incorporation of RhythmOne’s video assets into the Company. The division achieved record revenues in 2019 of \$248.6 million (2018: \$146 million), driven by the shift of advertising spend to digital video, as outlined above. The division added a number of key clients during the period, including Estee Lauder, Honda Powersports, Pinterest, Remy Martin, Symantec, Takeda, TikTok and Twitch.

In December 2019, we renewed our partnership with Alphonso, the leading TV re-targeting enabler in the US and Canada, for a further two years. Tremor leverages the data collected by Alphonso to identify and target select audiences in real time on an exclusive basis. When combined with RhythmOne’s YuMe offering, Alphonso’s data allows Tremor to maintain a leadership position in the TV retargeting market. This also goes beyond the TV screen, as advertising campaigns can be delivered across platforms such as mobile, CTV, laptop and tablet, which deliver maximum impact.

Media

Tremor’s media platform is one of the most robust when it comes to video and specifically CTV. We host thousands of direct premium publishers and also connect to the leading SSPs in the market to grow our reach.

Our media platform received further reinforcement following the acquisition of Unruly in January 2020. Unruly is home to over 2,000 publishers, further increasing the reach of our platform. In addition, in Q4 2020, we launched a self-serve platform for publishers to manage their own media with advertisers.

Introducing RhythmOne’s Exchange into international markets began in mid-2019 and was further bolstered through the acquisition of Unruly, which has strong presence in key markets including the UK, Germany, Australia, Japan and Singapore.

Unruly

Post period-end, in January 2020, Tremor acquired Unruly and entered into a global partnership with News Corp. Tremor now has the exclusive right to sell outstream video to more than 50 News Corp titles in the UK, US and Australia.

In addition, the transaction has:

- Transformed the Company into a global business;
- Bolstered Tremor’s supply-side platform adding 2,000 direct premium publishers;
- Expanded Tremor’s customer base, adding leading blue-chip customers; including U7 council members with tier 1 brands including P&G, Unilever, Nestle, American Express and others;
- Deepened Tremor’s data and insight capabilities through Unruly’s pioneering testing and targeting solution UnrulyEQ; and
- Added individuals from Unruly’s management that contribute significant knowledge and experience, with Rebekah Brooks, CEO of News UK, joining the board from today.

The integration of Unruly into the enlarged group is already underway, and significant progress has been made in the consolidation of operations as well as the incorporation of its

Chief Executive Officer's Review

continued

\$40 million

annualised cost-savings from RhythmOne integration

2-year

data partnership renewal with Alphonso

January 2020

completed acquisition of Unruly

\$10 million

share buy-back launched

technology. Crucially, the acquisition of Unruly brought even greater scale to the Company and strong brand recognition, which is key as we look to capitalise on the opportunity within video advertising technologies internationally.

Growth strategy

2019 was a year in which the Company established the infrastructure and technology stack, from which to deliver material growth. Looking forward, we are focused on aggressively expanding our global customer base alongside continuing to develop our product offering. Therefore, our growth strategy priorities are to:

- Drive organic growth in the US - leverage our technology stack and business capabilities to grow market share
- Leverage CTV expertise and capabilities - use the strong foundations which we have established in CTV to further grow, as evidenced by the strong growth in CTV we demonstrated in 2019 in this segment
- Continue to offer innovative solutions - mainly focused on CTV, generate growth through our PMPs and self-serve solutions to agencies and clients
- Expand international footprint - further growing our presence beyond the US by introducing products into relevant markets in Europe and Asia and leveraging international operations and the Unruly brand
- Target select acquisitions - evaluate potential acquisition targets in order to further broaden the user base, leveraging Tremor's position as a consolidator in the market

Capital allocation

The Company ended 2019 with over \$76.9 million of net cash after completing the \$25 million share buyback program and making a \$5 million advance payment for the extension of the Alphonso partnership. The board constantly evaluates how best to deploy the Company's cash to maximise shareholder value.

The Company has a strong balance sheet with net cash of over \$76.9 million, which therefore allows it to undertake a share buy-back of \$10 million whilst being confident in trading through the coming period of uncertainty.

As referenced above, the board continues to assess strategic acquisitions alongside continued organic investment in the business.

Outlook / COVID-19 Update

Tremor has made a solid start to 2020, however the COVID-19 pandemic will continue to cause global uncertainty in the short to medium-term. Management is aware that the pandemic could markedly affect a number of our end-customers and continues to monitor the situation closely.

Management are already undertaking a number of initiatives to help mitigate the potential impact of COVID-19 on business performance, which include:

- Accelerating the integration of Unruly into Tremor, which is due to be completed faster than anticipated
- Launching new capabilities alongside enhanced existing solutions to capture the wider opportunities in the market
- Monitoring the cost structure of the Company

Much of Tremor's global workforce are successfully working remotely as a result of the current regulations. The health and wellbeing of the Company's employees remains of the utmost importance.

Ofer Druker
Chief Executive Officer

30 March 2020

¹Source: eMarketer, October 2019

²Source: eMarketer, February 2019

³Source: Cowen and Company, Jan 10, 2019



Our Strategy

Growth engines

CTV



- Demand/supply
- Leverage CTV expertise
- Knowledge
- Deep market relationships

SELF SERVE



- Effective and Friendly UI
- Unique data base
- Significant media reach
- Pricing leverage
- Innovative solutions

PMP

- Aimed at 1st tier agencies
- Effective and Friendly UI
- Unique data segments

SELECT VIDEO CLIENTS



DATA AUDIENCES



UNR



EXCH




- Significant media reach
- Pricing leverage
- Innovative solutions

GLOBAL EXPANSION (EXCHANGE)

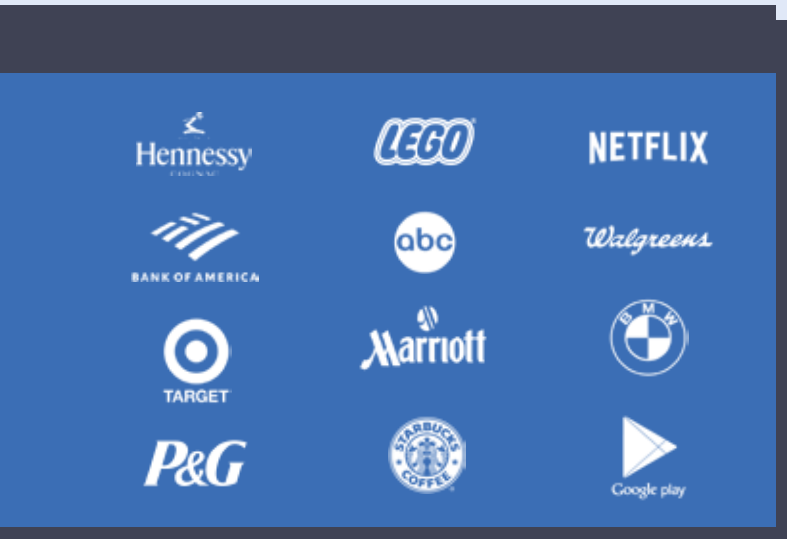


- International markets beyond US
- Global advertisers

M&A




- Evaluate select opportunities
- Focused on adding demand



ULY

1R RHYTHMONE

ANGE

CTV 

LG

Panasonic

Case Studies

Connected TV

Innovative TV retargeting sparks incremental sales



Objective

Drive incremental sales of Nutrish's products.

Strategy

Nutrish leveraged Tremor Video's to 1:1 ReTarget viewers exposed to the Nutrish TV spot and to its competitors' TV ads. Powered by Alphonso Television Viewership data, audiences were retargeted in real time on their mobile devices to extend the brand's messaging beyond the TV screen. Sales attributable to the campaign were measured vs. a non-exposed control group to quantify incremental conversion.

"At Nutrish, we're always on the lookout for new and creative ways to engage consumers in our increasingly multi-screen world. Our work with Tremor Video DSP and Alphonso has enabled us to connect the big screen to the small screen to not only reach our audience more effectively through video, but to also drive meaningful, incremental impact for our brand."

- Steve Joyce, VP Marketing,
Ainsworth Pet Nutrition

Results

\$1.1m
Incremental sales

1.6 to 1
Return on Advertising Spend

90%
Contribution of previous brand buyers to incremental sales

+10%
Sales lift per exposed HH

Mobile video retargeting

TV retargeting & custom video delivers lift in tune-in for FOX's 'The Masked Singer'



Drive TV Tune-In

Campaign details

Vertical: Entertainment

Ad Type: Mobile, Desktop, Tablet & CTV Video

Flight: 12/31/18 - 01/02/19

Objective

Drive incremental viewers to the premiere of FOX's reality singing competition, The Masked Singer.

Strategy

Tremor Video utilized exclusive Alphonso TV data to retarget TV audiences who would most likely be interested in viewing The Masked Singer and delivered those viewers customized, real-time video ads across second-screen devices and CTV.

Results

14.6%

Overall Lift in Tune-in
(Live + 3 Days After
Premiere)*

80%

VCR

1.3%

CTR

1.4m

Unique views

*Lift determined by comparing the tune-in rates among the group exposed to the campaign vs a non-exposed control group from Alphonso TV Audience data

Chief Financial Officer's Review



Sagi Niri
Chief Financial Officer

“ The Company continues to selectively invest in areas that management believe should drive better results and business performance whilst focusing on driving efficiencies and savings across its operations. ”

Revenues for the twelve months ended 31 December 2019 increased by 18% to \$325.8 million compared with \$276.9 million for 2018. Revenue split by division in 2019 was as follows: Branding contributed \$248.5 million; and Performance: \$77.3 million (2018: Branding \$146.0 million, Performance \$130.8 million), reflecting the decreasing contribution from the Performance division.

Gross profit increased by 24% to \$138.5 million (2018: \$111.4 million). Cost of sales, which consists primarily of traffic acquisition and data costs that are directly attributable to revenue generated by the Company and based on the revenue share arrangements with audience and content partners, decreased as a proportion of revenue compared with the prior year.

Operating profit for the year decreased by 88% to \$3.2 million (2018: \$26.7 million), mainly due to the acquisition and integration of RhythmOne, increased in share based payments as demonstrated below.

Adjusted EBITDA for full year 2019 was \$60.4 million compared with \$44.1 million for 2018, which is comprised as follows:

	2019 \$'m	2018 \$'m
Operating profit	3.2	26.7
Depreciation	11.9*	1.2
Amortization	20.5	9.6
Share-based payments	15.8	8.0
Restructuring cost	5.5	-
Acquisition-related cost	2.8	0.2
Other income	0.7	(1.6)
Adjusted EBITDA	60.4	44.1

*Including 9.1 IFRS 16 influence

Net Profit for the year decreased by 72% to \$6.4 million (2018: \$22.5 million).

Operating costs for the year increased by 60% as a result of the acquisition of RhythmOne. The Company continues to selectively invest in areas that management believe should drive better results and business performance whilst focusing on driving efficiencies and savings across its operations.

R&D expenses increased to \$33.1 million in the year (2018: \$20.2 million). The main increase is attributed from \$12.2 million due to RhythmOne consolidation.

Sales & Marketing expenses increased to \$62.1 million (2018: \$44.7 million). The main increase is attributed from \$20.4 million due to RhythmOne consolidation, offset by cost saving efficiency of \$3.0 million.

General & administrative expenses increased to \$40.2 million (2018: \$19.9 million). The main increase is attributed as follows; \$5.5 million due to RhythmOne consolidation, \$7.8 million from share based payments (mainly to CEO and COO), \$2.6 million due to increase in doubtful debt allowance and \$2.6 million increase due to acquisition cost.

The Company continued to be cash-generative with cash generated from operating activities of \$45.1 million (2018: \$37.5 million).

As at 31 December 2019, cash and bank deposits were c. \$79.0 million after and net cash as at 31 December 2019 of \$76.9 million* was delivered post the \$25.0 million share buyback programme during 2019 and \$5.0 million of data pre-payments for 2020.

Tremor has announced its intention to launch a discretionary \$10 million share buy-back imminently. The share buy-back commitment forms parts of Tremor's broader strategy to deliver shareholder value.

Sagi Niri
Chief Financial Officer

30 March 2020

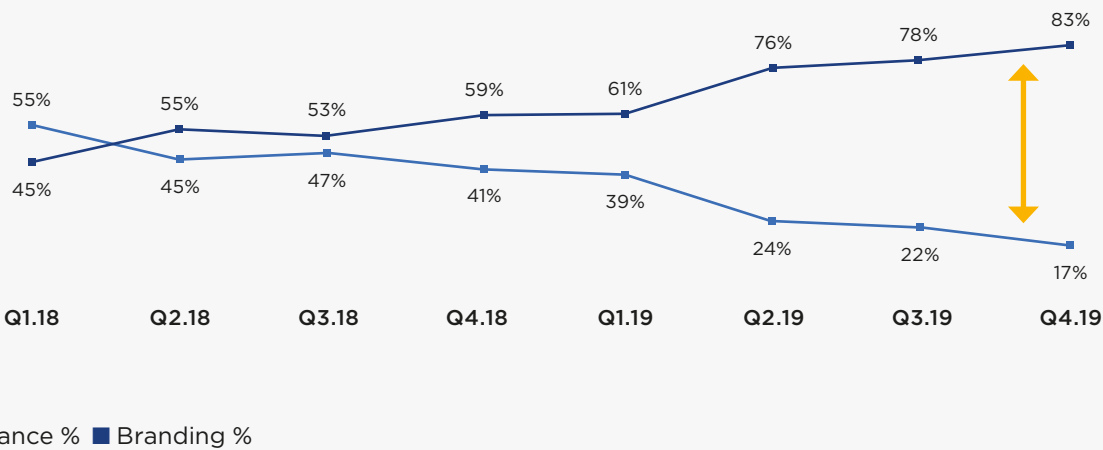
*Net cash is defined as cash and cash equivalents less short and long-term interest-bearing debt including capital and finance lease

Revenue Mix

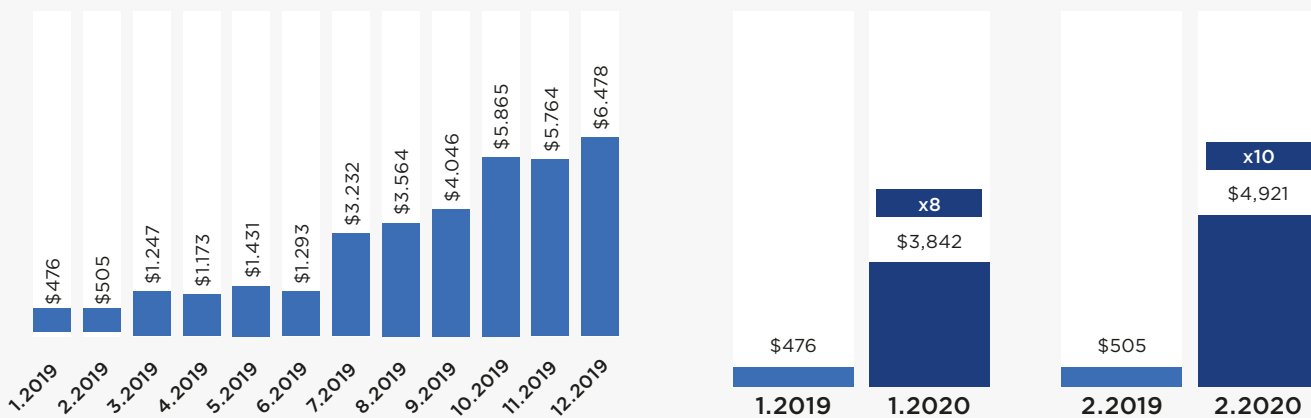
Tremor made a pivotal change in 2019 from a hybrid company of performance marketing and branding to a leading branding video company, with the performance of its video division offsetting any decline in performance marketing revenues.

Specifically, Connected TV and new product launches such as Tremor's Self-serve and Private Marketplace solutions are also providing growth engines and an increasing contribution to revenues.

Branding division offsetting decreasing revenue contribution from performance marketing



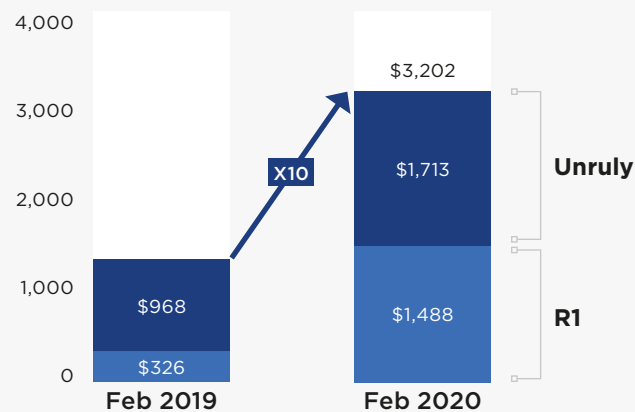
CTV revenue growth ('000s)



Growth in Self-Serve revenue ('000s)



Growth in Private Marketplaces revenue ('000s)



Board of Directors



Tim Weller Non-Executive Director and Chairman

Tim Weller is the founder of Incisive Media and its Chairman. He successfully floated the company on the Main Market of the London Stock Exchange in 2000 and in 2006 he led the £275m management buyout which took the company private again. Mr. Weller was a non-executive director and Chairman of RDF Media from 2005-2010 and was also Non-Executive Chairman of Polestar from 2009-2011 until its sale to Sun European Partners LLP. Mr. Weller was a member of the Shadow Cabinet New Enterprise Council, which advised the then Shadow Chancellor of the Exchequer, George Osborne, on business and enterprise prior to the 2010 General Election. Mr. Weller was Chairman of InternetQ from April 2013 - April 2016. Tim is also Chairman of Trustpilot, a leading provider of trusted company reviews, and Superawesome, a company with leading technology that powers the global kids' digital media ecosystem.



Ofer Druker Chief Executive Officer

Ofer Druker joined Tremor International in November 2017 as Executive Chairman of the Tremor Video division and has been instrumental in the successful integration of Tremor Video since its acquisition by Tremor International in August 2017. Mr Druker was appointed Chief Executive Officer in April 2019 following the completion of the merger with RhythmOne plc. Mr Druker was the founder and CEO of Matomy Media Group Ltd until April 2017, having built Matomy from its inception in 2007 into a digital media company with revenues of \$276.6 million for the full year ended December 2016. Mr Druker was responsible for leading and integrating Matomy's most important strategic transactions, including the acquisitions of Team Internet, Media Whiz, Mobfox and Optimatic.



Yaniv Carmi Chief Operating Officer

Yaniv Carmi joined Tremor International in 2010 and became Chief Financial Officer of the Company in January 2011, and then Chief Operating Officer in March 2020. Mr. Carmi is an experienced finance professional, whose previous roles include tax and audit senior at KPMG, Israel. At Tremor, he was instrumental in the IPO of the Company in 2014 and in the subsequent global expansion in operations, including through significant M&A. Mr. Carmi is responsible for all elements of financial operations, strategic and tactical matters related to budget management as well as directing key corporate initiatives. Mr. Carmi is a Certified Public Accountant and holds a B.A. degree in Economics and Accounting from Ben-Gurion University and an MBA in Financial Management from Tel Aviv University.

Joanna Parnell

Non-Executive Director

Joanna Parnell is the Co-Founder of strategic marketing consultancy Project50, designing commercial growth strategies for C-suite business leaders in the UK and US. Previously, Joanna was Managing Partner at Wavemaker (formerly MEC), one of the world's leading media agency networks and owned by WPP plc, where she led the paid digital and data team, overseeing the agency's focus on data driven campaigns. Prior to moving to MEC in March 2016, Ms. Parnell was Director of Strategy and sat on the management team at Unique Digital (now a WPP company), with responsibility for setting product and business strategy, including leading the multichannel planning strategy (cross-device and cross-platform), managing product heads and driving key initiatives across data buying, attribution modelling and biddable media adaptation. Ms. Parnell has a Masters in German and Business from the University of Edinburgh and studied as a postgraduate student at the London School of Marketing between 2005 and 2006.

Rebekah Brooks

Non-Executive Director

Rebekah Brooks is Chief Executive of British newspaper publisher News UK, part of News Corp, a position she has held since 2015, having first joined News Corp in 1989. Starting as a feature writer for the News of the World, Rebekah became Editor of the Sun in 2003, a position she held until July 2009. From 2009 to 2011, she served as Chief Executive of News International, overseeing a period of significant growth in newspaper operating profit and paid-for digital subscriptions at The Times. Following her appointment as Chief Executive of News UK, Ms Brooks restructured the Sun's online strategy, driving significant audience growth. In 2016, she also oversaw the strategic acquisition of Wireless, the owner of national radio brands talkSPORT, talkRADIO and Virgin Radio. Ms Brooks is a Director of News Group Newspapers and Times Newspapers, and a Non-Executive Director of PA Group, the parent company of the Press Association (PA).

Neil Jones

Senior Non-Executive Director

Neil Jones is currently Chief Operating Officer and a director of Huntsworth plc, the healthcare communications and public relations group, which is listed on the Main Market of the London Stock Exchange. Prior to which, Neil held the position of Chief Financial Officer at Huntsworth between February 2016 to October 2019. He joined Huntsworth from ITE Group plc, the international exhibitions group, where he held the position of Chief Financial Officer from 2008. Between 2003 and 2008, Mr. Jones was Group Finance Director at Tarsus Group plc and prior to that, he spent five years as Finance Director (Europe) at Advanstar Communications. Mr. Jones has a BA degree in Economics from the University of Manchester and completed the ACA in July 1990 with Price Waterhouse.

Christopher Stibbs

Non-Executive Director

Chris has over 25 years' experience as an executive in the media industry, most recently up until August 2019 he was Chief Executive of The Economist Group. He previously held a number of roles within the group including head of the Economist Intelligence Unit (the group's B2B arm) and CFO. He is credited with overseeing the group's resilience and transition through the unprecedented disruption experienced by the publishing industry over the last 15 years, and previously held positions with Pearson and Incisive Media. Chris is a fellow of the Associations of Chartered Accountants and Corporate Treasurers, currently has a non-executive role at Oxford University Press and is Chairman of Times Higher Education.

Corporate Governance Report

The Board is responsible to shareholders for the effective direction and control of the Company, with the aim of generating long-term success for Tremor. This report describes the framework for corporate governance and internal controls that the directors have established to enable them to carry out this responsibility.

The directors recognise the importance of high standards of corporate governance and have chosen to adopt the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Company's governance framework. This is in line with the London Stock Exchange's AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. As an Israeli company, the Company also complies with the corporate governance provisions of Israel's Companies Law, 5759-1999 (the "Companies Law").

The Board believes that good corporate governance reduces risks within the business, promotes confidence and trust amongst its stakeholders and is an important part of the effectiveness and efficiency of the Company's management framework.

The QCA Code includes ten broad principles that Tremor strives to implement in order to deliver growth to its shareholders in the medium and long term. The following text references how the Board complies with the principles of the QCA Code. The QCA Code can be found on the QCA's website: www.theqca.com.

Deliver growth

1. Establish a strategy and business model which promote long-term value for shareholders

Tremor consistently reiterates its strategy in its communications, which include RNS announcements and presentations to stakeholders, and particularly at its financial results. Tremor's strategy is to grow the business through a combination of organic geographic expansion, and via acquisition of companies providing complementary technologies or those which provide access to new markets. The Company is also focused on the continued improvement of its technologies to increase efficiency as well as implementing operational efficiencies across its acquired businesses to enable profitable growth.

The key challenges to the business and how these are mitigated are detailed on pages 28 and 29 of this report.

Tremor also provides stakeholders with in-depth reviews of its strategy and how it manages risks at Capital Markets Days, with one due to be held in London in April 2020, before being delayed due to the COVID-19 pandemic.

2. Seek to understand and meet shareholder needs and expectations

Tremor encourages dialogue with both its institutional and private shareholders, responding quickly and with transparency to all queries received. The Company provides the contact details for its IR advisers on its website. Tremor also engages with investors via its broker, finnCap.

Tremor's CEO and CFO meet regularly with institutional investors, usually in relation to the issuance of financial results, and both endeavour to accommodate all meeting requests from investors.

The Board recognises the AGM as an important opportunity to meet private shareholders. Typically the Directors – both non-executive and executive – are also available to speak to shareholders informally immediately after the AGM. However, in light of current UK Government measures relating to the COVID-19 pandemic, including restrictions on gatherings and non-essential travel, the AGM will be convened with the minimum quorum of only one Director and one other shareholder in attendance, which will be facilitated by the Company, in order to conduct the business of the meeting and shareholders must not attend the meeting in person.

All of Tremor's five non-executive directors are UK-based and available to meet with shareholders as requested. This includes the Chairman, who meets regularly with shareholders (independent of management) and seeks to understand voting decisions/intentions where appropriate. The Chairman either directly, or indirectly through Tremor's broker, regularly solicits feedback from the Company's investors. The Chairman also receives questions from shareholders and looks to address them in a timely manner.

Regular reports are provided to the Board on meetings with shareholders and any concerns are communicated.

Tremor also seeks to meet the needs of shareholders on an ad hoc basis where necessary, such as with the recent publication of a Q&A document in relation to the Unruly acquisition in January 2020 and with webcasts and separate presentations attended by analysts and private investors.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Tremor's management team encourages employees to share their feedback, ideas and thoughts by promoting a transparent organisational culture and an "open door" policy. Employees share their feedback with their managers on a regular basis one-on-one. Those participating in the leadership programmes are asked to share their thoughts in group discussions and provide any feedback they might have in regard to management, culture and the Company's actions. The Company also introduced internal surveys to garner employee feedback and satisfaction and to receive suggestions. The Company shares its list of core values with all employees, which are the foundation of its culture: "everything is possible" (referring to endless and equal opportunities for personal and professional growth) and "work hard - play hard" (which refers to the importance of diligence and collaboration).

Retention is a matter reported on to the Board.

The Company communicates and builds relationships with external stakeholders via its marketing efforts, including social media, events, PR, direct marketing, online advertising among other initiatives. The Company offers to meet with stakeholders at regular events globally, and occasionally directly contacts investors to offer meetings.

Tremor has a 'People & Culture' programme, which includes providing employees with opportunities for volunteering in the community - with a particular focus on education - such as tutoring youth at risk and collaborating with schools that care for underprivileged children. Tremor also regularly donates to voluntary associations.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The risks to the business and how these are mitigated are detailed on pages 28 and 29 and its internal control measures on pages 25 and 26 of this report.

Both the Executive Directors and senior managers are responsible for reviewing and evaluating risk on an ongoing basis and the Board considers risks to the business at its board meetings. The Board also allocates certain meetings to have a more in-depth review of strategy and risk.

The Audit Committee of the Board consults with external advisers (including the internal auditor) as/when needed to support execution on strategy and risk mitigation, such as holding executive sessions with KPMG to discuss the audit process and the manner in which the Company's finance team is expanding to address the significant international growth of the business.

Maintain a dynamic management framework

5. Maintain the Board as a well-functioning, balanced team led by the chair

The composition, roles and responsibilities of the Board and its committees are set out on pages 23 to 26 of this report. The number of meetings of the Board and the committees are also detailed.

High level and in-depth analytic materials, including the minutes from the prior meeting, are sent in a timely manner ahead of each committee or Board meeting allowing Board members adequate time to review them. After each meeting, the minutes are sent to the chair for review and approval. All directors have direct

access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the Company's expense.

The composition of the Board is outlined on pages 23 to 26 of this report.

The time devoted by directors to their duties varies depending on the activities of the Company. In 2019, the Board held 15 meetings. Each year, the Board endeavours to hold meetings to review strategy and interact with senior managers in various locations. All executive directors work full-time for Tremor and the non-executive Chairman spends a minimum of three to four days per month on Tremor business. This is primarily via in-person meetings or phone calls with management, brokers and shareholders. The other non-executive directors spend a minimum of two days per month on their duties, primarily through formal face-to-face meetings and phone calls with management and other board members.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The composition of the Board and the credentials of the individual directors are outlined on pages 18 and 19 of this report. All of the directors remain active in the media and marketing industry - working for public and private companies - which ensures that their skillsets remain up to date.

The Nomination Committee of the Board oversees the hiring process and makes recommendations to the Board on new board appointments as well as re-election of existing directors. Where new board appointments are considered the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee also considers succession planning.

Corporate Governance report

continued

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board currently runs a self-evaluation process on its effectiveness and encourages open and transparent communication.

All directors are subject to re-election by the shareholders each year excluding the non-executive directors, which qualify as External Directors under Israeli law.

The Executive Directors are subject to an annual performance review when they are measured against pre-set criteria.

The Board constantly looks to ensure that the executive management of the Company evolves. The Company conducts a leadership programme to ensure talent can be promoted within the business. If there are skills gaps, the Company looks to fill those externally. At present, the directors are confident there is sufficient talent within the Company to be able to appoint new leadership from within.

8. Promote a corporate culture that is based on ethical values and behaviours

Tremor's 'People & Culture' programme is designed to preserve the culture of the Company. It includes "lecture of the month" which is used to present different private and public social initiatives that aim to encourage employee volunteering and social awareness. Tremor also offers volunteering opportunities directly to its employees.

The Company has a 'Leadership Programme' that is designed to facilitate career progression while promoting leadership based on Tremor's core values and ethical behaviour. Similarly, the Company's recruiting efforts and methods are based on the notion of being the culture's gate keepers: aiming to recruit people who are a cultural fit and share a common ground of ethical values and behaviours.

The Company's senior management team observes the culture of the Company in operation at the local business units (throughout its geographies) through visits and maintaining company culture is a matter discussed by the Board. The Board also maintains regular dialogue with company management outside of the Executive Directors to monitor the disposition of the broader employee-base and ensure the continuation of a healthy, growth-oriented culture.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Corporate Governance Report on pages 20 to 22 of this report details the corporate governance structures and processes for the Company.

Build trust

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Tremor describes its communication practices in its annual report under 'Relationship with Shareholders' (page 25 of this report).

The Board and Committees

Board of Directors

The Board is responsible for the overall strategy and financial performance of the Company and has a formal schedule of matters reserved for its approval. In order to lead the development of the strategy of the Company and the progress of financial performance, the Board is provided with timely and comprehensive information that enables the Board to review and monitor the performance of the Company and to ensure the Company is able to achieve its strategic goals.

Board composition

The Board is currently comprised of two Executive Directors, Ofer Druker and Yaniv Carmi, and five non-executive directors, Tim Weller (Chairman of the Board), Neil Jones, Joanna Parnell, Christopher Stibbs and Rebekah Brooks. The balance between executive and non-executive directors does not allow any group to dominate the Board's decision making. At the upcoming Annual General Meeting, the shareholders will be asked to increase the size of the Board from seven to nine directors, in order to appoint two new directors, Sagi Niri, the Company's Chief Financial Officer, as an Executive Director, and Norm Johnston, an industry expert, as a non-executive director.

In accordance with the Companies Law, the Board must always have at least two external directors who meet certain statutory requirements of independence (the "External Directors"). The Company's External Directors are currently Neil Jones and Joanna Parnell. The term of office of an External Director is three years, which can be extended for two additional three-year terms. Mr Jones' and Ms Parnell's term of office expires at the upcoming Annual General Meeting and they are standing for re-election. Under the Companies Law, External Directors are elected by shareholders by a special majority and may be removed from office only in limited cases. Any committee of the Board must include at least one External Director and the Audit Committee and Remuneration Committee must each include all of the External Directors (including one External Director serving as the chair of the Audit Committee and Remuneration Committee), and a majority of the members of each of the Audit Committee and Remuneration Committee must comply with the director independence requirements prescribed by the Companies Law.

Collectively, the non-executive directors bring a valuable range of expertise in assisting the Company to achieve its strategic aims. The effectiveness of the Board benefits from the following skills and experience which the current Board members possess: advertising, media, finance and accounting, governance, research and development and technology expertise.

Operation of the Board

The Company Secretary, Yaniv Carmi, together with Chief Financial Officer, Sagi Niri, are responsible for ensuring that the Company complies with the statutory and regulatory requirements and maintains high standards of corporate governance. They support and work closely with the Chairman of the Board, the Chief Executive Officer and the Board committee chairs in setting agendas for meetings of the Board and its committees and support the transfer of timely and accurate information flow from and to the Board and the management of the Company.

The Board holds its meetings in accordance with its scheduled calendar. During 2019, the Board met on 15 occasions. The Board also holds regular telephone calls to update the members on operational and other business, and the Board convenes occasionally for additional updates and conversations on ad-hoc emerging matters that arise in-between the scheduled Board meetings. A majority of the Board members, which constitutes the legal quorum for a board meeting, attended each of the board meetings. Each board meeting is preceded by a clear agenda and any relevant information is provided to directors in advance of the meeting.

An agreed procedure exists for directors in the furtherance of their duties to take independent professional advice. Newly appointed directors are to be made aware of their responsibilities through the Company Secretary. The Company provides the directors with training sessions via internal meetings, presentations and conversations which are being conducted by Company advisors, management and other relevant persons during the year in order to enable greater awareness and understanding of the Company's business and the environment in which it operates.

The Board has established properly constituted Audit, Remuneration, Nomination and Disclosure Committees of the Board with formally delegated duties and responsibilities.

Audit Committee Responsibilities

The Audit Committee has responsibility for ensuring that the financial performance of the Company is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

In addition, under the Companies Law, the Audit Committee is required to monitor the effectiveness of the internal control environment of the Company, including consulting with the internal auditor and independent accountants, to review, classify and approve related party transactions and extraordinary transactions, to review taxation and transfer pricing, to review the internal auditor's audit plan and to establish and monitor whistle-blower procedures.

Audit Committee composition

The UK Corporate Governance Code recommends that an audit committee should comprise at least three members who are independent non-executive directors, and that at least one member should have recent and relevant financial experience.

The Audit Committee comprises Neil Jones, Joanna Parnell and Christopher Stibbs, and is chaired by Neil Jones.

Operation of the Audit Committee

The Committee operates under written terms of reference and meets at least twice a year with the Company's external auditors, and with the Chairman and the Chief Executive Officer present by invitation only. The Committee meets with the external auditors without the Chairman and the Chief Executive Officer present as it considers appropriate.

The Board and Committees

continued

During 2019, the Committee met on three occasions. A majority of the Committee members, which constitutes the legal quorum for a Committee meeting, attended each of the Committee meetings. Each Committee meeting is preceded by a clear agenda and any relevant information is provided to the Committee members in advance of the meeting.

Among others, the Committee reviewed the financial performance and approved the interim and annual financial statements of the Company, and hosted an executive session with KPMG. In addition, the reappointment of KPMG as group auditors was also approved at the Company's 2019 Annual General Meeting.

Remuneration Committee Responsibilities

The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Company's policy on the remuneration packages of the Company's Chief Executive Officer, the Chairman of the Board, the executive and non-executive directors, the Company Secretary and other senior executives. The Remuneration Committee also has responsibility for: (i) recommending to the Board a remuneration policy for directors and executives and monitoring its implementation; (ii) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the Chairman of the Board, each executive and non-executive director and the Chief Executive Officer (including bonuses, incentive payments and share options or other share awards); and (iii) approving and recommending to the Board the total individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Company's policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer. No Director or manager may be involved in any discussions as to their own remuneration.

Remuneration Committee composition

The UK Corporate Governance Code recommends that a remuneration committee should comprise at least three members who are independent non-executive directors. The Remuneration Committee comprises Joanna Parnell, Neil Jones and Christopher Stibbs, and is chaired by Joanna Parnell.

Operation of the Remuneration Committee

The Committee operates under written terms of reference.

During 2019, the Committee met on three occasions. A majority of the Committee members, which constitutes the legal quorum for a Committee meeting, attended each of the Committee meetings. Each Committee meeting is preceded by a clear agenda and any relevant information is provided to the Committee members in advance of the meeting.

During these meetings the Committee reviewed and recommended to the Board the grant of equity incentive awards to the Company's management; and increasing the pool of equity incentive awards available for employee grants under the Company's equity incentive plans. The Committee reviewed and recommended to the Board and shareholders, for their approval, an amended incentive award plan for the Company's Chief Executive Officer and Director, Ofer Druker, which was approved at the Company's 2019 Extraordinary General Meeting. The Committee also reviewed and recommended an amendment of the remuneration relating to a relocation for the Company's former Chief Financial Officer, current Chief Operating Officer and Director, Yaniv Carmi, which were approved at the Company's 2019 Extraordinary General Meeting and Annual General Meeting, and the allotment of shares to a non-executive director in lieu of a cash payment. The Committee also reviewed and agreed a separation agreement from the

Company's former Chief Operating Officer, Tal Feigel. The Committee also determined and agreed with the Board the Company's remuneration philosophy and the principles of its remuneration policy for executives, ensuring that these are in line with the business strategy, objectives, values and long-term interests of the Company and comply with all regulatory requirements.

Nomination Committee Responsibilities

The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to succession planning. It also has responsibility for recommending new appointments to the Board.

Nomination Committee composition

The UK Corporate Governance Code recommends that a nomination committee should comprise at least three members who are independent non-executive directors. The Nomination Committee comprises Christopher Stibbs, Neil Jones and Joanna Parnell, and is chaired by Christopher Stibbs.

Operation of the Nomination Committee

The Committee operates under written terms of reference. During 2019, the Committee met on two occasions. A majority of the Committee members, which constitutes the legal quorum for a Committee meeting, attended the Committee meeting. Each Committee meeting is preceded by a clear agenda and any relevant information is provided to the Committee members in advance of the meeting.

During these meetings, the Committee reviewed and recommended to the Board the re-election of Ofer Druker, Yaniv Carmi and Tim Weller, as well as the standing down of Ronni Zehavi, Non-executive Director, from the Board and for him not stand for re-election,

which was approved at the Company's 2019 Annual General Meeting. The Committee also recommended to the Board the election of Christopher Stibbs to the Board to fill a vacancy. Ofer Druker, Yaniv Carmi and, non-executive directors, Tim Weller, Christopher Stibbs, Rebekah Brooks, Neil Jones and Joanna Parnell will be standing for re-election at the forthcoming Annual General Meeting. The shareholders will also be asked at the forthcoming Annual General Meeting to increase the size of the Board from seven to nine directors, in order to appoint two new directors, Sagi Niri, the Company's Chief Financial Officer, as an Executive Director, and Norm Johnston, an industry expert, as a non-executive director.

The Nomination Committee's members believe that the directors put forward for re-election at the forthcoming Annual General Meeting continue to be effective and demonstrate commitment to their role.

Disclosure Committee Responsibilities

The Disclosure Committee has responsibility for assisting the Board in fulfilling its responsibilities in respect of the requirement to make timely and accurate disclosure of all information that is required to be disclosed to meet legal and regulatory obligations, including compliance with MAR.

The Disclosure Committee comprises Tim Weller, Neil Jones and Yaniv Carmi, and is chaired by Tim Weller.

Operation of the Disclosure Committee

The Committee operates under written terms of reference. A majority of the Committee members (including one non-executive director) constitutes the legal quorum for a Committee meeting. Information is provided to the Committee members in advance of the meeting. During 2019, the Committee met on one occasion, to review and approve the 2018 annual results announcement.

Board and Committees evaluation

The performance of the Board, its committees and individual members is assessed on an evaluation of Board performance survey conducted on an annual basis via questionnaire and detailed Board discussion. An implementation plan is then actioned for any matters arising.

Conflicts of interest

The Company has procedures for the disclosure and review of any conflicts, or potential conflicts, of interest in compliance with the Companies Law, which the directors may have and for the authorization of such conflict matters by the Board.

Under the Companies Law, any transaction of the Company with a director or any transaction of the Company in which a director has a personal interest requires the approval of the Board. The transaction must not be approved if it is not in the Company's best interest. If the transaction is an extraordinary transaction (i.e. a transaction that is not in the ordinary course of business, that is not on market terms or that is likely to have a material impact on a company's profitability, assets or liabilities), then Audit Committee approval is required in addition to Board approval.

If the transaction concerns exculpation, indemnification, insurance or remuneration of the director, then the approvals of the Remuneration Committee, the Board and the shareholders by way of ordinary resolution are required (in that order).

A director who has a personal interest in a matter that is considered at a meeting of the Board, the Audit Committee or the Remuneration Committee may not attend that meeting or vote on that matter, unless a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a personal interest in the matter. If a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a personal interest in the transaction, then shareholder approval, by way of

ordinary resolution, is also required. The authorisation of a conflict matter, and the terms of authorisation, may be reviewed at any time by the Board.

The Board considers that these procedures are operating effectively. There have been no matters of a material nature arising requiring assessment by the Board as a potential conflict during the year.

Relationship with shareholders

The Company encourages the participation of both institutional and private investors. The Chief Executive Officer and Chief Financial Officer meet regularly with institutional investors, usually in regard to the issuance of half and full year results. Communication with private individuals is maintained through the Annual General Meeting and the Company's annual and interim reports. In addition, further details on the strategy and performance of the Company can be found on its website (www.tremorinternational.com), which includes copies of the Company's press releases.

Regular updates are provided to the Board on meetings with shareholders and analysts, and brokers' opinions. Non-executive directors are available to meet major shareholders, if required. Investors are also encouraged to contact the Company's Investor Relations advisors at Vigo Communications.

Internal controls

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues. The Company's organisational structure has clearly defined lines of authority, responsibility and accountability, which is reviewed regularly. The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Company and the digital media industry as a whole along with associated financial risks.

The Board and Committees

continued

The Board has overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the directors with reasonable assurance that issues are identified on a timely basis and dealt with appropriately. The Company's key internal financial control procedures include:

- a review by the Board of actual results compared with budget and forecasts;
- reviews by the Board of year-end forecasts;
- the establishing of procedures for acquisitions, capital expenditure and expenditure incurred in the ordinary course of business;
- the appraisal and approval of proposed acquisitions; and
- the appointing of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

The external auditors are engaged to express an opinion on the financial statements. They discuss with management the reporting of operational results and the financial condition of the Company, to the extent necessary to express their audit opinion.

In accordance with Companies Law, the Board must appoint an internal auditor nominated following the recommendation of the Audit Committee. The primary role of the internal auditor is to examine whether a company's actions comply with the law and proper business procedure. The internal auditor may be an employee of the Company but may not be an interested party or office holder, or a relative of any interested party or office holder and may not be a member of the Company's independent accounting firm or its representative. The Company's internal auditor is Yisrael Gewirtz (Fahn Kanne Control Management Ltd., Grant Thornton Israel).

Audit and auditor independence

An additional responsibility of the Audit Committee is to keep under review the scope and cost effectiveness of the external audit. This includes recommending to the Board the appointment of the external auditors and reviewing the scope of the audit, approving the audit fee and, on an annual basis, the Committee being satisfied that the auditors are independent.

Somekh Chaikin, member firm of KPMG International, is retained to perform audit and audit-related work on the Company and its subsidiaries. The Audit Committee monitors the nature and extent of non-audit work undertaken by the auditors. It is satisfied that there are adequate controls in place to ensure auditor independence and objectivity. Periodically, the Audit Committee monitors the cost of non-audit work undertaken by the auditors. The Audit Committee considers that it is in a position to take action if at any time it believes that there is a risk of the auditors' independence being undermined through the award of this work.

Takeovers & Mergers

As the Company is incorporated in Israel, it is subject to Israeli law and the City Code on Takeovers and Mergers does not apply to the Company, except to the extent share control limits are incorporated into the Company's Articles of Association, as described below.

Mergers

The Companies Law permits merger transactions, provided that each party to the transaction obtains the approval of its board of directors and shareholders (excluding certain merger transactions which do not require the approval of the shareholders, as set forth in the Companies Law).

Pursuant to the Company's Articles of Association, the shareholders of the Company are required to approve the merger by the affirmative vote of a majority of the Ordinary Shares of the Company represented at the shareholders meeting in person or by proxy and voting thereon. In addition, for purposes of the shareholder vote of each party, the merger will not be deemed approved if a majority of the shares not held by the other party, or by any person who holds 25 per cent. or more of the shares or the right to appoint 25 per cent. or more of the directors of the other party, has voted against the merger.

The Companies Law requires the parties to a proposed merger to file a merger proposal with the Israeli Registrar of Companies, specifying certain terms of the transaction. Each merging company's board of directors and shareholders must approve the merger. Shares in one of the merging companies held by the other merging company or certain of its affiliates are disenfranchised for purposes of voting on the merger. A merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that the merger proposal was filed with the Israeli Registrar of Companies and at least 30 days have passed from the approval of the shareholders of each of the merging companies.

In addition, the provisions of the Companies Law that deal with "arrangements" between a company and its shareholders may be used to effect squeeze-out transactions in which the target company becomes a wholly-owned subsidiary of the acquirer. These

provisions generally require that the merger be approved by a majority of the participating shareholders holding at least 75 per cent. of the shares voted on the matter, as well as 75 per cent. of each class of creditors. In addition to shareholder approval, court approval of the transaction is required.

Under the Companies Law, in the event the Company enters into a merger or an "arrangement" under the Companies Law (as described above), the provisions of the Companies Law and the Articles of Association rules with respect to tender offers (as described below) do not apply.

Articles of Association and special tender offer

The Company's Articles of Association contain a prohibition on a person acquiring shares, whether by himself or in concert, which, when aggregated with shares held by his concert parties, carry 25 per cent. or more of the voting rights attributable to the shares of the Company except as a result of a "permitted acquisition". An acquisition is a "permitted acquisition" if (i) the acquisition is made in compliance with any applicable tender offer rules under the Companies Law as may be in effect at such time and (ii) the acquisition is made in circumstances which the Takeover Code, if applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the Takeover Code, as if such rule applied.

The Companies Law provides that an acquisition of shares of a public Israeli company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser could become a holder of 25 per cent. or more of the voting rights in the Company. This rule does not apply if there is already another holder of at least 25 per cent. of the voting rights in the Company.

Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser could become a holder of more than 45 per cent. of the voting rights in the company, if there is no other shareholder of the company who holds more than 45 per cent. of the voting rights in the company.

A special tender offer must be extended to all shareholders of a company, but the offeror is not required to purchase shares representing more than 5 per cent. of the voting power attached to the company's outstanding shares, regardless of how

many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5 per cent. of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer. Shares that are acquired in violation of this requirement to make a tender offer will be deemed Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer.

Full tender offer

Under the Companies Law, a person may not purchase shares of a public company if, following the purchase, the purchaser would hold more than 90 per cent. of the company's shares or of any class of shares, unless the purchaser makes a tender offer to purchase all of the target company's shares or all the shares of the particular class, as applicable. If, as a result of the tender offer, either:

- the purchaser acquires more than 95 per cent. of the company's shares or a particular class of shares and a majority of the shareholders that did not have a Personal Interest accepted the offer; or the appointing of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.
- the purchaser acquires more than 98 per cent. of the company's shares or a particular class of shares;

then, the Companies Law provides that the purchaser automatically acquires ownership of the remaining shares. However, if the purchaser is unable to purchase more than 95 per cent. or 98 per cent., as applicable, of the company's shares or class of shares, the purchaser may not own more than 90 per cent. of the shares or class of shares of the target company.

Directors' Report

for the Year Ended 31 December 2019

Principal activities

Tremor International Ltd is a global leader in advertising technologies, it has multiple core divisions: Tremor Video, RhythmOne and Unruly.

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. Tremor Video is one of the largest and most innovative video advertising companies in North America, with offerings in CTV, in stream, and in-app.

The media side of Tremor, RhythmOne, 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.

Unruly is a strong video marketplace with more than 2,000 direct integrations with publishers, unique demand relationships with the world's largest advertisers and privileged access to News Corp inventory. Unruly works with 95% of the AdAge 100 and over 60% of global 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).

Business review

The information that fulfils the requirements of the business review, including details of the 2019 results, principal risks and uncertainties and the outlook for future years, are set out in the Chairman's, Chief Executive Officer's and Chief Financial Officer's statements on pages 4 to 16, and in this Directors' Report.

Directors

The following Directors held office as indicated below for the year ended 31 December 2019 and up to the date of signing the consolidated financial statements except where otherwise shown.

Tim Weller – Non-Executive Chairman (Throughout 2019-present)

Ofer Druker – Chief Executive Officer (Appointed 2 April 2019-present)

Yaniv Carmi – Chief Operating Officer (Throughout 2019-present)

Joanna Parnell – Non-Executive Director (Throughout 2019-present)

Neil Jones – Non-Executive Director (Throughout 2019-present)

Christopher Stibbs – Non-Executive Director (Appointed 23 May 2019-present)

Rebekah Brooks – Non-Executive Director (Appointed 31 March 2020-present)

Ronni Zehavi – Former Non-Executive Director (Resigned 13 June 2019)

Directors' remuneration and Interests

The Remuneration Report is set out on pages 30 and 31. It includes details of Directors' remuneration, interests in the Ordinary Shares of the Company and share options.

Corporate governance

The Board's Corporate Governance Report is set out on pages 20 to 22.

Directors' responsibilities

The Companies Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the relevant financial year pursuant to applicable accounting standards.

The Directors, after considering the risks and uncertainties and after reviewing the Company's operating budgets, investment plans and financing arrangements, consider that the Company has sufficient resources at their disposal to continue their operations for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Principle risks and uncertainties

The Directors assess and monitor the key risks of the business on an ongoing basis. The following are the principal risks and uncertainties that could have a material effect on the Company's performance:

- Large and established internet and technology companies, such as Facebook and Google, play a substantial role in the mobile advertising market and may implement changes that significantly impair the Company's ability to operate in this industry.
- The Company depends on publishers to supply it with advertising inventory in order for it to deliver advertising campaigns in a cost-effective manner.
- The advertising industry is highly competitive and fragmented and currently experiencing consolidation, resulting in increasing competition.
- The recent spread of the COVID-19 pandemic has affected businesses globally as governments take certain emergency measures to combat its spread, including implementation of travel bans and closures of businesses, factories and public buildings. While the full impact of this outbreak is not yet known, the business and operations of the Company have been, and are likely to continue to be affected by conditions caused by COVID-19
- A key part of the Company's strategy relates to acquisitions and the ability to effectively finance, integrate and manage them.
- Regulatory, legislative, or self-regulatory developments relating to e-commerce, internet advertising, privacy and data collection and protection, and uncertainties regarding the application or interpretation of existing laws and regulations, such as the EU General Data Protection Regulation (GDPR), which became effective in May 2018, could harm the Company's business.
- The Company is required to continue to innovate and provide high-quality advertising solutions and services in order to remain competitive.

- The Company's growth depends in part on the success of its relationships with advertising agencies.
- The Company's revenue and operating results are highly dependent on the overall demand for advertising.
- The Company's brand advertising division depends on relationships with data providers to supply it with data sets in order for it to deliver targeted campaigns and this may involve material upfront guaranteed minimum purchase commitments.
- The mobile advertising industry remains susceptible to fraud.
- The Company's software could be susceptible to errors, defects or unintended performance problems that could result in loss of reputation, lost inventory or liability.
- Interruptions of services from our bandwidth providers, data centers, electricity providers and service providers may disrupt the Company's operations.
- Increased availability of advertisement-blocking technologies could limit or block the delivery or display of advertisements by the Company's solutions.

The Company's risk management methods rely on a combination of internally-developed controls and monitoring and observation of market behaviour. Commercial risks are managed through Tremor's technological lead as well as through establishing partnerships with key publishers, and Tremor Video is also focused on establishing and maintaining exclusive relationships with key data providers. The Company invests significant resources in research to continually develop its technology to enhance its offer and algorithms. Its ability to address and align to industry changes with speed and flexibility has been demonstrated, particularly with the successful transition to become a mobile-focused business.

Regarding data protection regulation, and GDPR specifically, Tremor is committed to data protection compliance throughout its offering and is taking all steps necessary to ensure a structured approach to managing its business. The relevant aspects have been reviewed, and necessary actions

have been taken. Tremor will continue to update and implement ongoing review, processes and policies in order to meet industry developments and ensure Tremor satisfies the requirements under the applicable law.

Research and development

All three of the Company's revenue streams rely on the use of technological tools and in particular, machine learning that leverages data for real-time bidding. In the opinion of the Directors, continuity of investment in this area is essential for the maintenance of the Company's market position and for future growth. Tremor's research and development team is predominantly based at the Company's headquarters in Israel and in the US. In Tel Aviv, Tremor has c. 33 R&D staff and in the US, Tremor has c.54 R&D personnel across a number of locations including New York. Following the acquisition of Unruly, the Company added 46 personnel to the research and development team. Research and development expenses during 2019 were \$33.1m (2018: \$20.0m).

Share capital and substantial Shareholdings

Details of the share capital of the Company as at 31 December 2019 are set out in Note 13 to the consolidated financial statements.

At 4 May 2020, the total issued and outstanding number of Ordinary Shares were 135,648,572 and 23,342,648 Ordinary Shares were held in treasury as dormant shares. The following held 3% or more of the ordinary share capital of Tremor:

Shareholder	%
Toscafund Asset Management	21.6
Schroder Investment Management Limited	14.8
Mithaq Capital	13.6
News Corp	6.3
Ibex Investors LLC	4.0
Hargreaves Lansdown Asset Management	3.8
Interactive Investor	3.6
River & Mercantile Asset Management	3.6

Independent Auditors

The Audit Committee of the Board of Directors reviews annually the quality and cost effectiveness of the external audit and the independence and objectivity of the external auditors. KPMG Somekh Chaikin was engaged to perform the 2019 audit. The total fee paid to the Company's auditors for audit services rendered to the Company during that year was \$275,000 in addition to \$150,000, which was paid for the Opening Balance of RhythmOne following its acquisition by Tremor.

Events after the reporting period

For significant events after the reporting period please refer to Note 21 on page 67.

Remuneration Report

Directors' Remuneration

The Board recognises that Directors' remuneration is of legitimate interest to the shareholders. The Company operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation. As an Israeli company listed on the AIM market of the London Stock Exchange, the Company is not required to comply with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Policy on Directors' Remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Company's position. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Director's responsibilities.

Remuneration

The remuneration of the Directors in 2019 (including former directors) was as follows (all amounts in GBP – NIS 4.55: GBP 1 and US 1.28: GBP 1). Includes annual bonus and share based compensation for the Executive Directors – Ofer Druker and Yaniv Carmi:

Tim Weller	151,173
Ofer Druker*	8,453,047
Yaniv Carmi	3,655,218
Neil Jones	57,100
Joanna Parnell	52,864
Christopher Stibbs**	30,382
Hagai Tal***	159,430
Ronni Zehavi****	14,970

*Appointed CEO and Executive Director 2 April 2019

**Appointed Non-executive Director 23 May 2019

***Resigned as CEO and Executive Director 5 December 2018

****Resigned as Non-executive Director 13 June 2019 and the amount includes share-based payments

The Remuneration Committee is formally required to meet not less than twice a year and at such other times as necessary. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Company's policy on the remuneration packages of the Company's Chief Executive Officer, the Chairman of the Board, the executive and non-executive Directors, the Company Secretary and other senior executives. The Remuneration Committee also has responsibility for: (i) recommending to the Board a compensation policy for Directors and executives and monitoring its implementation; (ii) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the Chairman of the Board, each executive and non-executive director and the Chief Executive Officer (including bonuses, incentive payments and share options or other share awards); and (iii) approving and recommending to the Board the total individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Company's policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer. No Director or manager may be involved in any discussions as to their own remuneration. The Remuneration Committee comprises Neil Jones, Joanna Parnell and Christopher Stibbs and is chaired by Joanna Parnell and operates under written terms of reference.

Remuneration of Executives and Other Managers

The remuneration of the Company's five most highly compensated executives and managers (including its two Executive Directors) in 2019 was as follows (all amounts in GBP – NIS 4.55: GBP 1 and US 1.28: GBP 1):

	Base salary	Bonus	Share-based*	Total
Ofer Druker	517,010	517,010	7,419,028	8,453,047
Yaniv Carmi	419,709	338,777	2,896,733	3,655,218
Anthony Flaccavento	293,576	221,638	101,473	616,687
Jason Baum	307,262	176,621	101,473	585,356
Tal Mor	256,677	238,601	69,661	564,939

*Reflects the equity-based compensation expenses recorded in the Company's financial statements for the year ended 31 December 2019

New grants during the period

During 2019, the Group granted 1,328,909 share options and 8,701,315 Restricted Share Units (RSUs) to its Executive Directors, officers and employees pursuant to the Company's equity incentive plans. During 2019 the Board of Directors and the Company's shareholders approved changes in terms to Ofer Druker's 2018 Options and RSUs grants.

Executive Director	Restricted Share Units ("RSUs")	Total number of RSUs held as of 4 May 2020
Ofer Druker	5,758,082*	3,838,881
Yaniv Carmi	2,943,233**	1,716,885

*Ofer Druker exercised 1,359,761 RSUs in 2019

**Yaniv Carmi exercised 367,906 RSUs and 250,000 options – a total of 617,906 Options and Shares in 2019

Directors' and Related Parties' Interests

As of 4 May 2020:

	Number of ordinary shares	Percentage holding of Total Voting Rights	Number of ordinary shares under option and RSUs	Percentage holding on a fully diluted basis
Tim Weller	163,595	0.12%	Nil	0.11%
Ofer Druker	1,970,632	1.45%	3,838,881	3.92%
Yaniv Carmi	512,098	0.38%	1,716,885	1.50%
Joanna Parnell	Nil	Nil	Nil	Nil
Neil Jones	5,000	0.00%	Nil	0.00%
Christopher Stibbs	Nil	Nil	Nil	Nil

Independent Auditors' Report

Auditors' Report to the Shareholders of Tremor

We have audited the accompanying consolidated statements of financial position of Tremor International Ltd. (hereinafter – “the Company”) as at 31 December 2019 and 2018 and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows, for each of the two years in the period ended 31 December 2019. 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 consolidated subsidiaries as of 31 December 2019 and 2018 and their results of operations, changes in equity and cash flows for each of the two years in the period ended 31 December 2019, in accordance with International Financial Reporting Standards (IFRS).

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

March 30, 2020

Consolidated Statements of Financial Position

as at 31 December 2019

	Note	2019 USD thousands	2018 USD thousands
Assets			
Cash and cash equivalents	10	79,047	67,073
Trade receivables, net	8	95,278	64,329
Other receivables	8	13,340	6,990
Total current assets		187,665	138,392
Fixed assets, net	5	3,132	2,879
Right-of-use assets	6	21,003	-
Intangible assets, net	7	210,285	53,605
Deferred tax assets	4	17,606	2,383
Other long term assets		1,332	-
Total non-current assets		253,358	58,867
Total assets		441,023	197,259
Liabilities			
Current maturities of bank loans		-	12,273
Current maturities of lease liabilities	6	9,637	399
Trade payables	9	70,428	39,630
Other payables	9	27,471	14,920
Total current liabilities		107,536	67,222
Employee benefits		556	836
Long-term lease liabilities	6	14,632	-
Deferred tax liabilities	4	17,687	991
Liability for put option on non-controlling interests	16(C)	-	3,941
Total non-current liabilities		32,875	5,768
Total liabilities		140,411	72,990
Equity			
	13		
Share capital		351	198
Share premium		224,692	65,305
Capital reserves		16,791	7,713
Retained earnings		58,778	51,053
Total equity		300,612	124,269
Total liabilities and equity		441,023	197,259

*See Note 6 regarding initial application of IFRS 16, Leases. According to the transitional method that was chosen, comparative data were not restated.

Date of approval of the financial statements: March 30, 2020

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

Consolidated Statements of Comprehensive Income

for the Year Ended 31 December 2019

	Note	2019 USD thousands	2018 USD thousands
Revenues	11	325,760	276,872
Cost of sales		187,246	165,440
Gross profit		138,514	111,432
Research and development expenses		33,042	20,187
Selling and marketing expenses		62,025	44,702
General and administrative expenses	12	40,244	19,847
		135,311	84,736
Profit from operations		3,203	26,696
Profit from operations before amortization of purchased intangibles and business combination related expenses*		23,148	35,642
Financing income		773	1,251
Financing expenses		(1,088)	(778)
Financing income (expenses), net		(315)	473
Other income		700	-
Profit before taxes on income		3,588	27,169
Taxes on income	4	2,636	(5,015)
Profit for the year		6,224	22,154
Profit for the year before amortization of purchased intangibles and business combination related expenses (net of tax)**		22,452	30,960
Other comprehensive income items:			
Foreign currency translation differences for foreign operation		139	361
Total other comprehensive income for the year		139	361
Total comprehensive income for the year		6,363	22,515
Earnings per share			
Basic earnings per share (in USD)	14	0.0560	0.3281
Basic earnings per share (in USD) before amortization of purchased intangibles and business combination related expenses (net of tax)**	14	0.2018	0.4585
Diluted earnings per share (in USD)	14	0.0542	0.3179
Diluted earnings per share (in USD) before amortization of purchased intangibles and business combination related expenses (net of tax)**	14	0.1956	0.4442

*Amounting to USD 19,945 thousand (2018: USD 8,946 thousand) of amortization of purchased intangibles acquired in business combination and related acquisition expenses.

**Amounting to USD 16,228 thousand (2018: USD 8,806 thousand) of amortization of purchased intangibles acquired in business combination and related acquisition expenses, net of tax.

***See Note 6 regarding initial application of IFRS 16, Leases. According to the transitional method that was chosen, comparative data were not restated.

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

Consolidated Statements of Changes in Equity

for the Year Ended 31 December 2019

	Share capital	Share premium	Capital reserves*	Retained Earnings	Total
Balance as at 1 January 2018					
	USD thousands				
Total comprehensive income for the year	180	32,886	1,276	30,576	64,918
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 31 December 2018	198	65,305	7,713	51,053	124,269
Comprehensive income for the year					
Profit for the year	-	-	-	6,224	6,224
Other comprehensive income	-	-	139	-	139
Total comprehensive income for the year			139	6,224	6,363
Transactions with owners, recognized directly in 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
Buy Back shares	(41)	(24,696)	-	-	(24,737)
Share based payments	-	26	16,016	-	16,042
Exercise of share options	10	8,891	(7,077)	-	1,824
Balance as at 31 December 2019	351	224,692	16,791	58,778	300,612

*Includes reserves for share-based payments and other comprehensive income.

**See Note 6 regarding initial application of IFRS 16, Leases. According to the transitional method that was chosen, comparative data were not restated.

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

Consolidated Statements of Cash Flows

for the Year Ended 31 December 2019

	2019 USD thousands	2018 USD thousands
Cash flows from operating activities		
Profit for the year	6,224	22,154
Adjustments for: Depreciation and amortization	32,359	10,808
Net financing income	(19)	(505)
Loss (gain) on sale of fixed assets	11	-
Loss (gain) on IFRS 16 change contracts	(2,705)	-
Loss (gain) on sale of business unit	(700)	-
Share-based payment	15,809	8,037
Income tax expense	(2,636)	5,015
Change in trade and other receivables	38,017	15,557
Change in trade and other payables	(35,754)	(10,580)
Change in employee benefits	(290)	(73)
Income taxes received	3,184	217
Income taxes paid	(8,089)	(12,774)
Interest received	604	381
Interest paid	(942)	(693)
Net cash provided by operating activities	45,073	37,544
Cash flows from investing activities		
Decrease (increase) in pledged deposits	532	51
IFRS 16 Receipt	1,669	-
Payment of earn-out	-	(1,218)
Acquisition of fixed assets	(1,063)	(1,461)
Acquisition and capitalization of intangible assets	(5,672)	(1,444)
Proceeds from sale of intangible assets	6	118
Grant of short-term loans	309	-
Decrease (Increase) in bank deposit, net	(57)	-
Acquisition of subsidiaries, net of cash acquired	23,714	-
Net cash used in investing activities	19,438	(3,954)
Cash flows from financing activities		
Issuance of shares	-	29,539
Repayment of loans	(17,273)	(18,195)
Buy back of shares	(24,737)	(135)
Proceeds from exercise of share options	1,824	889
IFRS 16 repayment	(12,607)	-
Dividends paid	-	(6,355)
Net cash provided by financing activities	(52,793)	5,743
Net increase in cash and cash equivalents	11,718	39,333
Cash and cash equivalents as at the beginning of the year	67,073	26,985
Effect of exchange rate fluctuations on cash and cash equivalents	256	755
Cash and cash equivalents as at the end of the year	79,047	67,073

* See Note 6 regarding initial application of IFRS 16, Leases. According to the transitional method that was chosen, comparative data were not restated.

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

Notes to the Consolidated Financial Statements

as at 31 December 2019

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 20 March 2007, and is 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 Ltd is a global leader in advertising technologies, it has multiple core divisions: Tremor Video, RhythmOne and Unruly. 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).

On April 1, 2019, the Company completed an 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 15 (3).

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

See also Note 18B (1).

Following the completion of the Acquisition the Company executed share buy-back program, see also Note 13A (4).

With respect to an acquisition announced by the Company subsequent to the balance sheet date, see note 21.

Since January 2020, the Coronavirus outbreak has dramatically expanded into a worldwide pandemic creating macro-economic uncertainty and disruption in the business and financial markets. Many countries around the world, including Israel, have been taking measures designated to limit the continued spread of the Coronavirus, including the closure of workplaces, restricting travel, prohibiting assembling, closing international borders and quarantining populated areas. Such measures present concerns that may dramatically affect the Company's ability to conduct its business effectively, including, but not limited to, adverse effect relating to employees' welfare, slowdown of commerce, travel and other activities which are essential and critical for maintaining on-going business activities. Given the uncertainty around the extent and timing of the future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, the Company cannot reasonably estimate the impact to its future results of operations, cash flows or financial condition; infections may become more widespread and the limitation on the ability to work, travel, as well as any closures or supply disruptions, may be extended for longer periods of time and to other locations, all of which would have a negative impact on the Company's business, financial condition and operating results. In addition, the unknown scale and duration of these developments have macro and micro negative effects on the financial markets and global economy which could result in an economic downturn that could affect demand for the Company's products and have an adverse effect on its operations and financial results, earnings, cash flow and financial condition.

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".

Notes to the Consolidated Financial Statements

as at 31 December 2019

continued

2 – Basis of Preparation

A. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by the Company's Board of Directors on March 30, 2020.

B. Functional and presentation currency

These consolidated financial statements are presented in 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 tax assets and liabilities
- Put option to non-controlling interests
- Provisions

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, and Note 18, on subsidiaries, with respect to business combination

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 15, on share-based payments;
- Note 16, on financial instruments; and
- Note 18, on subsidiaries (regarding business combinations).

2 – Basis of Preparation (continued)

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

(1) IFRS 16, Leases

As from January 1, 2019 (hereinafter: “the date of initial application”) the Group applies International Financial Reporting Standard 16, Leases (hereinafter: “IFRS 16” or “the standard”), which replaced International Accounting Standard 17, Leases (hereinafter: “IAS 17” or “the previous standard”).

The main effect of the standard’s application is reflected in annulment of the existing requirement from lessees to classify leases as operating (off-balance sheet) or finance leases and the presentation of a unified model for lessees to account for all leases similarly to the accounting treatment of finance leases in the previous standard. Until the date of application, the Group classified most of the leases in which it is the lessee as operating leases, since it did not substantially bear all the risks and rewards from the assets.

In accordance with IFRS 16, for agreements in which the Group is the lessee, the Group recognizes a right-of-use asset and a lease liability at the inception of the lease contract for all the leases in which the Group has a right to control identified assets for a specified period of time, other than exceptions specified in the standard. Accordingly, the Group recognizes depreciation and amortization expenses in respect of a right-of-use asset, tests a right-of-use asset for impairment in accordance with IAS 36 and recognizes financing expenses on a lease liability. Therefore, as from the date of initial application, lease payments relating to assets leased under an operating lease, which were presented as part of general and administrative expenses in the income statement, are capitalized to assets and written down as depreciation and amortization expenses. Furthermore, leased assets, which were classified as finance leases at inception of the lease and were recognized in the statement of financial position as fixed assets, were reclassified as right-of-use assets.

The Group elected to apply the modified retrospective approach upon the initial adoption of the new Lease Standard by measuring the right-of-use asset at an amount equal to the lease liability, as measured on the transition date.

In respect of all the leases, the Group elected to apply the transitional provisions such that on the date of initial application it recognized a liability at the present value of the balance of future lease payments discounted at its incremental borrowing rate at that date calculated according to the average duration of the remaining lease period as from the date of initial application, and concurrently recognized a right-of-use asset at the same amount of the liability, adjusted for any prepaid or accrued lease payments that were recognized as an asset or liability before the date of initial application. Therefore, application of the standard did not have an effect on the Group’s equity at the date of initial application.

Furthermore, as part of the initial application of the standard, the Group has chosen to apply the following expedients:

- (1) Not separating non-lease components from lease components and instead accounting for all the components as a single lease component;
- (2) Relying on a previous definition and/or assessment of whether an arrangement is a lease in accordance with the accounting principles that existed before IFRS 16 with respect to agreements that exist at the date of initial application;
- (3) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (4) Assessing whether a contract is onerous in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets (hereinafter: “IAS 37”) immediately before the date of initial application instead of assessing impairment of right-of-use assets.
- (5) Using hindsight when determining the lease term if the contract includes an extension or termination option.

The table below presents the cumulative effects of the items affected by the initial application on the statement of financial position as at January 1, 2019:

	According to IAS 17	The change	According to IFRS 16
	USD thousands	USD thousands	USD thousands
Fixed assets, net	2,879	(418)	2,461
Right-of-use assets	-	11,244	11,244
Deferred rent liability	185	(185)	-
Lease liabilities	399	10,917	11,316

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 2.322% and 3.128%. This range is affected by differences in the lease term, differences between asset groups, and so forth.

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continued

2 – Basis of Preparation (continued)

(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 clarifies that when the entity examines whether or not it is probable that the tax authority will accept the entity's position, it is assumed that the tax authority with the right to examine any amounts reported to it will examine those amounts and that it has full knowledge of all relevant information when doing so. Furthermore, according to IFRIC 23 an entity has to consider changes in circumstances and new information that may change its assessment. IFRIC 23 also emphasizes the need to provide disclosures of the judgments and assumptions made by the entity regarding uncertain tax positions.

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, whereas contingent consideration classified as an equity instrument is not re-measured.

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 the Equity (see also note 16(C)).

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.

3 – Significant Accounting Policies (continued)

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 equity in the capital reserve.

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.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the debt instrument give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

Notes to the Consolidated Financial Statements

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continued

3 – Significant Accounting Policies (continued)

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Group designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss (other than certain derivatives designated as hedging instruments).

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 bank overdrafts, loans and borrowings from banks, and 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.

(3) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from 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 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 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 equity, and the resulting surplus on the transaction is carried to share premium, whereas a deficit on the transaction is deducted from retained earnings.

3 – Significant Accounting Policies (continued)

D. Fixed Assets

Fixed assets are measured at cost less accumulated depreciation. Depreciation is provided on all property, plant 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

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group are recognized as intangible assets when all the criteria in IAS 38 are met.

Development costs are capitalized only when it is probable that future economic benefit will result from the project and the following criteria are met:

- The technical feasibility of the product has been ascertained;
- Adequate technical, financial and other resources are available to complete and sell or use the intangible asset;
- The Group can demonstrate how the intangible asset will generate future economic benefits and the ability to use or sell the intangible asset can be demonstrated;
- It is the intention of management to complete the intangible asset and use it or sell it; and
- The development costs can be measured reliably.

In subsequent periods, these costs are amortized over the useful economic life of the asset.

Where these criteria are not met development costs are charged to the statement of 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.

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continued

3 – Significant Accounting Policies (continued)

(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 profit or loss 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 | 3.75 – 5 years |
| • Distribution channel | 3 years |

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.

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.

3 – Significant Accounting Policies (continued)

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 statement of financial position date.

H. 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. Therefore, the payment of monthly deposits by the Company into recognized severance and pension funds or insurance policies releases it from any additional severance obligation to those employees that have entered into such agreements and therefore the Company incurs no additional liability with respect to such employees.

(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.

(3) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as a salary expense with a corresponding increase in equity, over the period that an employee becomes unconditionally entitled to an award. The amount recognized as an expense in respect of share-based payment awards that are conditional upon meeting service vesting conditions, is adjusted to reflect the number of awards that are expected to vest.

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continued

3 – Significant Accounting Policies (continued)

I. Revenue recognition

IFRS 15 replaces the current guidance regarding recognition of revenues and presents a new model for recognizing revenue from contracts with customers. The model includes five steps for analyzing transactions so as to determine when to recognize revenue and at what amount. Furthermore, IFRS 15 provides new and more extensive disclosure requirements than those that exist under current guidance.

The standard introduces a new five-step model for recognizing revenue from contracts with customers:

- (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 Group earns its revenue from providing user acquisition services by using technological tools and developments. The Company's business is based on optimizing real time trading of digital advertising between buyers and sellers.

The revenue is comprised of different pricing schemes such as Cost per Mil Impression (CPM), performance based metrics that include Cost per Click (CPC) and Cost per Action (CPA) options.

Revenue from advertising services is recognized by multiplying an agreed amount per Mil Impression/click/ action/ ad call with the volumes of these units delivered.

The Group acts as the principle in these arrangements and reports revenue earned and costs incurred on a gross basis.

As from 1 January 2018, the Group initially applies IFRS 15

J. Classification of expenses

Cost of revenues

Cost of revenues consists primarily of video advertising costs, traffic acquisition costs, data and hosting and research cost that are directly attributable to revenue generated by the Company.

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). 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.

K. 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.

L. 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.

3 – Significant Accounting Policies (continued)

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.

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.

O. Leases – Policy applicable as from January 1, 2019

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.

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continued

3 – Significant Accounting Policies (continued)

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.

Policy applicable before January 1, 2019

Finance Lease

Leases, where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased assets are measured and a liability is recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating Lease

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases, and the leased assets are not recognized on the Group's statement of financial position.

Payments made under operating leases, other than conditional lease payments, are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense on a straight-line basis, over the term of the lease.

4 - Income Tax

A. Tax under various laws

The Company and its subsidiaries are assessed for income tax purposes on a separate basis. Each of the subsidiaries is subject to the tax rules prevailing in the country of incorporation.

B. 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%.

(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 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 December 3, 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. On May 8, 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.

C. 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.

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 was approved in March 2020.

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4 - Income Tax (continued)

D. Composition of income tax expense

	Year ended 31 December	
	2019 USD thousands	2018 USD thousands
Current tax expense		
Current year	4,571	5,494
	4,571	5,494
Deferred tax expense (income)		
Creation and reversal of temporary differences	(7,207)	(954)
Change in tax rate	-	475
	(7,207)	(479)
Income tax expense (income)	(2,636)	5,015

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

	Year ended 31 December	
	2019 USD thousands	2018 USD thousands
Profit before taxes on income	3,588	27,169
Primary tax rate of the Company	23%	23%
Tax calculated according to the Company's primary tax rate	825	6,249
Additional tax (tax saving) in respect of:		
Non-deductible expenses net of tax exempt income *	3,584	2,665
Effect of reduced tax rate on preferred income and differences in previous tax assessments	(1,433)	(5,452)
Utilization of tax losses from prior years for which deferred taxes were not created	(5,050)	(27)
Effect on deferred taxes at a rate different from the primary tax rate	(873)	1,109
Foreign tax rate differential	311	447
Other differences	-	24
Income tax expenses	(2,636)	5,015

*including non-deductible share based compensation expenses

4 - Income Tax (continued)

F. 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 Com- pensation	Other	Total
	USD thousands	USD thousands	USD thousands	USD thousands
Balance of deferred tax asset (liability) as at 1 January 2018	(579)	697	624	742
Changes recognized in profit or loss	697	151	106	954
Effect of change in tax rate	(168)	(22)	(285)	(475)
Changes recognized in equity	(24)	12	183	171
Balance of deferred tax asset (liability) as at 31 December 2018	(74)	838	628	1,392
	Intangible Assets and R&D expenses	Employees Com- pensation	Other	Total
	USD thousands	USD thousands	USD thousands	USD thousands
Balance of deferred tax asset (liability) as at 1 January 2019	(74)	838	628	1,392
Business combinations	(20,720)	-	11,825	(8,895)
Changes recognized in profit or loss	1,176	2,631	3,400	7,207
Effect of change in tax rate	-	-	-	-
Changes recognized in equity	-	215	-	215
Balance of deferred tax asset (liability) as at 31 December 2019	(19,618)	3,684	15,853	(81)

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5 - Fixed Assets, net

	Computers And Servers	Office furniture and equipment	Leasehold improve- ments	Total
USD thousands				
Cost				
Balance as at 1 January 2018	2,531	369	799	3,699
Additions	1,202	236	485	1,923
Balance as at 31 December 2018	3,733	605	1,284	5,622
Exchange rate differences	-	-	2	2
Classification due to implementation of IFRS16 see note 6A(2)	(945)	-	-	(945)
Additions	869	16	178	1,063
Business combinations (See Note 17)	2,023	109	271	2,403
Additions				
Disposals	(106)	(6)	-	(112)
Balance as at 31 December 2019	5,574	724	1,735	8,033
Depreciation				
Balance as at 1 January 2018	932	129	497	1,558
Additions	980	67	138	1,185
Balance as at 31 December 2018	1,912	196	635	2,743
Classification due to implementation of IFRS16 see note 6A(2)	(527)	-	-	(527)
Disposals	(95)	(1)	-	(96)
Additions	2,149	185	447	2,781
Balance as at 31 December 2019	3,439	380	1,082	4,901
Carrying amounts				
As at 1 January 2018	1,599	240	302	2,141
As at 31 December 2018	1,821	409	649	2,879
As at 31 December 2019	2,135	344	653	3,132

6 - Leases

A. Leases in which the Group is the lessee

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

1. Offices;
2. Data center;

(1) Information regarding material lease agreements

- (a) The Group leases Offices mainly at USA, Israel and Canada with original lease periods expiring between 2020 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 21,105 thousand and USD 13,155 thousand, respectively, have been recognized in the statement of financial position as at December 31, 2019 in respect of leases of offices.

- (b) The Group leases data center and related network infrastructure with original lease periods expiring between 2020 and 2022. 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 3,162 thousand and USD 3,560 thousand, respectively have been recognized in the statement of financial position as at December 31, 2019 in respect of data centers.

(2) Right-of-use assets – Composition

	Offices	Data center	Total
	USD thousands		
Cost			
Balance as at 1 January 2019 (first date of adoption)	9,336	1,372	10,708
Business combinations (See Note 18)	12,992	11,924	24,916
Additions	391	33	424
Lease modifications	(473)	(6,223)	(6,696)
Disposals	(951)	-	(951)
Balance as at 31 December 2019	21,295	7,106	28,401
Depreciation and impairment losses			
Balance as at 1 January 2019	-	527	527
Business combinations (See Note 18)	-	-	-
Additions	5,644	5,258	10,902
Provision for Impairment (See Note 6A(3))	2,994	145	3,139
Lease modifications	(349)	(2,384)	(2,733)
Disposals	(149)	-	(149)
Balance as at 31 December 2019	8,140	3,546	11,686
Carrying amounts			
As at 31 December 2019	13,155	3,560	16,715

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6 - Leases (continued)

(3) Impairment loss

As of December 31, 2019 the company has impairment balance due to not in use offices and data centers following the acquisition of Rhythmon in the amount of USD 3,139 thousands, See also Note 18.

(4) Lease liability

Maturity analysis of the Group's lease liabilities

	December 31 2019
	USD thousands
Less than one year	9,637
One to five years	12,088
More than five years	2,544
Total	24,269
Current maturities of lease liability	9,637
Long-term lease liability	14,632

(a) Amounts recognized in profit or loss

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

(b) Amounts recognized in the statement of cash flows

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

6 - Leases (continued)

B. Leases in which the Group is a lessor

(1) Information regarding material lease agreements

The Group subleases offices at USA and Canada for periods expiring in 2023.

(2) Finance leases

(a) Amounts recognized in profit or loss

	Offices USD thousands
For the year ended December 31, 2019	
Gain (loss) from subleases	956
Financing income on the net investment in the lease	71
Total	1,027

(b) Net investment in the lease

Presented hereunder is the movement in the net investment in the lease for the year ended December 31, 2019:

	Offices USD thousands
For the year ended December 31, 2019	
Balance as at 1 January 2019 (first date of adoption)	1,064
Business combinations	3,327
Additions	1,566
Disposals	-
Sublease receipts	(1,669)
Total	4,288

(c) Maturity analysis of net investment in finance leases

	December 31 2019 USD thousands
Less than one year	2,367
One to five years	1,921
More than five years	-
Total net investment in the lease as at December 31, 2019	4,288

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7 - Intangible Assets, net

	Software	Trade- marks	Customer relation- ships	Technology	Distribution channel	Residual Goodwill	Total
USD thousands							
Cost							
Balance as at 1 January 2018	6,873	8,167	7,353	27,458	1,044	32,743	83,638
Exchange rate differences	4	34	61	-	-	242	341
Additions	1,444	-	-	-	-	-	1,444
Disposals	(134)	-	-	-	-	-	(134)
Balance as at 31 December 2018	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 18)	5,378	17,470	30,284	17,629	-	100,633	171,394
Balance as at 31 December 2019	19,237	25,683	37,719	45,087	1,044	133,703	262,473
Amortization							
Balance as at 1 January 2018	5,060	4,751	1,221	10,234	812	-	22,078
Exchange rate differences	-	10	18	-	-	-	28
Additions	854	2,212	1,357	4,968	232	-	9,623
Disposals	(45)	-	-	-	-	-	(45)
Balance as at 31 December 2018	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 at 31 December 2019	9,232	11,458	7,857	22,597	1,044	-	52,188
Carrying amounts							
As at 1 January 2018	1,813	3,416	6,132	17,224	232	32,743	61,560
As at 31 December 2018	2,318	1,228	4,818	12,256	-	32,985	53,605
As at 31 December 2019	10,005	14,225	29,862	22,490	-	133,703	210,285

7 - Intangible Assets, net (continued)

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 4,651 thousand (2018: USD 1,093 thousand) and were classified under software.

8 - Trade and Other Receivables

	31 December	
	2019	2018
	USD thousands	USD thousands
Trade receivables, net	95,278	64,329
Other receivables:		
Prepaid expenses	8,395	1,328
Institutions	4,577	5,336
Pledged deposits	368	326
	13,340	6,990
	108,618	71,319

9 - Trade and Other Payables

	31 December	
	2019	2018
	USD thousands	USD thousands
Trade payables	70,428	39,630
Other payables:		
Advances from customers	7,166	1,676
Wages, salaries and related expenses	9,109	9,620
Provision for vacation	612	841
Institutions	4,273	2,492
Liability for put option on non-controlling interests (see Note 16 (c))	2,440	-
Others	3,871	291
	27,471	14,920
	97,899	54,550

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10 – Cash and Cash Equivalents

	31 December	
	2019	2018
	USD thousands	USD thousands
Cash	54,486	40,941
Bank deposits	24,561	26,132
Cash and cash equivalents	79,047	67,073

The Group's exposure to credit, and currency risks are disclosed in Note 15 on financial instruments.

11 – Revenue

	Year ended 31 December	
	2019	2018
	USD thousands	USD thousands
Branding	248,500	146,052
Performance	77,260	130,820
	325,760	276,872

12 – General and Administrative Expenses

	Year ended 31 December	
	2019	2018
	USD thousands	USD thousands
Wages, salaries and related expenses	11,973	8,693
Share base payments	14,100	3,879
Rent and office maintenance	232	3,763
Professional expenses	1,282	1,527
Depreciation and Amortization	855	555
Depreciation of right of use assets	4,956	-
Doubtful debts	3,003	507
Acquisition costs	2,840	177
Other expenses	1,003	746
	40,244	19,847

13 - Equity

A. Share capital

	Ordinary shares - number of shares	
	2019	2018
Issued and paid-in share capital as at 31 December	124,223,182	68,522
Authorized share capital	300,000	300,000

(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 31 December 2019 and 2018, the Company issued 8,761 and 4,933 ordinary shares of a par value of NIS 0.01 based on the share price on the date of the issuance, respectively.

The total expenses recognized in the statement of Comprehensive Income in the year ended 31 December 2019 and 2018 with respect to the director share allotment amounted to USD 8 and USD 33 thousand, respectively.

(3) 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.

(4) 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 year ended December 31, 2019 24,695,283 shares (of which 5,743,731 were purchased from former related parties) for a total consideration of USD 24,735 thousands.

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.

B. Dividends

Details on dividends (in USD thousand):

	For the year ended 31 December 2019	For the year ended 31 December 2018
	USD thousands	USD thousands
Declared and paid	-	6,355

A dividend in the amount of USD 3,651 thousand (USD 0.054 per ordinary shares) was declared in March 2018, was paid in June 2018.

A dividend in the amount of USD 2,704 thousand (USD 0.0398 per ordinary shares) was declared in September 2018, was paid in November 2018.

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14 - Earning Per Share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2019 and 2018 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 31 December	
	2019	2018
	USD thousands	
Profit for the year	6,224	22,154

Weighted average number of ordinary shares:

	Year ended 31 December	
	2019	2018
	Shares of NIS 1	Shares of NIS 1
	0.01 par value	0.01 par value
Weighted average number of ordinary shares used to calculate basic earnings per share as at 31 December	111,231,769	67,520,554
Basic earnings per share (in USD)	0.0560	0.3281
Basic earnings per share (in USD) before amortization of purchased intangibles and business combination related expenses	0.2018	0.4585

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2019 and 2018 was based on profit 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 31 December	
	2019	2018
	Shares of NIS	Shares of NIS
	0.01 par value	0.01 par value
Weighted average number of ordinary shares used to calculate basic earnings per share	111,231,769	67,250,554
Effect of share options on issue	3,576,114	2,446,429
Weighted average number of ordinary shares used to calculate diluted earnings per share	114,807,883	69,696,983
Diluted earnings per share (in USD)	0.0542	0.3179
Diluted earnings per share (in USD) before amortization of purchased intangibles and business combination related expenses	0.1956	0.4442

15 – Share-Based Payment Arrangements

(1) Expense recognized in the statement of comprehensive income is as follows:

	Year ended 31 December	
	2019	2018
	USD thousands	
Selling and marketing	1,257	2,738
Research and development	452	1,420
General and administrative	14,100	3,879
	15,809	8,037

(2) 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 0.75-4 years.

On December 4, 2017, the Company's shareholders adopted the Company's 2017 Equity Incentive Plan (the "2017 Plan") to provide for the grant of equity incentive awards to the executive officers and employees of Tremor Video DSP following the acquisition in August 2017, and other U.S.-based employees of the Taptica Group.

Under the 2017 Plan, the Company may grant incentive stock options (ISOs that comply with U.S. tax requirements), nonstatutory stock options, restricted shares, restricted share units (RSUs), performance bonus awards, performance units and performance shared. The maximum number of Ordinary Shares of the Company that may be granted under the 2017 Plan is 7,700,000.

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.

(3) New grants during the year

During 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 2017 Plan and 2014 Plan.

In addition, as part of the acquisition as described in Note 1, 849,325 RhythmOne's options and 1,058,776 RSU's were Rolled over to 458,946 options and 869,962 of the Company's options and RSU's, respectively, see also Note 3H(3) regarding the accounting treatment.

The total expense recognized in the year ended 31 December 2019 with respect to the options granted to employees, amounted to approximately USD 15,801 thousand.

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

(4) The number of share options is as follows:

	Weighted average exercise price		Number of options	
	2019	2018	2019	2018
	(GBP)		(Thousands)	
Outstanding at 1 January	2.44	1.82	9,835	6,733
Forfeited during the year	2.97	2.79	(2,488)	(2,161)
Exercised during the year	0.32	0.55	(3,509)	(1,238)
Granted during the year	0.21	2.83	10,030	6,501
Outstanding at 31 December	1.01	2.44	13,868	9,835
Exercisable at 31 December			2,054	1,559

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15 – Share-Based Payment Arrangements (continued)

(5) 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).

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

The parameters used to calculate fair value:

	2019	2018
Grant date fair value in USD	0-0.56	0.83-5.92
Share price (on grant date) (in GBP)	1.79	3.00-4.46
Exercise price (in GBP)	1.56-18.27	0-4.37
Expected volatility (weighted average)	45%	42%
Expected life (weighted average)	0-3.38	3.3-3.9
Expected dividends	1.35%	0.7%-1.35%
Risk-free interest rate	2.3%	2.26%-2.73%

16 – 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.

B. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables.

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:

	31 December	
	2019	2018
	USD thousands	USD thousands
Cash and cash equivalents (1)	79,047	67,073
Trade receivables, net (2)	95,278	64,329
Other receivables	368	326
long term deposit	965	-
Long Term Receivables	367	-
	176,025	131,728

(1) At 31 December 2019, USD 1,052 thousand are held in NIS, USD 4,004 thousand are held in GBP, USD 2,795 thousand are held in EUR, USD 868 thousand are held in CAD, USD 6,352 thousand are held in JPY, USD 1,037 thousands are held in MXN, USD 643 thousand are held in SGD, USD 118 thousand are held in KRW, USD 348 thousand are held in other currencies and the remainder held in USD.

(2) At 31 December 2019, the Group included provision to doubtful debts in the amount of USD 22,376 thousand (31 December 2018: USD 2,822 thousand) in respect of collective impairment provision and specific debtors that their collectability is in doubt.

16 – Financial Instruments (continued)

C. 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, 2019 and December 31, 2018, the Group's contractual obligation of financial liability is in respect of leases, trade and other payables in the amount of USD 83,936 thousand and USD 40,320 thousand, respectively. The contractual maturity of this financial liability is less than one year and in its carrying amount.

The Company is also committed to comply with certain financial covenants as determined in the financing agreement.

In addition, in the framework of the acquisition of Adinnovation INC on July 17th, 2017, a mutual option was granted to the Company to acquire the remaining 43% of the shares. As of 31 December, 2019, the amount of the liability inherent in the exercise of the option is USD 2,440 thousand and can be exercise from the third year and for a period of six months.

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 recognize changes in the value of the liability on every reporting date in the equity. In 2019 and 2018 the Company recorded a revaluation to decrease the liability in the amount of USD 1,501 thousand and 4,678 thousand, respectively.

D. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, the CPI, 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.

Linkage and foreign currency risks

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group, the US dollar (USD). The principal currencies in which these transactions are denominated are NIS, Euro, GBP, CAD, SGD, KRW, MXN 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.

E. Fair value

The Company's financial instruments consist mainly of cash and cash equivalents, bank deposits, trade and other receivables, trade and other payables and contingent consideration. The carrying amounts of these financial instruments, except for the contingent consideration, approximate their fair value because of the short maturity of these investments. The contingent consideration is classified as level 3 under IFRS 13. Such amounts have been recorded initially and subsequently at their fair value (see Note 17).

The table hereunder presents reconciliation from the beginning balance to the ending balance of contingent consideration carried at fair value level 3 of the fair value hierarchy.

	Financial Instruments level 3
Balance as at December 31, 2017	1,300
Settlement of contingent consideration	(1,218)
Recognized in profit and loss	(82)
Balance as at December 31, 2018	-

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as at 31 December 2019

continued

17 – 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 14 regarding share-based payments.

Compensation and benefits to key management personnel (including directors) that are employed by the Company and its subsidiaries:

	Year ended 31 December	
	2019	2018
	USD thousands	USD thousands
Share-based payments	12,607	3,540
Other compensation and benefits	3,948	3,989
	16,555	7,529

18 – 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	
		2019	2018
Taptica Ltd	ISR	100%	100%
Taptica INC	USA	100%	100%
Tremor Video DSP	USA	100%	100%
Tremor Video PTE Ltd	SGP	100%	100%
Adinnovation INC	Japan	57%	57%
Taptica Japan	Japan	100%	100%
Taptica UK	United Kingdom	100%	100%
Taptica Korea	Korea	100%	100%
Taptica CN	China	100%	100%
RhythmOne PLC	UK	100%	-
YuMe Inc	USA	100%	-
Perk.com Inc	USA	100%	-
R1Demand LLC	USA	100%	-
RhythmOne LLC	USA	100%	-

18 – Subsidiaries (continued)

B. Acquisition of subsidiaries and business combinations

(1) 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 13A(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. 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 176.4 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. Presented hereunder are the assets and liabilities that were allocated to RhythmOne at the acquisition date:

	USD millions
Current assets	106.9
Non current assets (1)	187.6
Current liabilities	(100.2)
Non current liabilities	(17.9)
	176.4

(1) Comprised as follow (included within the Non-current assets):

	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	30.3
Residual goodwill	100.6
	171.4
Deferred tax liabilities	(20.4)

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continued

18 – Subsidiaries (continued)

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

	USD millions
Purchase price in ordinary shares	175.4
Purchase price according to Replacement Award	1
Total purchase price – Non cash	176.4
Less – Cash and cash equivalents of the RhythmOne	28.1
Add – acquisition costs*	4.4
Acquisition of subsidiary – Cash	23.7
	152.7

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

19 – 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 31 December	
	2019	2018
	USD thousands	USD thousands
America	261,534	182,067
Asia	33,052	72,061
Europe	25,504	18,867
Israel	5,446	3,483
Others	224	394
Consolidated	325,760	276,872

20 – Contingent Liability

(1) 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. The complaint alleges fraud, negligence and unfair competition. 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. Overall, thousands of campaigns ran with Fetch directly liaising with Taptica on a daily basis. As is standard in the Company's business, at the end of each month, reconciliation reports were sent by the Company to Fetch and the final invoiced amounts were approved by Fetch. The revenue associated with the Uber Campaign directly relating to the Company does not represent a material portion of Taptica's revenue.

On August 23, 2019, Taptica filed a demurrer relating to all causes of action asserted in the Complaint. On September 18, 2019, the Court issued an order transferring the case to the complex division of the Superior Court of California, County of San Francisco, temporarily staying discovery and assigning the matter for all purposes to Judge Teri L. Jackson. The defendants' demurrers were taken off calendar in connection therewith, for possible re-setting at a future date. On October 8, 2019, following a peremptory challenge to Judge Jackson, the case was set for reassignment to a different judge. On October 11, 2019, the case was reassigned to Judge Anne-Christine Massullo. After the defendants' demurrers were fully briefed, oral argument was heard on December 11, 2019, and continued to January 7, 2020.

On January 9, 2020, Judge Massullo issued an order sustaining in part and overruling in part Taptica's demurrer, with leave to amend. In particular, Judge Massullo sustained Taptica's demurrer with respect to the fraudulent concealment and unfair competition claims, but overruled the demurrer with respect to negligence. Uber filed its Amended Complaint on January 29, 2020, asserting the same three claims as in its original Complaint. Taptica demurred to all three claims on March 3, 2020. A hearing on Taptica's demurrer is currently scheduled on May 27, 2020. The discovery stay has been partially lifted relating to the negligence claims. The Company reiterates that it considers the claims to be without merit and, as such, will continue to aggressively defend against these claims. The Company believes that the likelihood of a material loss is remote but at this point it is too early to reasonably estimate potential loss any financial impact to the Company resulting from this matter.

(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 alleged 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. The Company entered into a settlement agreement with Edenbrook and on December 31, 2019, the claims were dismissed with prejudice.
- (b) In January 2018, AlmondNet, Inc. and its affiliates (Datonic 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 for \$2,000,000, payable over a two-year period. 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.

21 – Subsequent Events

On January 4, 2020, the Company entered into an agreement (the "Purchase Agreement") with News Corp UK & Ireland Limited (the "UK Seller") and News Preferred Holdings, Inc. (the "US Seller, and collectively with the UK Seller, the "Sellers") to purchase the entire issued share capital of Unruly Holdings Limited ("Unruly UK") and Unruly Media Inc. ("Unruly US" and collectively with Unruly UK, "Unruly") from the Sellers.

Pursuant to the Purchase Agreement, the Company (i) allotted to UK Seller 7,960,111 new Ordinary Shares of the Company in exchange for the sale to the Company of a GBP 12.0 million loan from Unruly Group Limited (as subsidiary of UK Target)(as borrower) to UK Seller (as lender); (ii) paid GBP 1 to UK Seller in consideration for the sale of the entire issued share capital of Unruly UK; and (iii) allotted to US Seller 565,212 new Ordinary Shares of the Company and paid US Seller US\$1 in consideration for the sale of the entire issued share capital of Unruly US.

The aggregate 8,525,323 new Ordinary Shares of the Company allotted to UK Seller and US Seller, as purchase price (as detailed above), 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. As part of the transaction, the Sellers also agreed to contribute cash towards the cost of integrating Unruly with the Company.

In connection with the acquisition, Tremor Video, Inc., a subsidiary of the Company ("Tremor Video"), entered into a global partnership with News Corp that will equip Tremor Video with the exclusive right to sell outstream video on various News Corp titles in the UK, US and Australia, and Tremor Video has committed to an ad spend of £30 million with News Corp over a three-year period.

Directors, Secretary & Advisers

Directors:

Timothy Grainger Weller – Non-Executive Director and Chairman
Ofar Israel Druker – Chief Executive Officer
Yaniv Carmi – Chief Operating Officer
Joanna Rachael Parnell – Non-Executive Director
Neil Garth Jones – Senior Non-Executive Director
Christopher John Stibbs – Non-Executive Director
Rebekah Mary Brooks – Non-Executive Director

Company Secretary:

Yaniv Carmi

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