UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No.1)

CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 14, 2021

Veritone, Inc.

(Exact name of registrant as specified in its charter)

Delaware	001-38093	47-1161641
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2420 17th St., Office 3002, Denver, CO	80202
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (888) 507-1737

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.1 4a- 12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.1 4d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.1 3e-4(c))

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	VERI	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

This Form 8-K/A is being filed as an amendment to the Current Report on Form 8-K filed on September 17, 2021 (the "Original 8-K") solely for the purpose of providing the financial statements and pro forma financial information required by Regulation S-X with respect to the acquisition by Veritone, Inc., a Delaware corporation (the "Company") of all the issued and outstanding shares of common stock of PandoLogic Ltd., a company incorporated under the laws of the state of Israel ("PandoLogic"), pursuant to the Agreement and Plan of Merger dated July 21, 2021 (the "Merger Agreement"), by and among the Company, Melisandra Ltd., a company incorporated under the laws of the State of Israel and wholly-owned subsidiary of the Company, and PandoLogic.

This Form 8-K/A does not amend or modify the Original 8-K in any other respect, and this amendment should be read in conjunction with the Original 8-K, which is incorporated by reference herein. Except as set forth herein, no modifications have been made to information contained in the Original 8-K, and the Company has not updated any information contained therein to reflect events that have occurred since the date of the Original 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Business Acquired.*

The audited consolidated balance sheets of PandoLogic as of December 31, 2020 and December 31, 2019, and the related consolidated statements of operations, statements of cash flows, and statements of changes in convertible preferred shares and stockholders' equity, for the years ended December 31, 2020 and 2019, are attached as Exhibit 99.1 to this Current Report on Form 8-K/A and incorporated herein by reference.

The unaudited consolidated balance sheets of PandoLogic as of June 30, 2021 and June 30, 2020 and the related consolidated statements of operations, statements of cash flows, and statements of changes in convertible preferred shares and stockholders' equity, for the six months ended June 30, 2021 and 2020, are attached as Exhibit 99.2 to this Current Report on Form 8-K/A and incorporated herein by reference.

(b) *Pro Forma Financial Information.*

The unaudited pro forma condensed combined financial information of the Company for the year ended December 31, 2020 and six months ended June 30, 2021 are filed as Exhibit 99.3 and incorporated herein by reference.

(d) Exhibits.

EXHIBIT NO.	DESCRIPTION
23.1	Consent of Somekh Chaikin, Member Firm of KPMG International, independent registered public accounting firm.
99.1	Audited consolidated financial statements of PandoLogic as of December 31, 2020 and December 31, 2019.
99.2	The unaudited consolidated financial statements of PandoLogic for the six months ended June 30, 2021 and June 30, 2020.
99.3	The unaudited pro forma condensed combined financial information of Veritone Inc. giving effect to the acquisition of PandoLogic, which includes the unaudited pro forma condensed combined balance sheet as of June 30, 2021, and the unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021 and the year ended December 31, 2020.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 15, 2021	**Veritone, Inc.**
	By: *<u>/s/ Michael L. Zemetra</u>*
	Michael L. Zemetra
	Executive Vice President, Chief Financial Officer and Treasurer

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements (No. 333-225394, No. 333-227613 and No. 333-231345) on Form S-3 and (No. 333-217990, No. 333-227477, No. 333-237114 and No. 333-249371) on Form S-8 of Veritone Inc. of our report dated June 11, 2021, with respect to the consolidated financial statements of PandoLogic Ltd, which report appears in the Form 8-K/A (Amendment No.1) of Veritone Inc. dated November 15, 2021.

/s/ Somekh Chaikin
Somekh Chaikin

Member Firm of KPMG International

November 15, 2021

Tel Aviv, Israel

PandoLogic Ltd.
Consolidated Financial Statements
As of December 31, 2019

Consolidated Financial Statements as of December 31, 2019

Contents

YOSEF SHIMONY
Certified Public Accountant (Isr.)

XLNC
FOUNDING MEMBER

KPMG

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

Independent Auditors' Report to the Board of Directors and Shareholders of PandoLogic Ltd.

We have audited the accompanying consolidated balance sheets of PandoLogic Ltd. and its subsidiaries (hereinafter - "the Company") as of December 31, 2019 and 2018 and the related consolidated statements of operations, changes in convertible preferred shares and shareholders' deficit and cash flows for each of the years in the two year period ended December 31, 2019. These consolidated financial statements are the responsibility of the Company's Board of Directors and of its management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control• over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Board of Directors and by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018 and the results of its operations, changes in convertible preferred share and shareholders' deficit and its cash flows for each of the years in the two year period ended December 31, 2019 in accordance with generally accepted accounting principles in the United States of America (US GAAP).

Somekh Chaikin
Somekh Chaikin
Certified Public Accountants (Isr.)
Member Firm of KPMG International
Tel Aviv, Israel

14 - January, 2021

Yosef Shimony
Certified Public Accountants (Isr.)
Ramat Gan, Israel

Consolidated Balance Sheets as of December 31

	Note	2019 US$ thousands	2018 US$ thousands
Assets			
Current assets	3		
Cash and cash equivalents		**1,321**	2,443
Trade receivable	4	**6,238**	1,222
Other receivables	5	**1,143**	673
Total current assets		**8,702**	4,338
Long-term deposits		**40**	39
Property and equipment, net	6	**200**	168
Total assets		**8,942**	4,545

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

Consolidated Balance Sheets as of December 31

Liabilities, convertible preferred shares and shareholders' deficit	Note	2019 US$ thousands	2018 US$ thousands
Current liabilities			
Short term loan and current maturities of long-term loan	11	**2,508**	1,079
Trade payables		**3,002**	451
Deferred Income		**149**	222
Other payables and accruals	7	**1,386**	823
Total current liabilities		**7,045**	2,575
Long-term loan excluding current maturities	11	**421**	845
Total long-term liabilities		**421**	845
Convertible preferred shares and shareholders' deficit	8		
Series A1 preferred shares, NIS 0.01 par value; 13,667 shares authorized, issued and outstanding on December 31, 2019 and 2018 (liquidation preference of $117 thousand on December 31, 2019 and 2018)		**117**	117
Series A2 preferred shares, NIS 0.01 par value; 44,528 shares authorized, issued and outstanding on December 31, 2019 and 2018 (liquidation preference of $380 thousand on December 31, 2019 and 2018)		**380**	380
Series A3 preferred shares, NIS 0.01 par value; 0 and 336,276 shares authorized on December 31, 2019 and 2018 respectively, 0 and 47,459 shares issued and outstanding on December 31, 2019 and 2018 respectively (liquidation preference of 0 and $457 thousand on December 31, 2019 and 2018 respectively)		**-**	138
Series A3-1 preferred shares, NIS 0.01 par value; 0 and 336,276 shares authorized on December 31, 2019 and 2018 respectively, 0 and 270,558 shares issued and outstanding on December 31, 2019 and 2018 respectively (liquidation preference of 0 and $2,603 thousand on December 31, 2019 and 2018 respectively)		**-**	2,704
Series B preferred shares, NIS 0.01 par value; 1,471,769 and 1,555,184 shares authorized on December 31, 2019 and 2018 respectively, 1,170,569 and 1,253,984 shares issued and outstanding on December 31, 2019 and 2018 respectively (liquidation preference of $6,996 and $6,943 thousand on December 31, 2019 and 2018 respectively)		**3,222**	3,482
Series B-1 preferred shares, NIS 0.01 par value; 0 and 384,615 shares authorized on December 31, 2019 and 2018 respectively, 0 and 301,200 shares issued and outstanding on December 31, 2019 and 2018 respectively (liquidation preference of 0 and $1,571 thousand on December 31, 2019 and 2018 respectively)		**-**	888
Series B-2 preferred shares, NIS 0.01 par value; 992,025 shares authorized; 910,403 shares issued and outstanding on December 31, 2019 and 2018, (liquidation preference of $5,129 and $4,749 thousand on December 31, 2019 and 2018, respectively)		**2,900**	2,900
Series C preferred shares, NIS 0.01 par value; 1,977,140 shares authorized; 1,903,168 shares issued and outstanding on December 31, 2019 and 2018 (liquidation preference of $11,509 and $10,656 thousand on December 31, 2019 and 2018, respectively)		**6,548**	6,548
Series C-1 preferred shares, NIS 0.01 par value; 1,452,755 shares authorized; issued and outstanding on December 31, 2019 (liquidation preference of $11,762 and $10,891 thousands on December 31, 2019 and 2018, respectively)		**7,950**	7,950
Total convertible preferred shares		**21,117**	25,107
Ordinary shares, NIS 0.01 par value; 12,515,103 and 11,374,521 share authorized on December 31, 2019 and 2018 respectively, 1,080,577 and 1,074,452 shares	9		
issued and outstanding on December 31, 2019 and 2018, respectively.		**3**	3
Additional paid-in capital		**9,517**	5,514
Accumulated deficit		**(29,161)**	(29,499)
Total shareholders' deficit		**(19,641)**	(23,982)
Total convertible preferred shares and shareholder's deficit		**1,476**	1,125
Total liabilities and convertible preferred shares and shareholders' capital		**8,942**	4,545

Sandeep Gill
Sandeep Gill - CFO
____________, 2020 1/14/2021

Terry Baker
Terry Baker - Chief Executive Officer

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

Consolidated Statements of Operations for the year ended December 31,

	Note	2019 US$ thousands	2018 US$ thousands
Revenues from services			
		18,167	12,704
Operating expenses:			
Cost of revenues		**8,001**	2,858
Research and development	14A	**4,207**	4,229
Sales and marketing	14B	**3,431**	3,394
General and administrative	14C	**1,779**	1,685
Total operating expenses		**17,418**	12,166
Profit from operations		**749**	538
Finance expenses, net	15	**306**	187
Profit before taxes on income		**443**	351
Taxes on income	12	**105**	45
Net Profit		**338**	306

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

Consolidated Statement of Changes in Convertible Preferred Shares and Shareholders' Deficit

	Convertible preferred shares		Ordinary shares		Additional paid-in capita	Accumulated deficit	Total shareholders deficit
	Number of Shares	US$ thousands	Number of Shares	US$ Thousands	US$ thousands	US$ thousands	US$ thousands
Balance at December 31, 2017	*6,197	25,107	*1,075	3	5,478	(29,805)	(24,324)
Share-based compensation	-	-	-	-	36	-	36
Net profit	-	-	-	-	-	306	306
Balance at December 31, 2018	*6,197	25,107	*1,075	3	5,514	(29,499)	(23,982)
Share-based compensation			**-**	**-**	**7**	**-**	**7**
Exercise of options			**6**	***-	**6**	**-**	**6**
Treasury shares at cost**	**(702)**	**(3,990)**	**-**	**-**	**3,990**	**-**	**3,990**
Net profit			**-**	**-**	**-**	**338**	**338**
Balance at December 31, 2019	**5,495**	**21,117**	**1,081**	**3**	**9,517**	**(29,161)**	**(19,641)**

*Reclassified
**See Note 8
*** Less than 1,000 USD

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

Consolidated Statements of Cash Flows for the year ended December 31,

Consolidated Statements of Cash Flows for the year ended December 31,

	2019	2018*
	US$ thousands	US$ thousands
Cash flows from operating activities		
Net profit	**338**	306
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Finance expenses, net	**306**	187
Tax expenses	**105**	45
Depreciation	**95**	108
Share based compensation	**7**	36
Decrease in deferred income	**(73)**	(134)
(Increase) decrease in trade receivables	**(5,016)**	16
Increase in other receivables	**(470)**	(504)
Increase (decrease) in trade payables	**2,551**	(449)
Increase (decrease) in other payables and accruals	**563**	(380)
Interest expense paid/received, net	**(86)**	(160)
Taxes paid	**(24)**	(45)
Net cash - operating activities	**(1,704)**	(974)
Cash flows from investing activities		
Changes in long-term deposits, net	**(1)**	8
Acquisition of property and equipment	**(127)**	(31)
Net cash - investing activities	**(128)**	(23)
Cash flows from financing activities		
Changes in short-term loan, net	**1,372**	(311)
Proceeds from long term loan	—	1,500
Repayment of long term loan	**(586)**	(203)
Proceeds from exercise of options	**6**	—
Net cash - financing activities	**792**	986
Decrease in cash and cash equivalents	**(1,040)**	(11)
Cash and cash equivalents at the beginning of the year	**2,443**	2,481
Exchange differences on balances of cash and cash equivalents	**(82)**	(27)
Cash and cash equivalents at end of the year	**1,321**	2,443

*Reclassified

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

Notes to the Consolidated Financial Statements as of December 31, 2019

Note 1 - Nature of the Business

PandoLogic Ltd. along with its Subsidiaries (the "**Company**"), is a leading recruitment technology company that specializes in performance-based recruitment solutions, delivering the first truly programmatic solution for the recruitment industry. PandoLogic brings the advantages and efficiencies of programmatic technology to the recruitment industry through a comprehensive offering that includes AI and machine learning powered programmatic campaign management, predictive campaign analytics, and access to many hundreds of job posting sites. Each application is built on PandoLogic's proprietary taxonomy which delivers industry leading performance. Through this unique offering, PandoLogic delivers superior recruitment results, reducing cost, improving time to hire and providing visibility of key data metrics in the sourcing process.

PandoLogic was founded in 2007 to serve internet job boards, providing white-label job site software to the publishing industry. The Company's unique foundation has provided it with over 10 years of historical job campaign data, which cannot be replicated by new competitors. Recruitment data from millions of job campaigns throughout the Company's history has delivered scale to its robust taxonomy, which is constantly refined by machine learning and natural language processing. As the recruitment landscape evolved, PandoLogic expanded its product offering beyond job site software, building programmatic and predictive solutions to efficiently connect employers and qualified job seekers in innovative ways. PandoLogic's mission is to make online recruitment advertising, an efficient and results-driven process for employers.

The Company is an Israeli corporation incorporated on January 1, 2007 and has two wholly owned subsidiaries in the United States; PandoLogic, Inc. (fka RealMatch.) and RMOldCo (fka RealMatch,Inc.). Both subsidiaries are Delaware corporations, and the latter is a non-operating entity.

The accompanying consolidated financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred losses from operations since its inception and has a net shareholders' deficit. Management's plans with regard to these matters include continued development, sales, and marketing of its products as well as seeking additional financing arrangements.

Management's plans contemplate that cash generated from operations, and other available lines of credit will be sufficient to meet its obligations as they become due for the foreseeable future. If such available sources of cash are not sufficient, management has the intent and ability to reduce expenses so that it can continue to meet its obligations.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the financial statements, applied on a consistent basis, are as follows:

A. Basis of presentation

The financial statements are presented in accordance with United States generally accepted accounting principles ("U.S. GAAP").

B. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, RealMatch Inc. (fka The Job Network, Inc.) and RMOldCo (fka RealMatch, Inc.). All intercompany accounts and transactions have been eliminated in consolidation.

Note 2 - Summary of Significant Accounting Policies (cont'd)

C. Use of estimates

The preparation of the Company consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to assessing the fair value of the Company's ordinary shares and share options granted to employees and service providers and allowance for doubtful accounts. The markets for the Company's products are characterized by intense competition, rapid technological development and frequent product introduction, all of which could impact the future realization of the Company's assets. Actual results could differ from Management's estimates.

D. Foreign currency translation

The functional currency of the Company is the United States Dollar ("USD"). The financial statements of the Israeli Company have been translated into USD in accordance with ASC 830 "Foreign Currency Translation", whereby all monetary assets and liabilities denominated in a non-USD currency are translated using the year-end exchange rate and non-monetary assets and liabilities and capital accounts denominated in a non-USD currency are translated using historical exchange rates.

Income statement accounts of the Israeli Company denominated in a non-USD currency are translated using the exchange rates in effect on the transaction dates, except for depreciation, which is translated using historical exchange rates. Adjustments from the translation of the Company's financial statements to USD and foreign exchange transaction gains and losses are included in the operating results for the period in which exchange rates change.

The translation should not be construed as a representation that the foreign currency amounts upon which the translation is based actually represent, or could be converted into, USD.

E. Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits with original maturity of three months or less from the date of the investment.

F. Provision for doubtful accounts

The financial statements include general provisions for doubtful debts, which, in management's opinion, adequately reflect the estimated losses resulting from account receivables for which the collection is not reasonably probable. Doubtful debts, which according to Company's management opinion are unlikely to be collected, are written-off from the Company's books, based on a management resolution. Management's determination of the adequacy of the provision is based, inter alia, on an evaluation of the risk, by considering the available information on the financial position of the debtors, the volume of their business, the age of the receivable balance, an evaluation of the security received from them and past experience. The changes in the provision during the year:

	Year ended December 31	
	2019	**2018**
	US$ thousands	**US$ thousands**
Opening balance	**31**	35
Additions during the year	**176**	12
Deductions during the year	**(28)**	(16)
Closing balance	**179**	31

Notes to the Consolidated Financial Statements as of December 31, 2019

Note 2 - Summary of Significant Accounting Policies (cont'd)

G. Concentration of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, cash equivalents and trade receivable. The Company maintains bank accounts in financial institutions that management believes have strong credit ratings.

H. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization.

Depreciation is calculated by the straight-line method on the basis of the estimated useful lives of the assets using the following annual rates:

	Years
Computers	3
Office equipment and furniture	5-10
Leasehold improvements are depreciated over the shorter of the underlying lease or 10 years	

I. Revenue recognition

The Company recognizes revenue when the fee is fixed or determinable, persuasive evidence of an arrangement exists, the service has been performed and collectability of the resulting receivable is reasonably assured.

The Company generates revenue primarily from performance driven recruitment campaigns run on behalf of large enterprises and through transaction fees it charges its network Affiliates for various advertising units sold to employer advertisers via the Company powere d jo b board platform acro s s the Affiliate network and through ecommerce sales on the destination site www.thejobnetwork.com. The Company recognizes revenue based on the gross amount billed to customers.

J. Research and development

Costs associated with the research and development of web-based technology are expensed prior to the establishment of technological feasibility.

K. Liability in respect of employee's severance payments

The company's liability for severance pay for its employees' is calculated pursuant to Israeli Severance Pay Law (1963) (the "Severance Pay Law"). The company's liability is covered by monthly deposits with severance pay funds and insurance policies. For all of the company's employees, the payments to pension funds and to insurance companies exempt the company from any obligation towards its employees, in accordance with Section 14 of the Severance Pay Law, whic h is accounted for as a defined contribution plan (as defined below). Accumulated amounts in pensio n funds and in insurance companies are not under the company's control or management and, accordingly, neither those amounts nor the corresponding accrual for severance pay are presented in the consolidated statements of financial position.

L. Stock compensation plans

Employees and directors

The Company accounts for its directors and employees stock-based compensation awards in accordance with ASC Topic 718, Compensation - stock compensation. ASC Topic 718 requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the awards at the grant date, ultimately expected to vest (net of forfeitures). The Company recognizes the cost of awards with graded vesting based on a straight-line method.

M. Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for deferred tax assets if it is more likely than not, the Company will not be able to realize their benefit. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets and liabilities are classified as current or noncurrent items in accordance with the nature of the assets or liabilities to which they relate. When there are no underlying assets or liabilities the deferred tax assets, and liabilities are classified in accordance with the period of expected reversal. Income tax expenses represent the tax payable for the period and the changes during the period in deferred tax assets and liabilities.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amountthatisgreaterthan50%likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgement occurs.

N. Un adopted issued accounting standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods ending after December 15, 2020, including interim periods within that reporting period. The standard can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company examined the effects of applying ASU 2014-09.

In February 2016, the FASB issued ASU 2016-02, which requires lessees to recognize most of their leases on balance sheet as a right-of-use asset and a lease liability. This ASU is effective for interim and annual periods in fiscal years ending after December 15, 2022. Early adoption is permitted. The Company has not yet commenced examining the effects of adopting ASU 2016- 02 on the financial statements.

Note 3 - Cash and Cash Equivalents

	December 31	
	2019	2018
	US$ thousands	US$ thousands
In U.S. dollars	**869**	2,032
In New Israeli Shekels	**452**	411
	1,321	2,443

Note 4 - Trade receivable

	December 31	
	2019	2018
	US$ thousands	US$ thousands
Open accounts	**6,417**	1,253
Provision for doubtful debts	**(179)**	(31)
	6,238	1,222

Note 5 - Other Receivables

	December 31	
	2019	2018
	US$ thousands	US$ thousands
Prepaid expenses	**1,059**	617
Government institutions	**15**	6
Other debtors	**69**	50
	1,143	673

Note 6 - Property and Equipment, Net

Property and equipment consist of the following for the period presented:

	Estimated useful life (years)	December 31 2019 US$ thousands	December 31 2018 US$ thousands
Cost:			
Computers	3	**1,038**	911
Office equipment and furniture	5-10	**64**	64
Leasehold improvements	5-10	**167**	167
		1,269	1,142
Less: accumulated depreciation		**1,069**	974
Property and equipment, net		**200**	168

Depreciation expenses for the years ended December 31, 2019 and 2018 were $95 thousand and $108 thousand, respectively.

Note 7 - Other Payable and Accruals

	December 31 2019 US$ thousands	December 31 2018 US$ thousands
Governmental institutions	**214**	83
Accrued expenses	**808**	357
Provision for vacation	**85**	82
Employees and related benefits	**161**	140
Others	**118**	161
	1,386	823

Note 8 - Convertible Preferred Shares

The Series A1 Preferred Shares, Series A2 Preferred Shares, Series A3 Preferred Shares, Non-Voting series A3-1 Preferred Shares, Series B Preferred Shares, Non-Voting Series B-1 Preferred Shares, Series B-2 Preferred Shares, Series C Preferred Shares, and Series C-1 Preferred Shares shall be referred to herein as the "**Preferred Share"**.

During 2019 Baytech, one of the Company's investors, dissolved their fund and thus sold all their shares back to the company for the consideration of $ 100. As a result, 47,459 A-3, 270,558 A3-1, 83,415 B and 301,200 B-1 Preferred shares were sold back by Baytech to the company and were forfeited

The Preferred shares have the following characteristics:

Note 8 - Convertible Preferred Shares (cont'd)

A. Voting

Each Preferred Share except for the Non-Voting Series A3-1 Preferred Shares and the Non- Voting Series B-1 Preferred Shares (the "**Non-Voting Preferred Shares**") shall have the right to one vote for each Ordinary Share into which such Preferred Share is convertible, with respect to every resolution brought before the General Meeting of the Company. The Preferred Shares shall have all the rights, powers and authorities associated with the shares of the Company as provided in the Company's in effect Articles of Association (the "**Company's Articles**"), including the power to appoint Directors, to receive notices of, and to vote at General Meetings of the Company, to receive dividends and any surplus upon the liquidation of the Company. Except as specifically set forth otherwise in the Company's Articles, the holders of the Ordinary Shares and Preferred Shares shall not be entitled to any class vote and every holder of Preferred Shares (except for the Non-Voting Preferred Shares) shall vote, together with the Ordinary Shares, as one class, except with respect to direct changes of the rights attached to such shares under the Company's Articles.

B. Dividends

No dividends shall be paid otherwise than in accordance with order of preference set forth in note 8C below, subject to applicable law and the Company's Articles.
Through December 31, 2019 and 2018, no dividends have been declared or paid by the Company.

C. Liquidation preference

In the event of any Liquidation Event (as such term is defined in the Company's Articles), first, the holders of the Series C-1 Preferred Shares shall been titled to receive, prior and in preference to any distribution of any of proceeds to the holders of any other shares of the Company, by reason of their ownership thereof, an amount per share equal to the Original C-1 Issue Price plus an amount equal to eight percent (8%) per annum, compounded annually, from the date of issuance of each such share to the date of the Liquidation Event, plus any declared and unpaid dividends on each Series C-1 Preferred Share, less any cash dividends distributed to the holders of the Series C-1 Preferred Shares in accordance with the provisions of these Articles (aggregately for all outstanding Series C-1 Preferred Shares, the "**Preferred C-1 Preference**"). If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series C-1 Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred C-1 Preference, then the proceeds legally available for distribution shall be distributed ratably among the holders of the Series C-1 Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Second, upon the completion of the distribution of the Preferred C-1 Preference in accordance with the provisions of the Company's Articles of Association, and out of the remaining proceeds available for distribution to shareholders (if any), the holders of the Series C Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of proceeds to the holders of any other shares of the Company, by reason of their ownership thereof, an amount per share equal to the Original C Issue Price plus an amount equal to eight percent (8%) per annum, compounded annually, from the date of issuance of each such share to the date of the Liquidation Event, plus any declared and unpaid dividends on each Series C Preferred Share, less any cash dividends distributed to the holders of the Series C Preferred Shares in accordance with the provisions of these Articles (aggregately for all outstanding Series C Preferred Shares, the "**Preferred C Preference**"). If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series C Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred C Preference, then the proceeds legally available for distribution (after distribution of the Preferred C-1 Preference) shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Note 8 - Convertible Preferred Shares (cont'd)

Third, upon the completion of the distribution of the Preferred C-1 Preference and the Preferred C Preference in accordance with the provisions of the Company's Articles of Association, and out of the remaining proceeds available for distribution to shareholders (if any), the holders of the Series B-2 Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of proceeds to the holders of any other shares of the Company, by reason of their ownership thereof, an amount per share equal to the Original B-2 Issue Price plus an amount equal to eight percent (8%) per annum, compounded annually, from the date of issuance of each such share to the date of the Liquidation Event, plus any declared and unpaid dividends on each Series B-2 Preferred Share, less any cash dividends distributed to the holders of the Series B-2 Preferred Shares in accordance with the provisions of these Articles (aggregately for all outstanding Series B-2 Preferred Shares, the "**Preferred B-2 Preference**"). If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series B-2 Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred B-2 Preference, then the proceeds legally available for distribution (after distribution of the Preferred C-1 Preference and the Preferred C Preference) shall be distributed ratably among the holders of the Series B-2 Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Fourth, upon the completion of the distribution of the Preferred C-1 Preference, the Preferred C Preference and the Preferred B-2 Preference, and out of the remaining proceeds available for distribution to shareholders (if any), the holders of Preferred B Shares shall be entitled to receive, prior and in preference to any distribution of any of the proceeds to the holders of any of the other securities of the Company, by reason of their ownership thereof, an amount per share equal to the Original B Issue Price plus an amount equal to eight percent (8%) per annum, compounded annually, from the date of issuance of each such share to the date of the Liquidation Event, plus any declared and unpaid dividends, less any cash dividends distributed to the holders of the Series B Preferred Shares in accordance with the provisions of these Articles (aggregately for all outstanding Series B Preferred Shares, the "Preferred B Preference").

If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series B Preferred Shares and the Non-Voting Series B-1 Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred B Preference, then such proceeds (after distribution of the Preferred B-2 Preference, the Preferred C Preference and the Preferred C-1 Preference) shall be distributed ratably among the holders of the Preferred B Shares and the Non-Voting Series B-1 Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Fifth, upon the completion of the distribution of the Preferred C-1 Preference, the Preferred C Preference, the Preferred B-2 Preference and the Preferred B Preference in accordance with the provisions of the Company's Articles, and out of the remaining proceeds available for distribution to shareholders (if any), the holders of Series A1 Preferred Shares and Series A2 Preferred Shares shall be entitled to receive, pari passu and prior and in preference to any distribution of any of the proceeds to the holders of any other shares of the Company, by reason of their ownership thereof, an amount per share equal to the Original A1 Issue Price of such Series A1 Preferred Shares and the Original A2 Issue Price of such Series A2 Preferred Shares (as applicable) , plus any declared and unpaid dividends, less any cash dividends distributed to the holders of the Series A1 Preferred Shares and Series A2 Preferred Shares (as applicable) in accordance with the provisions of these Articles (aggregately for all outstanding Series A1 Preferred Shares and Series A2 Preferred Shares, the "Preferred A1 and A2 Preference"). If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series A1 Preferred Shares and Series A2 Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred A1 and A2 Preference, then the proceeds legally available for distribution (after distribution of the Preferred C-1 Preference, the Preferred C Preference, the Preferred B-2 Preference and the Preferred B Preference) shall be distributed ratably among the holders of the Series A1 Preferred Shares and Series A2 Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Note 8 - Convertible Preferred Shares (cont'd)

Sixth, upon the completion of the distribution in accordance with the provisions of the Company's Articles of Association, the remaining proceeds available for distribution to shareholders shall be distributed among all Shareholders (including, without limitation, the holders of the Preferred Shares) pro rata in proportion to the number of shares of Ordinary Shares held by each holder (on an as converted basis).

D. Conversion

Each Preferred Share shall be convertible, at the option of the holder of such share, at any time after the date of issuance of such share, into such number of fully paid and non assessable Ordinary Shares of the Company as is determined by dividing the applicable Original Preferred Share Issue Price by the applicable Conversion Price at the time in effect for such share. No fractional shares shall be issued upon conversion of the Preferred Shares, and the number of Ordinary Shares to be issued shall be rounded to the nearest whole share.

All issued and outstanding Preferred Shares (other than Series C Preferred Shares and Series C-1 Preferred Shares) shall automatically be converted into Ordinary Shares (subject to Article 4.6.11 below) at the applicable Conversion Price at the time in effect for such Preferred Share upon the earlier of: (i) the closing of a Series B Qualified IPO; and (ii) the written consent of the majority of the issued and outstanding Preferred B-2 Shares and Preferred B Shares (on an as converted basis), provided that such majority includes Viola. All issued and outstanding Series C Preferred Shares shall automatically be converted into Ordinary Shares (subject to Article 4.6.11 below) at the applicable Conversion Price at the time in effect for such Preferred Share upon the earlier of: (i) the closing of a Qualified IPO; and (ii) the written consent of the majority of the issued and outstanding Series C Preferred Shares (on an as converted basis). All issued and outstanding Series C-1 Preferred Shares shall automatically be converted into Ordinary Shares at the applicable Conversion Price at the time in effect for such Preferred Share upon the earlier of: (i) the closing of a Qualified IPO; and (ii) the written consent of the majority of the issued and outstanding Series C-1 Preferred Shares (on an as converted basis).

Anti-Dilution Protection:

The Preferred Conversion Price (as such term is defined in the Company's Articles of Association) of any series of Preferred Shares shall be adjusted, using a broad-based weighted average anti-dilution formula, upon each issuance by the Company of any additional shares, for a consideration per share less than the applicable Preferred Conversion Price of such series of Preferred Shares, in effect immediately prior to the time of such issue or sale.

Note 9 - Ordinary Shares

Each share of ordinary shares is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of shares outstanding.

The Company issued 6,125 shares against options exercised during 2019.

Note 10 - Shares Option Plan

In January 2007, the Company's Board of Directors adopted the Company Incentive Option Plan (the "Option Plan"). The Option Plan provides for the grant of share options for the purchase of up to

2,547,004 shares of the Company's ordinary shares by officers, employees, consultants and directors of the Company. As at December 31, 2019 there were 552,385 options available for future grant under the Plan.

Under the Option Plan, the Board of Directors is responsible for administration of the Plan. The Board determines the term of each option, the option exercise price and the number of shares for which each option is granted and the vesting schedule of each option.

The following is a summary of shares option activity and related information for the year ended December 31, 2019:

Exercise price	Number outstanding as at December 31, 2019	Weighted average remaining contractual life (in years)	Number exercisable as at December 31, 2019
$0.917	1,870,022	5.97	1,259,106

The option allotments are as follows:

	Share Options	Weighted average exercise price
Outstanding - December 31, 2017	1,819,235	
Options forfeited	(47,039)	$ 0.917
Outstanding - December 31, 2018	1,772,196	
Options exercised	(6,125)	$ 0.917
Options granted	766,350	$ 0.917
Options forfeited	(662,399)	$ 0.917
Outstanding - December 31, 2019	**1,870,022**	
Exercisable at end of December 31, 2019	1,259,106	
Options available for future grants	552,229	

The Company applies ASC 718 in respect of options granted to employees using the Black-Scholes model and recorded net compensation expense in respect of amortization of $7 thousand and $36 thousand for the years ended December 31, 2019 and 2018, respectively, based on the following parameters:

Volatility	40%-80%
Risk-free interest rate	0.64%-2. 73%
Expected dividends	-
Expected life	4.36-9.49

Note 11 - Loan Agreements

On July 2014 the Company entered into a line of credit agreement. The borrowing against the line of credit at December 31, 2019 was $2,000 thousand. The line of credit bears interests at the bank's prime rate plus between 1.25% to 1.75%.

During 2018 the Company entered into a loan agreement with Kreos Capital V LP. According to the agreement, the Company received a loan in the amount of $1,500 thousand. The loan will be repaid in 36 equal monthly payments of capital and interest of 11.75%. Kreos Capital V LP. has a perfected first priority security interest in all assets of the Company. The loan balance as of December 31, 2019 and 2018 amounted to $929 thousand and $1,296 thousand respectively (which includes current maturities of $508 thousand and $451 thousand respectively).

Note 12 - Income Taxes

A. The Company and its subsidiaries

1.Measurement of taxable income under the Income Tax (Inflationary Adjustments) Law, 1985

2.Corporate tax rate

Capital gains are taxed at the regular corporate tax rates on income in Israel.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, introducing a gradual reduction in corporate tax rate from 25% to 23%. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%. As a result, the corporate tax rate was 24% in 2017 and 23% in 2018 and thereafter.

B. Deferred income taxes

	Year ended December 31	
	2019	2018
	US$ thousands	US$ thousands
Deferred tax assets:		
Deferred tax of operating loss carry forwards	**4,883**	4,924
Total gross deferred tax assets	**4,883**	4,924
Less – valuation allowance		
Net deferred tax assets	**-**	-
Deferred tax liability		
Other	**-**	-
Net deferred tax liability	**-**	-

The net changes in the total valuation allowance for each of the years ended December 31, 2019 and 2018, are comprised as follows:

Note 12 - Income Taxes (cont'd)

	Year ended December 31	
	2019	2018
	US$ thousands	US$ thousands
Balance at beginning of year	**4,924**	4,983
Additions during the year from continuing operations	**(41)**	(59)
Changes due to amendments to tax laws an applicable future tax rates	**-**	-
Balance at end of year	**4,883**	4,924

In assessing the reliability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences or carry-forwards are deductible.

C. As of December 31, 2019, the operating loss carry-forwards relating to Israeli companies amounted to $20,382 thousand. Operating losses in Israel may be carried forward indefinitely to offset against future taxable operational income. Under the Income Tax (Inflationary Adjustments) Law, 1985, and based on the Company's election, tax loss carry-forwards are denominated in U.S. dollars.

Net operating losses relating to non-Israeli companies aggregate $927 thousand.

D. No current or net deferred taxes were recorded in Israel. Non-Israeli income tax (expense) benefit included in the consolidated statements of operations are as follows:

	Year ended December 31	
	2019	2018
	US$ thousands	US$ thousands
Current	**(105)**	(45)
Deferred	**-**	-
Income tax expense	**(105)**	(45)

E. Profit from continuing operations before taxes on income consists of the following:

	Year ended December 31	
	2019	2018
	US$ thousands	US$ thousands
Israel	**143**	212
Non-Israel	**300**	139
	443	351

Note 12 - Income Taxes (cont'd)

F. Unrecognized tax benefits

As of December 31, 2019 and 2018, the company did not have any unrecognized tax benefits. In addition, the company does not expect that the amount of unrecognized tax benefits will change significantly within the next twelve months.

For the years ended December 31, 2019 and 2018 no interest and penalties related to unrecognized tax benefits have been accrued.

G. Tax assessments:

The Company has final assessments for the year 2014.

Note 13 - Commitments

The Company leases motor vehicles under various operating leases in Israel and leases offices in Israel and New York. Total rent expense under these operating leases for the years ended December 31, 2019 and 2018 were $368 thousand and $366 thousand, respectively.
Future minimum lease commitments under operating leases as of December 31, 2019 are as follows:

	US$ thousands
2020	**100**

Note 14 - Supplemental Operational Data

A. Research and Development Expenses

	Year ended December 31 2019	Year ended December 31 2018
	US$ thousands	US$ thousands
Salaries and related expenses	**3,452**	3,451
Subcontractors and consulting	**233**	257
Office rent and maintenance	**153**	175
Computer services	**77**	75
Communication	**6**	10
Car maintenance	**96**	90
Depreciation and amortization	**66**	89
Other	**124**	82
	4,207	4,229

Notes to the Consolidated Financial Statements as of December 31, 2019

Note 14 - Supplemental Operational Data (cont'd)

B. Sales and Marketing Expenses

	Year ended December 31 2019	Year ended December 31 2018
	US$ thousands	US$ thousands
Salaries and related expenses	**2,591**	2,516
Professional Service	**49**	32
Sales incentive	**124**	253
Office rent and maintenance	**203**	145
Computer services	**138**	144
Advertising	**155**	195
Communication	**26**	23
Travel expenses	**99**	46
Depreciation	**21**	10
Other	**25**	30
	3,431	3,394

C. General and Administrative Expenses

	Year ended December 31 2019	Year ended December 31 2018*
	US$ thousands	US$ thousands
Salaries and related expenses	**1,037**	1,219
Professional services	**178**	164
Office supply	**13**	10
Communication	**14**	14
Office rent and maintenance	**95**	60
Computer services	**66**	57
Travel expenses	**27**	19
Insurances	**27**	27
Depreciation	**9**	9
Doubtful and bad debts	**190**	11
Other	**123**	95
	1,779	1,685

*Reclassified

Note 15 - Finance Expenses (Income), net

	Year ended December 31 2019	Year ended December 31 2018
	US$ thousands	US$ thousands
Exchange rate differences, net	**82**	27
Expenses from interest and revaluation, net	**224**	160
Finance expenses, net	**306**	187

Note 16 - Subsequent Events

Following the outbreak of the Coronavirus (COVID-19) in China in December 2019, and it reaching many other countries as well, there was a decrease in economic activity in many areas around the world, including Israel. The spread of the virus has led, inter alia, to a disruption in the supply chain, a decrease in global transportation, restrictions on travel and work that were announced by the State of Israel and other countries around the world and a decrease in the value of financial assets and commodities on the markets in Israel and the world. The company had no adverse effects on its business as a result of the outbreak of the Coronavirus.

Note 17 - PandoLogic Ltd. Data in Nominal Values for Tax Purposes

A. Balance sheets as at December 31,

	2019	2018
	NIS thousands	NIS thousands
Cash and cash equivalents	**1,893**	4,589
Other accounts receivable	**450**	359
	2,343	4,948
Investment in Subsidiaries	**11,003**	10,326
Long term deposits	**140**	146
Property and equipment, net	**697**	553
	14,183	15,973
Current liabilities		
Current maturities of long-term loan	**1,755**	1,696
Trade payables	**471**	276
Related parties	**2,734**	5,530
Other payables and accruals	**2,510**	1,681
	7,470	9,183
Long-term liabilities and shareholders' equity		
Long-term loan excluding current maturities	**1,361**	3,075
Shareholders' equity	**5,352**	3,715
	14,183	15,973

Notes to the Consolidated Financial Statements as of December 31, 2019

Note 17 - PandoLogic Ltd. Data in Nominal Values for Tax Purposes (cont’d)

B. Statements of operations for the year ended December 31,

	2019	2018
	NIS thousands	NIS thousands
Revenues from sales and services from related parties	**45,142**	31,954
Operating expenses		
Research and development	**14,935**	15,229
Sales and marketing	**28,168**	14,291
General and administrative	**1,196**	1,356
	44,299	30,876
Profit (loss) from operations	**843**	1,078
Finance expenses, net	**(162)**	(572)
Equity in net gain of subsidiaries	**931**	89
Net Profit	**1,612**	595

PandoLogic Ltd.

Consolidated Financial Statements
As of December 31, 2020

Contents

YOSEF SHIMONY
Certified Public Accountant (Isr.)
FOUNDING MEMBER

Somekh Chaikin
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Tel Aviv 61006, Israel
+972 3 684 8000

Independent Auditors' Report

The Board of Directors
PandoLogic Ltd.

We have audited the accompanying consolidated financial statements of PandoLogic Ltd. and its subsidiaries (the Company) which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in convertible preferred shares and shareholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

YOSEF SHIMONY
Certified Public Accountant (Isr.)
XLNC
FOUNDING MEMBER

KPMG

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Somekh Chaikin	Yosef Shimony
Certified Public Accountants (Isr.)	Certified Public Accountants (Isr.)
Member Firm of KPMG International	Ramat Gan, Israel
Tel Aviv, Israel	

June 11, 2021

Consolidated Balance Sheets as of December 31

	Note	2020 US$ thousands	2019 US$ thousands
Assets			
Current assets			
Cash and cash equivalents	3	**6,624**	1,321
Trade receivable	4	**44,249**	6,238
Other receivables	5	**696**	1,143
Total current assets		**51,569**	8,702
Long-term deposits		**53**	40
Property and equipment, net	6	**309**	200
Total assets		**51,931**	8,942

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

Consolidated Balance Sheets as of December 31

Consolidated Balance Sheets as of December 31

Liabilities, convertible preferred shares and shareholders' equity (deficit)	**Note**	**2020**	**2019**
		US$ thousands	**US$ thousands**
Current liabilities			
Short term loan and current maturities of long-term loan	11	**456**	2,508
Trade payables		**14,838**	3,002
Deferred income		**-**	149
Other payables and accruals	7	**2,690**	1,386
Total current liabilities		**17,984**	7,045
Long-term loan excluding current maturities	11	**-**	421
Total long-term liabilities		-	421
Total liabilities		**17,984**	7,466
Convertible preferred shares and shareholders' equity (deficit)	8		
Series A1 preferred shares, NIS 0.01 par value; 13,667 shares authorized, issued and outstanding on December 31, 2020 and 2019 (liquidation preference of $117 thousand on December 31, 2020 and 2019)		**117**	117
Series A2 preferred shares, NIS 0.01 par value; 44,528 shares authorized, issued and outstanding on December 31, 2020 and 2019 (liquidation preference of $380 thousand on December 31, 2020 and 2019)		**380**	380
Series B preferred shares, NIS 0.01 par value; 1,471,769 shares authorized, 1,170,569 shares issued and outstanding on December 31, 2020 and 2019 (liquidation preference of $7,557 and $6,996 thousand on December 31, 2020 and 2019 respectively)		**3,222**	3,222
Series B-2 preferred shares, NIS 0.01 par value; 992,025 shares authorized; 910,403 shares issued and outstanding on December 31, 2020 and 2019, (liquidation preference of $5,540 and $5,129 thousand on December 31, 2020 and 2019, respectively)		**2,900**	2,900
Series C preferred shares, NIS 0.01 par value; 1,977,140 shares authorized; 1,903,168 shares issued and outstanding on December 31, 2020 and 2019 (liquidation preference of $12,432 and $11,509 thousand on December 31, 2020 and 2019, respectively)		**6,548**	6,548
Series C-1 preferred shares, NIS 0.01 par value; 1,452,755 shares authorized; issued and outstanding on December 31, 2020 and 2019 (liquidation preference of $12,706 and $11,762 thousands on December 31, 2020 and 2019, respectively)		**7,950**	7,950
Total convertible preferred shares		**21,117**	21,117
Ordinary shares, NIS 0.01 par value; 12,515,103 shares authorized on December 31, 2020 and 2019, and 1,080,577 shares issued and outstanding on December 31, 2020 and 2019, respectively.	9	**3**	3
Additional paid-in capital		**9,531**	9,517
Retained earnings (accumulated deficit)		**3,296**	(29,161)
Total shareholders' equity (deficit)		**12,830**	(19,641)
Total convertible preferred shares and shareholder's equity		**33,947**	1,476
Total liabilities and convertible preferred shares and shareholders' equity (deficit)		**51,931**	8,942

DocuSigned by:
NYB
8C2D0485ECFB4C2
Sandeep Gill - CFO
June 11, 2021

DocuSigned by:
Terry Baker
Terry Baker - Chief Executive Officer

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

Consolidated Statements of Operations for the year ended December 31,

	Note	2020 US$ thousands	2019 US$ thousands
Revenues		**47,386**	10,213
Operating expenses:			
Cost of revenues		**1,240**	849
Research and development	13A	**5,010**	3,479
Sales and marketing	13B	**5,235**	3,357
General and administrative	13C	**2,985**	1,779
Total operating expenses		**14,470**	9,464
Profit from operations		**32,916**	749
Finance expenses, net	14	**215**	306
Profit before taxes on income		**32,701**	443
Taxes on income	12	**244**	105
Net profit		**32,457**	338

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

Consolidated Statement of Changes in Convertible Preferred Shares and Shareholders' Equity (Deficit)

	Convertible preferred shares		Ordinary shares		Additional paid-in capital	Retained earnings (accumulated deficit)	Total shareholders' equity / (deficit)
	Number of shares	US$	Number of shares	US$	US$	US$	US$
	thousands	thousands	thousands	thousands	thousands	thousands	thousands
Balance at December 31, 2018	6,197	25,107	1,075	3	5,514	(29,499)	(23,982)
Share-based compensation	-	-	-	-	7	-	7
Exercise of options	-	-	6	*-	6	-	6
Treasury shares at cost	(702)	(3,990)	-	-	3,990	-	3,990
Net profit	-	-	-	-	-	338	338
Balance at December 31, 2019	5,495	21,117	1,081	3	9,517	(29,161)	(19,641)
Share-based compensation	**-**	**-**	**-**	**-**	**11**	**-**	**11**
Exercise of options	**-**	**-**	**3**	*-	**3**	**-**	**3**
Net profit	**-**	**-**	**-**	**-**	**-**	**32,457**	**32,457**
Balance at December 31, 2020	**5,495**	**21,117**	**1,084**	**3**	**9,531**	**3,296**	**12,830**

* Less than 1,000 USD

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

Consolidated Statements of Cash Flows for the year ended December 31,

	2020	2019
	US$ thousands	US$ thousands
Cash flows from operating activities		
Net profit	**32,457**	338
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Finance expenses, net	**215**	306
Tax expenses	**244**	105
Depreciation	**114**	95
Share based compensation	**11**	7
Decrease in deferred income	**(149)**	(73)
Increase in trade receivables	**(38,011)**	(5,016)
Decrease (increase) in other receivables	**447**	(470)
Increase in trade payables	**11,836**	2,551
Increase in other payables and accruals	**1,304**	563
Interest expense paid	**(164)**	(86)
Taxes paid	**(207)**	(24)
Net cash - operating activities	**8,097**	(1,704)
Cash flows used in investing activities		
Changes in long-term deposits, net	**(13)**	(1)
Acquisition of property and equipment	**(223)**	(127)
Net cash - investing activities	**(236)**	(128)
Cash flows from (used in) financing activities		
Changes in short term loans	**(2,000)**	1,372
Repayment of long term loan	**(586)**	(586)
Proceeds from exercise of options	**3**	6
Net cash - financing activities	**(2,583)**	792
Increase (decrease) in cash and cash equivalents	**5,278**	(1,040)
Cash and cash equivalents at the beginning of the year	**1,321**	2,443
Exchange differences on balances of cash and cash equivalents	**25**	(82)
Cash and cash equivalents at end of the year	**6,624**	1,321

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

Note 1 - Nature of the Business

PandoLogic Ltd. along with its Subsidiaries (the "**Company**"), is a leading recruitment technology company that specializes in performance-based recruitment solutions, delivering a truly programmatic solution for the recruitment industry. PandoLogic brings the advantages and efficiencies of programmatic technology to the recruitment industry through a comprehensive offering that includes AI and machine learning powered programmatic campaign management, predictive campaign analytics, and access to many hundreds of job posting sites. Each application is built on PandoLogic's proprietary taxonomy which delivers industry leading performance. Through this unique offering, PandoLogic delivers recruitment results, reducing cost, improving time to hire and providing visibility of key data metrics in the sourcing process.

PandoLogic was founded in 2007 to serve internet job boards, providing white-label job site software to the publishing industry. The Company's unique foundation has provided it with over 10 years of historical job campaign data. Recruitment data from millions of job campaigns throughout the Company's history has delivered scale to its robust taxonomy, which is constantly refined by machine learning and natural language processing. As the recruitment landscape evolved, PandoLogic expanded its product offering beyond job site software, building programmatic and predictive solutions to efficiently connect employers and qualified job seekers in innovative ways. PandoLogic's mission is to make online recruitment advertising, an efficient and results-driven process for employers.

The Company is an Israeli corporation incorporated on January 1, 2007 and had two wholly owned subsidiaries in the United States; PandoLogic, Inc. (fka RealMatch, Inc.) and RMOldCo. Both subsidiaries are Delaware corporations. In September 2020 RMOldCo was dissolved.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the financial statements, applied on a consistent basis, are as follows:

A. **Basis of presentation**

The financial statements are presented in accordance with United States generally accepted accounting principles ("U.S. GAAP").

B. **Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, PandoLogic Inc. All intercompany accounts and transactions have been eliminated in consolidation.

C. **Use of estimates**

The preparation of the Company consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to assessing the fair value of the Company's ordinary shares and share options granted to employees and service providers and allowance for doubtful accounts.

Note 2 - Summary of Significant Accounting Policies (cont'd)

D. **Foreign currency translation**

The functional currency of the Company is the United States Dollar ("USD"). The financial statements of the Israeli Company have been translated into USD in accordance with ASC 830 "Foreign Currency Translation", whereby all monetary assets and liabilities denominated in a non-USD currency are translated using the year-end exchange rate and non-monetary assets and liabilities and capital accounts denominated in a non-USD currency are translated using historical exchange rates.

Income statement accounts of the Israeli Company denominated in a non-USD currency are translated using the exchange rates in effect on the transaction dates, except for depreciation, which is translated using historical exchange rates. Adjustments from the translation of the Company's financial statements to USD and foreign exchange transaction gains and losses are included in the operating results for the period in which exchange rates change (see note 14).

E. **Cash and cash equivalents**

Cash and cash equivalents consist of cash and deposits with original maturity of three months or less from the date of the investment.

F. **Provision for doubtful accounts**

The financial statements include general provisions for doubtful debts, which, in management's opinion, adequately reflect the estimated losses resulting from account receivables for which the collection is not reasonably probable. Doubtful debts, which according to the Company's management opinion are unlikely to be collected, are written-off from the Company's books, based on a management resolution. Management's determination of the adequacy of the provision is based, inter alia, on an evaluation of the risk, by considering the available information on the financial position of the debtors, the volume of their business, the age of the receivable balance, an evaluation of the security received from them and past experience. The changes in the provision during the year:

	Year ended December 31,	
	2020	2019
	US$ thousands	US$ thousands
Opening balance	**179**	31
Additions during the year	**231**	176
Deductions during the year	**(160)**	(28)
Closing balance	**250**	179

	Year ended December 31,	
	2020	2019
	US$ thousands	US$ thousands
Opening balance	**179**	31
Additions during the year	**231**	176
Deductions during the year	**(160)**	(28)
Closing balance	**250**	179

G. **Concentration of credit risk**

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, cash equivalents and trade receivable. The Company maintains bank accounts in financial institutions that management believes have strong credit ratings.

Note 2 - Summary of Significant Accounting Policies (cont'd)

H. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets using the following annual rates:

	Years
Computers	3
Office equipment and furniture	5-10
Leasehold improvements are depreciated over the shorter of the underlying lease or 10 years	

I. Revenue recognition

The Company recognizes revenue through the following five-step model:
(1) Identifying the contract with customer.
(2) Identifying distinct performance obligations in the contract.
(3) Determining the transaction price.
(4) Allocating the transaction price to distinct performance obligations.
(5) Recognizing revenue when the performance obligations are satisfied.

The Company generates revenue primarily from transactions where it provides access to digital job advertising done programmatically. Revenue is derived from programmatic advertising, which uses software and algorithms to match buyers and sellers of digital job advertising in a technology-driven marketplace.

The Company's performance obligation is to provide the use of its solution to clients to develop job campaigns. The Company charges clients a fee based on job searches by potential applicants through its solution. The transaction price is determined based on the consideration to which it is entitled in exchange for the completion of a transaction, that is, when a bid for advertising space is won. The Company recognizes revenue for its solution fee at a point in time when a purchase by the client occurs through its solution, which is when a bid is won. Subsequent to a bid being won through the Company's solution, the associated revenue is generally not subject to refund or adjustment. Historically, any refunds and adjustments have not been material.

The Company reports revenue net of amounts it pays suppliers for the cost of jobs advertising.

The determination of whether the Company is the principal or agent, and hence whether to report revenue on a gross basis or on a net basis requires judgment. The Company determined that it is not primarily responsible for the purchase of jobs advertising, but rather, it is primarily responsible to provide a solution that enables clients to bid on advertising. The Company does not control the jobs advertising prior to the purchase by the client, and it does not have pricing latitude with respect to the cost of such jobs advertising. The solution fee is not contingent on the results of a jobs advertising campaign, the Company is not primarily responsible for fulfillment, has no inventory risk and it obtains only momentary title to the advertising space offered via the end-to-end solution. Based on these and other factors, the Company determined that it is not the principal in the purchase and sale of jobs advertising in all of its arrangements, and therefore, it reports revenue on a net basis for the solution fees charged to clients.

Note 2 - Summary of Significant Accounting Policies (cont'd)

I. **Revenue recognition (cont'd)**

Number of Customers accounted for over 10% of Revenue

For the year ended December 31, 2019, the Company had one customer that accounted for 39% of its revenues. For the year ended December 31, 2020, the Company had one customer that accounted for 86% of its revenues.

J. **Research and development**

Costs associated with the research and development of web-based technology are expensed prior to the establishment of technological feasibility.

K. **Liability in respect of employee's severance payments**

The company's liability for severance pay for its Israel based employees' is calculated pursuant to Israeli Severance Pay Law (1963) (the "Severance Pay Law"). The company's liability is covered by monthly deposits with severance pay funds and insurance policies. For all of the company's Israel based employees, the payments to pension funds and to insurance companies exempt the company from any obligation towards its employees, in accordance with Section 14 of the Severance Pay Law, which is accounted for as a defined contribution plan. Accumulated amounts in pension funds and in insurance companies are not under the company's control or management and, accordingly, neither those amounts nor the corresponding accrual for severance pay are presented in the consolidated statements of financial position. All severance payments are recognized as an expanse when they are incurred.

L. **Stock compensation plans**

Employees and directors

The Company accounts for its directors and employees stock-based compensation awards in accordance with ASC Topic 718, Compensation - stock compensation. ASC Topic 718 requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the awards at the grant date, ultimately expected to vest (net of forfeitures). The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying ordinary shares, the expected term of the option, the expected volatility of the price of the underlining shares, risk-free interest rates, and the expected dividend yield of the shares. The assumptions used to determine the fair value of the option awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. The Company recognizes the cost of awards with graded vesting based on a straight-line method. All Company's option grants were accounted as equity-classified awards.

Note 2 - Summary of Significant Accounting Policies (cont'd)

M. **Income taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for deferred tax assets if it is more likely than not, the Company will not be able to realize their benefit. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets and liabilities are classified as current or noncurrent items in accordance with the nature of the assets or liabilities to which they relate. When there are no underlying assets or liabilities the deferred tax assets, and liabilities are classified in accordance with the period of expected reversal. Income tax expenses represent the tax payable for the period and the changes during the period in deferred tax assets and liabilities.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgement occurs.

N. **Treasury shares**

Treasury shares are recorded at cost and presented as a reduction of shareholders' equity.

O. **Recently adopted accounting standards**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance.

The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods ending after December 15, 2020, including interim periods within that reporting period. The Company elected to apply the standard retrospectively in 2019. There were no significant effects on profit from operations and retained earnings.

P. **Recently issued accounting standards**

In February 2016, the FASB issued ASU 2016-02, which requires lessees to recognize most of their leases on balance sheet as a right-of-use asset and a lease liability. This ASU is effective for interim and annual periods in fiscal years ending after December 15, 2022. Early adoption is permitted. The Company has not yet commenced examining the effects of adopting ASU 2016- 02 on the financial statements.

Note 3 - Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
	US$ thousands	US$ thousands
In U.S. dollars	**5,120**	869
In New Israeli shekels	**1,504**	452
	6,624	1,321

Note 4 - Trade Receivable

	December 31, 2020	December 31, 2019
	US$ thousands	US$ thousands
Open accounts	**44,499**	6,417
Provision for doubtful debts	**(250)**	(179)
	44,249	6,238

Note 5 - Other Receivables

	December 31, 2020	December 31, 2019
	US$ thousands	US$ thousands
Prepaid expenses	**470**	1,059
Government institutions	**30**	15
Other	**196**	69
	696	1,143

Note 6 - Property and Equipment, Net

Property and equipment consist of the following for the period presented:

	Estimated useful life (years)	December 31, 2020	December 31, 2019
		US$ thousands	US$ thousands
Cost:			
Computers	3	**1,261**	1,038
Office equipment and furniture	5-10	**64**	64
Leasehold improvements	5-10	**167**	167
		1,492	1,269
Less: accumulated depreciation		**1,183**	1,069
Property and equipment, net		**309**	200

Depreciation expenses for the years ended December 31, 2020 and 2019 were $114 thousand and $95 thousand, respectively.

Note 7 - Other Payable and Accruals

	December 31,	
	2020	2019
	US$ thousands	US$ thousands
Governmental institutions	**313**	121
Accrued expenses	**899**	808
Provision for vacation	**258**	85
Employees and related benefits	**1,073**	339
Others	**147**	33
	2,690	1,386

Note 8 - Convertible Preferred Shares

The Series A1 Preferred Shares, Series A2 Preferred Shares, Series A3 Preferred Shares, Non-Voting series A3-1 Preferred Shares, Series B Preferred Shares, Non-Voting Series B-1 Preferred Shares, Series B-2 Preferred Shares, Series C Preferred Shares, and Series C-1 Preferred Shares shall be referred to herein as the "**Preferred Share"**.

During 2019 Baytech, one of the Company's investors, dissolved their fund and thus sold all their shares back to the company for the consideration of $ 100. As a result, 47,459 A-3, 270,558 A3-1, 83,415 B and 301,200 B-1 Preferred shares were sold back by Baytech to the company and were forfeited.

The Preferred shares have the following characteristics:

A. **Voting**

Each Preferred Share except for the Non-Voting Series A3-1 Preferred Shares and the Non- Voting Series B-1 Preferred Shares (the "**Non-Voting Preferred Shares**") shall have the right to one vote for each Ordinary Share into which such Preferred Share is convertible, with respect to every resolution brought before the General Meeting of the Company. The Preferred Shares shall have all the rights, powers and authorities associated with the shares of the Company as provided in the Company's in effect Articles of Association (the "**Company's Articles**"), including the power to appoint Directors, to receive notices of, and to vote at General Meetings of the Company, to receive dividends and any surplus upon the liquidation of the Company.

Except as specifically set forth otherwise in the Company's Articles, the holders of the Ordinary Shares and Preferred Shares shall not be entitled to any class vote and every holder of Preferred Shares (except for the Non-Voting Preferred Shares) shall vote, together with the Ordinary Shares, as one class, except with respect to direct changes of the rights attached to such shares under the Company's Articles.

B. **Dividends**

No dividends shall be paid otherwise than in accordance with order of preference set forth in note 8C below, subject to applicable law and the Company's Articles.

Through December 31, 2020 and 2019, no dividends have been declared or paid by the Company.

Note 8 - Convertible Preferred Shares (cont'd)

C. **Liquidation preference**

In the event of any Liquidation Event (as such term is defined in the Company's Articles) including a change of control, where 50% or more of the issued and outstanding shares of the Company are acquired by a person or entity that is not a shareholder prior to the transaction, first, the holders of the Series C-1 Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of proceeds to the holders of any other shares of the Company, by reason of their ownership thereof, an amount per share equal to the Original C-1 Issue Price plus an amount equal to eight percent (8%) per annum, compounded annually, from the date of issuance of each such share to the date of the Liquidation Event, plus any declared and unpaid dividends on each Series C-1 Preferred Share, less any cash dividends distributed to the holders of the Series C-1 Preferred Shares in accordance with the provisions of these Articles (aggregately for all outstanding Series C-1 Preferred Shares, the "**Preferred C-1 Preference**"). If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series C-1 Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred C-1 Preference, then the proceeds legally available for distribution shall be distributed ratably among the holders of the Series C-1 Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Second, upon the completion of the distribution of the Preferred C-1 Preference in accordance with the provisions of the Company's Articles of Association, and out of the remaining proceeds available for distribution to shareholders (if any), the holders of the Series C Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of proceeds to the holders of any other shares of the Company, by reason of their ownership thereof, an amount per share equal to the Original C Issue Price plus an amount equal to eight percent (8%) per annum, compounded annually, from the date of issuance of each such share to the date of the Liquidation Event, plus any declared and unpaid dividends on each Series C Preferred Share, less any cash dividends distributed to the holders of the Series C Preferred Shares in accordance with the provisions of these Articles (aggregately for all outstanding Series C Preferred Shares, the "**Preferred C Preference**"). If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series C Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred C Preference, then the proceeds legally available for distribution (after distribution of the Preferred C-1 Preference) shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Third, upon the completion of the distribution of the Preferred C-1 Preference and the Preferred C Preference in accordance with the provisions of the Company's Articles of Association, and out of the remaining proceeds available for distribution to shareholders (if any), the holders of the Series B-2 Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of proceeds to the holders of any other shares of the Company, by reason of their ownership thereof, an amount per share equal to the Original B-2 Issue Price plus an amount equal to eight percent (8%) per annum, compounded annually, from the date of issuance of each such share to the date of the Liquidation Event, plus any declared and unpaid dividends on each Series B-2 Preferred Share, less any cash dividends distributed to the holders of the Series B-2 Preferred Shares in accordance with the provisions of these Articles (aggregately for all outstanding Series B-2 Preferred Shares, the "**Preferred B-2 Preference**"). If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series B-2 Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred B-2 Preference, then the proceeds legally available for distribution (after distribution of the Preferred C-1 Preference and the Preferred C Preference) shall be distributed ratably among the holders of the Series B-2 Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Note 8 - Convertible Preferred Shares (cont'd)

C. **Liquidation preference (cont'd)**

Fourth, upon the completion of the distribution of the Preferred C-1 Preference, the Preferred C Preference and the Preferred B-2 Preference, and out of the remaining proceeds available for distribution to shareholders (if any), the holders of Preferred B Shares shall be entitled to receive, prior and in preference to any distribution of any of the proceeds to the holders of any of the other securities of the Company, by reason of their ownership thereof, an amount per share equal to the Original B Issue Price plus an amount equal to eight percent (8%) per annum, compounded annually, from the date of issuance of each such share to the date of the Liquidation Event, plus any declared and unpaid dividends, less any cash dividends distributed to the holders of the Series B Preferred Shares in accordance with the provisions of these Articles (aggregately for all outstanding Series B Preferred Shares, the "**Preferred B Preference**").

If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series B Preferred Shares and the Non-Voting Series B-1 Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred B Preference, then such proceeds (after distribution of the Preferred B-2 Preference, the Preferred C Preference and the Preferred C-1 Preference) shall be distributed ratably among the holders of the Preferred B Shares and the Non- Voting Series B-1 Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Fifth, upon the completion of the distribution of the Preferred C-1 Preference, the Preferred C

Preference, the Preferred B-2 Preference and the Preferred B Preference in accordance with the provisions of the Company's Articles, and out of the remaining proceeds available for distribution to shareholders (if any), the holders of Series A1 Preferred Shares and Series A2 Preferred Shares shall be entitled to receive, pari passu and prior and in preference to any distribution of any of the proceeds to the holders of any other shares of the Company, by reason of their ownership thereof, an amount per share equal to the Original A1 Issue Price of such Series A1 Preferred Shares and the Original A2 Issue Price of such Series A2 Preferred Shares (as applicable) , plus any declared and unpaid dividends, less any cash dividends distributed to the holders of the Series A1 Preferred Shares and Series A2 Preferred Shares (as applicable) in accordance with the provisions of these Articles (aggregately for all outstanding Series A1 Preferred Shares and Series A2 Preferred Shares, the "**Preferred A1 and A2 Preference**"). If upon the occurrence of such event, the proceeds thus distributed among the holders of the Series A1 Preferred Shares and Series A2 Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred A1 and A2 Preference, then the proceeds legally available for distribution (after distribution of the Preferred C- 1 Preference, the Preferred C Preference, the Preferred B-2 Preference and the Preferred B

Preference) shall be distributed ratably among the holders of the Series A1 Preferred Shares and Series A2 Preferred Shares in proportion to the preferential amounts each such holder is entitled to receive.

Sixth, upon the completion of the distribution in accordance with the provisions of the Company's Articles of Association, the remaining proceeds available for distribution to shareholders shall be distributed among all Shareholders (including, without limitation, the holders of the Preferred Shares) pro rata in proportion to the number of shares of Ordinary Shares held by each holder (on an as converted basis).

D. **Conversion**

Each Preferred Share shall be convertible, at the option of the holder of such share, at any time after the date of issuance of such share, into such number of fully paid and non assessable Ordinary Shares of the Company. The Conversion Price is determined using the conversion ratio by which each class of Preferred Shares is converted into Ordinary shares as set forth in the Articles of Association. No fractional shares shall be issued upon conversion of the Preferred Shares, and the number of Ordinary Shares to be issued shall be rounded to the nearest whole share.

Note 8 - Convertible Preferred Shares (cont'd)

D. **Conversion (cont'd)**

All issued and outstanding Preferred Shares (other than Series C Preferred Shares and Series C-1 Preferred Shares) shall automatically be converted into Ordinary Shares (subject to the Articles of Association)) at the applicable Conversion Price at the time in effect for such Preferred Share upon the earlier of: (i) the closing of a Series B Qualified IPO; and (ii) the written consent of the majority of the issued and outstanding Preferred B-2 Shares and Preferred B Shares (on an as converted basis), provided that such majority includes a certain investor. Per the Articles, a Series B Qualified IPO is defined as an IPO yielding at least $30 million net cash to the Company at a price per share which is at least five times the Original B Issue Price.

All issued and outstanding Series C Preferred Shares shall automatically be converted into Ordinary Shares (subject to the Articles of Association) at the applicable Conversion Price at the time in effect for such Preferred Share upon the earlier of: (i) the closing of a Qualified IPO; and (ii) the written consent of the majority of the issued and outstanding Series C Preferred Shares (on an as converted basis). All issued and outstanding Series C-1 Preferred Shares shall automatically be converted into Ordinary Shares at the applicable Conversion Price at the time in effect for such Preferred Share upon the earlier of: (i) the closing of a Qualified IPO; and (ii) the written consent of the majority of the issued and outstanding Series C-1 Preferred Shares (on an as converted basis). Per the Articles, a Qualified IPO is defined as an IPO yielding at least $40 million net cash to the Company at a price per share which is at least five times the Original C-1 Issue Price.

Classification of Convertible Preferred Shares—The deemed liquidation preference provisions of the convertible preferred shares are considered contingent redemption provisions that are not solely within the Company's control. Accordingly, the convertible preferred shares have been presented outside of permanent equity in the mezzanine section of the consolidated balance sheets.

Anti-Dilution Protection:

Upon the issuance by the Company of any Additional Shares as defined in the Articles of Association, for consideration per share less than the applicable Preferred Conversion Price of such series of Preferred Shares, in effect immediately prior to the time of such issue or sale the Preferred Conversion Price (as such term is defined in the Company's Articles of Association) of any series of Preferred Shares shall be reduced to a number determined by multiplying the applicable Preferred Conversion Price by a fraction, (i) the numerator of which shall be the sum of (A) the number of Ordinary Shares issued and outstanding (on an as converted basis, and treating for this purpose as outstanding all Ordinary Shares issuable upon exercise of options and warrants outstanding immediately prior to such issue or upon conversion or exchange of all convertible securities outstanding (assuming exercise of any options or warrants therefor) immediately prior to such issue) immediately prior to such issuance, plus (B) the number of Ordinary Shares (on as converted basis) which the aggregate consideration received by the Company for the total number of Additional Shares so issued would purchase at such Preferred Conversion Price (in effect prior to the issuance of such Additional Shares), and (ii) the denominator of which shall be the sum of (A) the number of shares of Ordinary Shares outstanding (on an as converted basis, and treating for this purpose as outstanding all Ordinary Shares issuable upon exercise of options and warrants outstanding immediately prior to such issue or upon conversion or exchange of all convertible securities outstanding (assuming exercise of any options or warrants therefor) immediately prior to such issue) immediately prior to such issue, plus (B) the number of such Additional Shares so issued.

Note 9 - Ordinary Shares

Each share of ordinary shares is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of shares outstanding.

The Company issued 3,000 and 6,000 shares against options exercised during 2020 and 2019 respectively.

Note 10 - Shares Option Plan

In January 2007, the Company's Board of Directors adopted the Company Incentive Option Plan (the "Option Plan"). The Option Plan provides for the grant of share options for the purchase of up to 2,547,004 shares of the Company's ordinary shares by officers, employees, consultants and directors of the Company. As of December 31, 2020 there were 276,775 options available for future grant under the Plan.

Under the Option Plan, the Board of Directors is responsible for administration of the Plan. The Board determines the term of each option, the option exercise price and the number of shares for which each option is granted and the vesting schedule of each option.

The options granted both in 2019 and 2020 were to officers, employees, and directors of the Company. All of the options granted to employees in both years vest over a 4-year period, with 25% thereof vesting on the end of a 12-month period following the date of grant, and the remaining 75% thereof vesting in 12 equal portions at the end of each 3-month period thereafter. Options issued to certain directors in 2019 included vesting on a monthly basis over a 24-month period. Certain other directors during 2019 received options that vested 25% on the end of a 12-month period following the date of grant, and the remaining 75% thereof vesting in 8 equal portions at the end of each 3-month period thereafter. Options issued to a certain director in 2020 included vesting on a monthly basis over a 24-month period.

The following is a summary of shares option activity and related information for the year ended December 31, 2020:

Exercise price range	Number outstanding as of December 31, 2020	Weighted average remaining contractual life (in years)	Number exercisable as of December 31, 2020
$0.07-$0.917	2,270,229	5.18	1,345,542

Note 10 - Shares Option Plan (cont'd)

The option allotments are as follows:

	Share Options		Weighted average exercise price
Outstanding - December 31, 2018	1,772,196		
Options exercised	(6,125)	$	0.917
Options granted	766,350	$	0.917
Options forfeited	(662,399)	$	0.917
Outstanding - December 31, 2019	1,870,022		
Options exercised	**(3,000)**	$	0.917
Options granted	**441,500**	$	0.07
Options forfeited	**(38,293)**	$	0.43
Outstanding - December 31, 2020	**2,270,229**		
Exercisable at end of December 31, 2020	1,345,542		
Options available for future grants	276,775		

The Company applies ASC 718 in respect of options granted to employees using the Black-Scholes model and recorded net compensation expense in respect of amortization of $11 thousand and $7 thousand for the years ended December 31, 2020 and 2019, respectively, based on the following parameters:

Volatility	35.05%-41.44%
Risk-free interest rate	0.28%-2.54%
Expected dividends	0 %
Expected life	5.37-6.11

Note 11 - Loan Agreements

In July 2014, the Company entered into a line of credit agreement. The borrowing against the line of credit on December 31, 2019 was $2.0 million of the $4.0 million total allowed under the line of credit. In 2020 the borrowing limit under the line of credit was raised to $7.0 million. The line of credit bears interests at the bank's prime rate plus between 1.25% to 1.75%. The company repaid the loan in December 2020 and had no balance outstanding as of December 31, 2020.

During 2018 the Company entered into a loan agreement with Kreos Capital V LP. According to the agreement, the Company received a loan in the amount of $1.5 million. The loan will be repaid in 36 equal monthly payments of capital and interest of 11.75%. Kreos Capital V LP. has a perfected first priority security interest in all assets of the Company. The loan balance as of December 31, 2020 and 2019 amounted to $456 thousand and $929 thousand respectively (which includes current maturities of $456 thousand and $508 thousand respectively).

Note 12 - Income Tax

A. The Company and its subsidiaries

1. Measurement of taxable income under the Income Tax (Inflationary Adjustments) Law, 1985

2. Corporate tax rate

Capital gains are taxed at the regular corporate tax rates on income in Israel.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, introducing a gradual reduction in corporate tax rate from 25% to 23%. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%. As a result, the corporate tax rate was 24% in 2017 and 23% in 2018 and thereafter.

B. Details regarding the tax environment of the Group

Benefits under the Law for the Encouragement of Capital Investments

1. Beneficiary enterprise

An industrial enterprise of PandoLogic Ltd was granted “Beneficiary Enterprise” status in accordance with the Israeli Encouragement Law. PandoLogic Ltd has elected 2010 as the year of election.

The income generated by the “Beneficiary Enterprise” is exempt from tax over a period of two years and is subject to a reduced rate of company tax for a period of up to 8 years, beginning with the year in which the Company first had taxable income. The tax benefit period of the beneficiary enterprise will end in 2020. The benefits are contingent upon compliance with the terms of the Encouragement Law (export rate, etc.). The Company is currently in compliance with these terms.

A company having a beneficiary enterprise that distributes a dividend from exempt income, will be required in the tax year of the dividend distribution to pay company tax on the amount of the dividend distributed (including the company tax required as a result of the distribution) at the tax rate that would have been applicable to it in the year the income was produced if it had not been exempt from tax.

2. Amendment to the Law for the Encouragement of Capital Investments – 1959

On December 21, 2016 the Knesset plenum passed the second and third reading of the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016 in 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” which award reduced tax rates to a technological industrial enterprise for the purpose of encouraging activity relating to the development of qualifying intangible assets.

The benefits will be awarded to a “preferred company” that has a “preferred technological enterprise” or a “special preferred technological enterprise” with respect to taxable “preferred technological income” per its definition in the Encouragement Law.

Note 12 - Income Tax (cont'd)

Benefits under the Law for the Encouragement of Capital Investments (cont'd)

Amendment to the Law for the Encouragement of Capital Investments – 1959 (cont'd)

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%. A company that owns a special preferred technological enterprise will be subject to a reduced corporate tax rate of 6% regardless of the development area in which the enterprise is located. The Amendment is effective as from January 1, 2017.

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.

The Company elected to apply the benefits of the "preferred technological enterprise" track as of tax year 2021.

C. Deferred income taxes

	Year ended December 31,	
	2020	**2019**
	US$ thousands	**US$ thousands**
Deferred tax assets:		
Deferred tax of provision for doubtful debts	**53**	-
Deferred tax of accrued vacation and convalescence	**31**	-
Deferred tax of operating loss carry forwards	**-**	4,883
Total gross deferred tax assets	**84**	4,883
Less – valuation allowance	**-**	(4,883)
Net deferred tax assets	**84**	-
Deferred tax liability	**-**	-
Net deferred tax liability	**-**	-

The net changes in the total valuation allowance for each of the years ended December 31, 2020 and 2019, are comprised as follows:

Note 12 - Income Tax (cont'd)

C. Deferred income taxes (cont'd)

	Year ended December 31,	
	2020	2019
	US$ thousands	US$ thousands
Balance at beginning of year	**4,883**	4,924
Additions during the year from continuing operations	**(4,883)**	(41)
Balance at end of year	**-**	4,883

In assessing the reliability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences or carry-forwards are deductible.

D. Income tax (expense) benefit included in the consolidated statements of operations are as follows:

	Year ended December 31,	
	2020	2019
	US$ thousands	US$ thousands
Previous year taxes	**(100)**	**-**
Current	**(228)**	(105)
Deferred	**84**	-
Income tax expense	**(244)**	(105)

E. Profit from continuing operations before taxes on income consists of the following:

	Year ended December 31,	
	2020	2019
	US$ thousands	US$ thousands
Israel	**31,857**	143
Non-Israel	**844**	300
	32,701	443

F. Tax assessments:

The Company has final assessments for the year 2015.

G. Theoretical tax:

The main reconciling item from the statutory tax rate of the Company to the effective tax rate are changes in valuation allowances provided for deferred tax assets.

Note 13 - Supplemental Operational Data

A. Research and Development Expenses

	Year ended December 31, 2020	Year ended December 31, 2019
	US$ thousands	US$ thousands
Salaries and related expenses	**4,273**	2,895
Subcontractors and consulting	**229**	62
Office rent and maintenance	**110**	153
Computer services	**138**	77
Communication	**3**	6
Car maintenance	**89**	96
Depreciation	**55**	66
Other	**113**	124
	5,010	3,479

B. Sales and Marketing Expenses

	Year ended December 31, 2020	Year ended December 31, 2019
	US$ thousands	US$ thousands
Salaries and related expenses	**4,116**	2,517
Professional Service	**79**	49
Sales incentive	**37**	124
Office rent and maintenance	**310**	203
Computer services	**109**	138
Advertising	**438**	155
Communication	**33**	26
Travel expenses	**17**	99
Depreciation	**55**	21
Other	**41**	25
	5,235	3,357

Note 13 - Supplemental Operational Data (cont'd)

C. General and Administrative Expenses

	Year ended December 31, 2020 US$ thousands	Year ended December 31, 2019 US$ thousands
Salaries and related expenses	**1,775**	1,037
Professional services	**294**	178
Office supply	**16**	13
Communication	**9**	14
Office rent and maintenance	**46**	95
Computer services	**229**	66
Travel expenses	**17**	27
Insurances	**31**	27
Depreciation	**4**	9
Doubtful and bad debts	**474**	190
Other	**90**	123
	2,985	1,779

Note 14 - Finance Expenses, net

	Year ended December 31, 2020 US$ thousands	Year ended December 31, 2019 US$ thousands
Exchange rate differences, net	**25**	82
Expenses from interest	**190**	224
Finance expenses, net	**215**	306

Note 15 - Subsequent Events

On May 20, 2021 the Company acquired the assets and certain liabilities of Wade & Wendy, a privately-owned, Delaware corporation for approximately $6 million plus an additional $4 million in potential milestone payments. The purchase price was comprised of cash, preferred junior A shares and ordinary shares of the Company. The potential milestone payments would be based on certain performance provisions which if fully met would result in the issuance of up to 136,820 in preferred junior A shares of the Company and up to 45,607 ordinary shares. The preferred junior A class of shares were newly issued in conjunction with the transaction. The preferred junior A shares are non-participating and, after the completion of distribution of any proceeds to all other classes of preferred stock, would be entitled to receive, prior and in preference to any distribution of any of the proceeds to the holders of Ordinary Shares of the Company. The acquisition will be accounted for as a business combination.

PandoLogic Ltd.

Interim Condensed Consolidated Financial Statements As of June 30, 2021 (Unaudited)

Interim Condensed Consolidated Financial Statements as of June 30, 2021

Contents

Interim Condensed Consolidated Balance Sheets as of

	Note	June 30, 2021 (Unaudited) US$ thousands	December 31, 2020 (Audited) US$ thousands
Assets			
Current assets			
Cash and cash equivalents		**25,580**	6,624
Trade receivable		**27,668**	44,249
Other receivables		**797**	696
Total current assets		**54,045**	51,569
Long-term deposits		**97**	53
Property and equipment, net		**620**	309
Intangible assets, net	5	**2,141**	-
Goodwill	5	**3,410**	-
Total assets		**60,313**	51,931

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

Interim Condensed Consolidated Balance Sheets as of

	Note	June 30,2021 (Unaudited) US$ thousands	December 31,2020 (Audited) US$ thousands
Liabilities, convertible preferred shares and shareholders' equity Current liabilities			
Short term loan and current maturities of long-term loan		**94**	456
Trade payables		**13,244**	14,838
Contingent consideration in respect of acquisition	5	**1,156**	-
Other payables and accruals		**4,375**	2,690
Total current liabilities		**18,869**	17,984
Contingent consideration in respect of acquisition	5	**122**	-
Total long-term liabilities		**122**	-
Convertible preferred shares and shareholders' equity			
Series Preferred Junior A shares, NIS 0.01 par value 133,796 shares authorized, issued and outstanding on June 30, 2021 and zero on December 31, 2020		**1**	-
Series A1 preferred shares, NIS 0.01 par value; 13,667 shares authorized, issued and outstanding on June 30, 2021 and December 31, 2020 (liquidation preference of $117 thousand on June 30, 2021 and December 31, 2020)		**117**	117
Series A2 preferred shares, NIS 0.01 par value; 44,528 shares authorized, issued and outstanding on June 30, 2021 and December 31, 2020 (liquidation preference of $380 thousand on June 30, 2021 and December 31, 2020)		**380**	380
Series B preferred shares, NIS 0.01 par value; 1,471,769 shares authorized, 1,170,569 shares issued and outstanding on June 30, 2021 and December 31, 2020 (liquidation preference of $7,557 thousand on June 30, 2021 and December 31,2020)		**3,222**	3,222
Series B-2 preferred shares, NIS 0.01 par value; 992,025 shares authorized; 910,403 shares issued and outstanding on June 30, 2021 and December 31, 2020, (liquidation preference of $5,540 thousand on June 30, 2021 and December 31, 2020)		**2,900**	2,900
Series C preferred shares, NIS 0.01 par value; 1,977,140 shares authorized; 1,903,168 shares issued and outstanding on June 30, 2021 and December 31, 2020 (liquidation preference of $12,432 thousand on June 30, 2021 and December 31, 2020,)		**6,548**	6,548
Series C-1 preferred shares, NIS 0.01 par value; 1,452,755 shares authorized; issued and outstanding on June 31, 2021 and December 31, 2020 (liquidation preference of $12,706 thousand on June 30, 2021 and December 31,2020)		**7,950**	7,950
Total convertible preferred shares		**21,118**	21,117
Ordinary shares, NIS 0.01 par value; 12,515,103 shares authorized on June 30 and 9 December 31, 2020 and 1,083,577 shares issued and outstanding on June 30, 2021 and December 31, 2020	9	**3**	3
Additional paid-in capital		**11,806**	9,531
Retained earnings		**8,395**	3,296
Total shareholders' equity		**20,204**	12,830
Total convertible preferred shares and shareholder's equity		**41,322**	33,947
Total liabilities and convertible preferred shares and shareholders' equity		**60,313**	51,931

DocuSigned by:
/s/ Terry Baker
Terry Baker – Chief Executive Officer
September 9, 2021

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

Interim Condensed Consolidated Statements of Operations

	Note	For the six months ended June 30, 2021 (Unaudited) US$ thousands	2020 (Unaudited) US$ thousands
Revenues		**20,501**	10,115
Operating expenses:			
Cost of revenues		**942**	506
Research and development		**3,856**	1,947
Sales and marketing		**5,493**	1,622
General and administrative		**3,416**	855
Total operating expenses		**13,707**	4,930
Profit from operations		**6,794**	5,185
Finance expenses, net		**19**	71
Profit before taxes on income		**6,775**	5,114
Taxes on income		**1,676**	12
Net profit		**5,099**	5,102

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

Interim Condensed Consolidated Statement of Changes in Convertible Preferred Shares and Shareholders' Equity (Deficit)

	Convertible preferred shares		Ordinary shares		Additional paid-in capital	Retained earnings (accumulated deficit)	Total shareholders' equity/ (deficit)
	Number of shares	US$ thousands	Number of shares	US$ thousands	US$ thousands	US$ thousands	US$ thousands
Six-month period ended June 30, 2021 (Unaudited)							
Balance at January 1, 2021	**5,495**	**21,117**	**1,084**	**3**	**9,531**	**3,296**	**12,830**
Share-based compensation	-	-	-	-	9	-	9
Issuance of Preferred Junior A shares (*)	134	1	-	-	2,266	-	2,266
Net profit	-	-	-	-	-	5,099	5,099
Balance at June 30, 2021	**5,629**	**21,118**	**1,084**	**3**	**11,806**	**8,395**	**20,204**
Six-month period ended June 30, 2020 (Unaudited)							
Balance at January 1, 2020	5,495	21,117	1,081	3	9,517	(29,161)	(19,641)
Share-based compensation	-	-	-	-	5	-	5
Net profit	-	-	-	-	-	5,102	5,102
Balance at June 30, 2020	**5,495**	**21,117**	**1,081**	**3**	**9,522**	**(24,059)**	**(14,534)**

* See Note 5

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

Interim Condensed Consolidated Statements of Cash Flows

	For the six months ended June 30, 2021	2020
	(Unaudited)	(Unaudited)
	US$ thousands	US$ thousands
Cash flows from operating activities		
Net profit	**5,099**	5,102
Adjustments to reconcile net profit to net cash flows provided by operating activities:		
Finance expenses, net	**19**	71
Tax expenses	**1,676**	12
Depreciation	**118**	42
Share based compensation	**9**	5
Decrease (increase) in trade receivables	**16,581**	(7,191)
Decrease in other receivables	**28**	717
(Decrease) increase in trade payables	**(1,596)**	1,600
Increase (decrease) in other payables and accruals	**764**	(129)
Interest expense paid	**(8)**	(78)
Taxes paid	**(899)**	(12)
Net cash - operating activities	**21,791**	139
Cash flows used in investing activities		
Acquisition of W&W (See Note 5)	**(2,000)**	-
Changes in long-term deposits, net	**(44)**	(4)
Acquisition of property and equipment	**(418)**	(80)
Net cash - investing activities	**(2,462)**	(84)
Cash flows from (used in) financing activities		
Changes in short term loans	**-**	1,500
Repayment of long-term loan	**(354)**	(173)
Net cash - financing activities	**(354)**	1,327
Increase in cash and cash equivalents	**18,975**	1,382
Cash and cash equivalents at the beginning of the period	**6,624**	1,321
Exchange differences on balances of cash and cash equivalents	**(19)**	(36)
Cash and cash equivalents at end of the period	**25,580**	2,667

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

Note 1 - Nature of the Business

PandoLogic Ltd. along with its Subsidiaries (the "**Company**"), is a leading recruitment technology company that specializes in performance-based recruitment solutions, delivering the first truly programmatic solution for the recruitment industry. PandoLogic brings the advantages and efficiencies of programmatic technology to the recruitment industry through a comprehensive offering that includes AI and machine learning powered programmatic campaign management, predictive campaign analytics, and access to many hundreds of job posting sites. Each application is built on PandoLogic's proprietary taxonomy which delivers industry leading performance. Through this unique offering, PandoLogic delivers superior recruitment results, reducing cost, improving time to hire and providing visibility of key data metrics in the sourcing process.

PandoLogic was founded in 2007 to serve internet job boards, providing white-label job site software to the publishing industry. The Company's unique foundation has provided it with over 10 years of historical job campaign data, which cannot be replicated by new competitors. Recruitment data from millions of job campaigns throughout the Company's history has delivered scale to its robust taxonomy, which is constantly refined by machine learning and natural language processing. As the recruitment landscape evolved, PandoLogic expanded its product offering beyond job site software, building programmatic and predictive solutions to efficiently connect employers and qualified job seekers in innovative ways. PandoLogic's mission is to make online recruitment advertising, an efficient and results-driven process for employers.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the financial statements, applied on a consistent basis, are as follows:

A. Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with US generally accepted accounting principles ("GAAP") for interim financial information. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP have been condensed or omitted, and accordingly the balance sheet as of December 31, 2020, and related disclosures, have been derived from the audited consolidated financial statements at that date but do not include all of the information required by GAAP for complete consolidated financial statements.

B. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, PandoLogic Inc. All intercompany accounts and transactions have been eliminated in consolidation.

Note 2 - Summary of Significant Accounting Policies (cont'd)

C. Unaudited Interim Condensed Consolidated Financial Statements

The accompanying interim condensed consolidated balance sheet as of June 30, 2021, the interim condensed consolidated statements of operations, of cash flows, and of changes in convertible preferred shares and shareholders' equity (deficit) for the six months ended June 30, 2021 and 2020, and the related notes to such interim condensed consolidated financial statements are unaudited. In management's opinion, the unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the annual consolidated financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of June 30, 2021 and its results of operations and cash flows for the six months ended June 30, 2021 and 2020. The results of operations for the six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the full year or any other future interim or annual period. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2020.

D. Use of estimates

The preparation of the Company consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to assessing the fair value of the Company's ordinary shares.

The Company bases these estimates on historical and anticipated results, trends and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from those estimates.

Note 3 - Financial Instruments

Fair value of financial instruments:

Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, relating to fair value measurements, defines fair value and established a framework for measuring fair value. ASC 820 fair value hierarchy distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price. In addition, the fair value of assets and liabilities should include consideration of non-performance risk, which for the liabilities described below includes the Company's own credit risk.

Note 3 - Financial Instruments (cont'd)

Fair value of financial instruments: (cont'd)

In accordance with ASC 820 when measuring the fair value, an entity shall take into account the characteristics of the asset or liability if a market participant would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include, for example:

a. The condition and location of the asset.

b. Restrictions, if any, on the sale or the use of the asset.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2021 and December 31, 2020, the carrying value of cash and cash equivalents, trade receivable, other receivables, short term loan and current maturities of long-term loan, trade payables, other payables and accruals approximates fair value due to the short-term nature of such instruments and the ability to obtain financing on similar terms.

The fair value of the Company's contingent consideration for which a liability is recorded is measured on a recurring basis as a Level 3 measurement, and the change in fair value is recognized in general and administrative expense in the consolidated statements of operations. Refer also to Note 5.

Note 4 - Stock Based Compensation

During the six months ended June 30, 2021, 120,500 options were granted, all to employees of the Company with a total fair value of $218,105. All of the options granted to employees during this period vest over a 4-year period, with 25% thereof vesting on the end of a 12-month period following the date of grant, and the remaining 75% thereof vesting in 12 equal portions at the end of each 3-month period thereafter.

Note 5 - Business Combinations

On May 20, 2021 the Company acquired the assets and certain liabilities of Wade & Wendy, a privately-owned Delaware corporation for approximately $4 million plus an additional $4 million in potential milestone payments. Wade & Wendy is an AI recruiting provider and the acquisition positions PandoLogic as a programmatic advertising provider that can define a quality applicant without the inherent bias that results from human intervention. The acquisition will accelerate the adoption of programmatic job advertising as a best practice by combining PandoLogic's performance with Wade & Wendy's AI power for candidate engagement and qualification.

The purchase price was comprised of cash, preferred junior A shares and ordinary shares of the Company. The potential milestone payments would be based on revenue performance provisions which if fully met would result in the issuance of up to 136,820 in preferred junior A shares of the Company. The preferred junior A class of shares were newly issued in conjunction with the transaction. The preferred junior A shares are non-participating and, after the completion of distribution of any proceeds to all other classes of preferred shares, would be entitled to receive, prior and in preference to any distribution of any of the proceeds to the holders of Ordinary Shares of the Company. The acquisition was accounted for as a business combination.

Certain of Wade & Wendy employees will receive a retention bonus as compensation in return for future employment. This compensation was accounted for as share based compensation under ASC 718. Part of the consideration will be fully vested on the date of change in control in PandoLogic Ltd., and the rest will be vested upon meeting the revenue milestones of the earnout mechanism. No share-based compensation expenses were recorded as of June 30, 2021 since no vesting has occurred.

The following table summarizes the consideration paid for the acquisition and the preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed:

(In US$ thousands)	
Consideration:	
Cash	2,000
Issuance of preferred Junior A shares	2,267
Fair value of contingent consideration	1,278
Fair value of total consideration transferred	**5,545**
Trade and other receivables	127
Property and equipment	11
Backlog	152
Technology	1,989
Goodwill	3,410
Deferred revenue	(144)
Purchase price	**5,545**

Note 5 - Business Combinations (cont'd)

The fair values assigned to assets acquired and liabilities assumed are based on management's best estimates and assumptions as of the reporting date and are considered preliminary pending finalization of the valuation analyses pertaining to assets acquired and liabilities assumed, which primarily relate to acquired intangible assets and contingent consideration. The goodwill arising from the acquisition consists largely of the synergies expected from combining the operations of Wade & Wendy. We expect to finalize the valuation as soon as practicable, but not later than one year from the acquisition date. We recognized goodwill of $3,410 thousand, which consists largely of workforce and synergies with our existing business. The goodwill is deductible for tax purposes

Acquisition-related intangible assets are generally amortized using the straight-line method over their estimated useful lives, currently from 1 to 6 years. Amortization expenses during the reporting period were immaterial. As a result of the short period from the acquisition until June 30, 2021 and no new information following closing of the transaction, there was no significant change in the fair value of the contingent consideration.

The results of operations of Wade & Wendy and the preliminary fair value of the assets acquired and liabilities assumes have been included in our Interim Condensed Consolidated Financial Statements since the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to our Interim Condensed Consolidated Statements of Operations.

Note 4 - Subsequent Events

On July 21, 2021 the Company entered into a definitive agreement to be acquired by Veritone, Inc. ("Veritone"), a Delaware corporation, that is a NASDAQ exchange listed company (VERI) pursuant to an Agreement and Plan of Merger (the "Merger Agreement") by and among the Company, Veritone and Melisandra Ltd ("Merger Sub"), a company incorporated under the laws of the State of Israel and a wholly owned subsidiary of Veritone. The Merger Agreement provides that the Merger Sub will merge with and into the Company (the "Merger" and together with the other transactions related thereto, the "Transactions"), with the Company surviving the Merger as a wholly-owned subsidiary of Veritone. The Merger Agreement contains customary representations and warranties, covenants, closing conditions, termination provisions and other terms relating to the Transactions.

During the period between the date of the Merger Agreement and the completion of the transactions contemplated by the Merger Agreement (or, if earlier, the termination of the Merger Agreement), the Company has agreed to conduct its business in the ordinary course of business consistent with past practice, including keeping available the services of certain key employees and preserving relationships with its major customers and suppliers. PandoLogic has also agreed not to take certain actions prior to the completion of the transactions contemplated by the Merger Agreement (or, if earlier, the termination of the Merger Agreement) without the prior written consent of Veritone.

Exhibit99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information is presented to aid you in your analysis of the financial aspects of the completed acquisition of PandoLogic, Ltd. (“PandoLogic”) by Veritone, Inc. (“Veritone”).

The following unaudited pro forma condensed combined financial information presents the combination of the financial information of PandoLogic and Veritone adjusted to give effect to the acquisition. The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses”. The unaudited pro forma condensed combined balance sheet as of June 30, 2021 combines the historical balance sheet of PandoLogic and the historical balance sheet of Veritone on a pro forma basis as if the acquisition, summarized below, had been consummated on June 30, 2021. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020, and the six months ended June 30, 2021, combine the historical statements of operations of PandoLogic and Veritone for such periods as if the acquisition, summarized below, had been consummated on January 1, 2020, the beginning of the earliest period presented.

The following unaudited pro forma condensed combined balance sheet as of June 30, 2021, the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020, and the unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021 are based on the historical financial statements of PandoLogic and Veritone. The unaudited pro forma adjustments are based on information currently available, assumptions, and estimates underlying the pro forma adjustments and are described in the accompanying notes. Actual results may differ materially from the assumptions used to present the accompanying unaudited pro forma condensed combined financial information.

This information should be read together with the accompanying notes to the unaudited pro forma condensed combined financial statements included herein, the PandoLogic and Veritone unaudited and audited financial statements and related notes.

VERITONE, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of June 30, 2021

(Dollars in thousands)

	Historical		Transaction Accounting Adjustments		
	As of June 30, 2021				As of June 30, 2021
	Veritone, Inc. (As reported)	PandoLogic (Historical) After Reclassifications	Total PPA Step Up Adjustments	Total Pro Forma Adjustments	Pro Forma Combined
ASSETS					
Cash and cash equivalents	$ 120,627	25,580	(58,733) (a)	-	87,474
Accounts receivable, net	19,518	27,668 (b)	-	-	47,186
Expenditures billable to clients	20,783		-	-	20,783
Prepaid expenses and other current assets	8,944	797 (c)	-	-	9,741
Total current assets	169,872	54,045	(58,733)	-	165,184
Property, equipment and improvements, net	479	620	-	-	1,099
Intangible assets, net	8,587	2,141	83,859 (d)	-	94,587
Goodwill	6,904	3,410	2,205 (e)	-	12,519
Long-term restricted cash	855		-	-	855
Other assets	230	97	1,156 (f)	-	1,483
Total assets	$ 186,927	60,313	28,487	-	275,727
LIABILITIES AND STOCKHOLDERS' EQUITY			-	-	-
Accounts payable	$ (16,174)	(13,244) (g)	-	-	(29,418)
Accrued media payments	(68,266)		-	-	(68,266)
Client advances	(7,638)		-	-	(7,638)
Contingent Consideration short term		(1,156)	(17,867) (h)	-	(19,023)
Other accrued liabilities	(12,633)	(4,469)	(11,909) (i)	(1,426) (j)	(30,437)
Total current liabilities	(104,711)	(18,869)	(29,776)	(1,426)	(154,782)
Contingent Consideration long term			(8,533) (h)	-	(8,533)
Other non-current liabilities	(1,989)	(122)	-	-	(2,111)
Total liabilities	(106,700)	(18,991)	(38,309)	(1,426)	(165,426)
Commitments and contingencies			-	-	-
Stockholders' equity			-	-	-
Convertible Preferred Shares		(21,118)	21,118 (k)	-	-
Common stock	(33)	(3)	3 (k)	-	(33)
Additional paid-in capital	(403,768)	(11,806)	(19,694) (k)	-	(435,268)
Accumulated deficit / (retained earnings)	323,647	(8,395)	8,395 (k)	1,426 (j)	325,073
Accumulated other comprehensive income	(73)		-	-	(73)
Total stockholders' equity	(80,227)	(41,322)	9,822	1,426	(110,301)
Total liabilities and stockholders' equity	$ (186,927)	(60,313)	(28,487)	-	(275,727)

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE30, 2021

(in thousands, except share and per share data)

	Historical		Transaction Accounting Adjustments		
	Veritone, Inc. (As reported) Six Months Ended June 30, 2021	PandoLogic (Historical) After Reclassifications Six Months Ended June 30, 2021	PPA Step Up	Pro Forma Adjustments	Veritone, Inc. Pro Forma Combined
Revenue	$ 37,501	20,501			58,002
Operating expenses:	-	-			-
Cost of revenue	10,054	942			10,996
Sales and marketing	11,680	5,448 (m)			17,128
Research and development	9,606	3,791 (m)			13,397
General and administrative	47,187	3,408 (m)	875 (l)		51,470
Amortization	2,157	118	7,168 (m)	-	9,443
Total operating expenses	80,684	13,707	8,043	-	102,434
Loss from operations	(43,183)	6,794	(8,043)		(44,432)
Other expense, net	(22)	19			(3)
Finance expense, net		-			-
Loss before provision for income taxes	(43,205)	6,775	(8,043)	-	(44,473)
Provision for income taxes	77	1,676	(965) (n)	-	788
Net loss	$ (43,282)	5,099	(7,078)	-	(45,261)
Net loss per share:					
Basic and diluted	$ (1.33)				(1.32)
Weighted average shares outstanding:	-				
Basic and diluted	32,458,269				34,163,091 (o)
Comprehensive loss:					
Net loss	$ (43,282)				(45,261)
Foreign currency translation gain, net of income taxes	7				7
Total comprehensive loss	$ (43,275)				(45,254)

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands, except share and per share data)

	Historical		Transaction Accounting Adjustments		
	Veritone, Inc. (As reported) For Year Ended December 31, 2020	PandoLogic (Historical) After Reclassifications For Year Ended December 31, 2020	PPA Step Up	Pro Forma Adjustments	Veritone, Inc. Pro Forma Combined
Revenue	$ 57,708	47,386			105,094
Operating expenses:		-			-
Cost of revenue	15,663	1,240			16,903
Sales and marketing	19,877	5,180 (m)			25,057
Research and development	14,379	4,955 (m)			19,334
General and administrative	50,080	2,981 (m)	3,000 (l)	1,426 (j)	57,487
Amortization	5,382	114	14,457 (m)	-	19,953
Total operating expenses	105,381	14,470	17,458	1,426	138,735
Loss from operations	(47,673)	32,916	(17,458)	1,426	(33,641)
Other (expense) income, net	(127)	215			88
Loss before provision for (benefit from) income taxes	(47,800)	32,701	(17,458)	1,426	(31,131)
Provision for (benefit from) income taxes	76	244	(2,095) (n)	(171) (n)	(1,946)
Net loss	$ (47,876)	32,457	(19,553)	1,255	(33,717)
Net loss per share:					
Basic and diluted	$ (1.73)				(1.15)
Weighted average shares outstanding:	-				
Basic and diluted	27,594,911				29,299,733 (o)
Comprehensive loss:					
Net loss	(47,876)				(33,717)
Unrealized gain on marketable securities, net of income taxes	—				—
Foreign currency translation gain (loss), net of income taxes	20				20
Total comprehensive loss	$ (47,856)				(33,697)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(Amounts in thousands, except per share data)

Note 1. Description of the Transaction

On September 14, 2021, the Company acquired 100% of PandoLogic., a company incorporated under the laws of the state of Israel, pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated as of July 21, 2021. PandoLogic is a leading provider of intelligent hiring solutions and utilizes its proprietary platform to accelerate the time and improve the efficiency in the process for employers hiring at scale for both mass market and difficult-to-source candidates. PandoLogic's fully autonomous recruiting platform helps employers source talent faster and more efficiently with predictive algorithms, machine learning and AI.

The total purchase consideration for PandoLogic was $116,633 (the "Merger Consideration"), whichconsisted of upfront consideration of $58,733 in cash and $31,500 for the fair value of the Company's 1,704,822 shares of common stock, and up to $65,000 in contingent consideration based on achieving certain earnouts tied to financial performance of PandoLogic in fiscal 2021 and 2022, which amount will be paid in a combination of cash and common stock (the "Earnout"). The total purchase consideration is preliminary and subject to net working capital adjustments that the Company expects to finalize and settle in the measurement period. The Company utilized a Monte Carlo simulation model to estimate the fair value of a portion of the Earnout. The fair value of the Earnout was estimated to be $30,000 as of September 14, 2021, $26,400 of which was deemed to be purchase consideration and recorded within contingent consideration short term and contingent consideration long term on the condensed consolidated balance sheet. The remaining $3,600 will be recognized as compensation expense over the earnout period in the general & administrative expenses on the condensed consolidated statement of operations and comprehensive loss. Subsequent to the acquisition date, the Company is required to reassess its estimate of the fair value of the Earnout, including certain future Earnout obligations triggered on employment status of certain PandoLogic management, and record any changes in earnings when the estimate is based on information not known as of the acquisition date. The Company incurred $2,161 million in acquisition related expenses and has recorded them in general & administrative expenses in the condensed consolidated statement of operations and comprehensive loss.

Note 2. Basis of Presentation

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method in accordance with Financial Accounting Standards Board Accounting Standards Codification 805, Business Combinations ("ASC 805"). Under the acquisition method of accounting, the Company allocates the purchase price of a business acquisition based on the fair value of the identifiable tangible and intangible assets. Goodwill is recognized to the extent that the purchase consideration exceeds the assets acquired and liabilities assumed. The Company uses its best estimate and third party valuation specialists to determine the fair value of the assets acquired and liabilities assumed. During the measurement period, which can be up to one year after the acquisition date, the Company can make adjustments to the fair value of the assets acquired and liabilities assumed, with the offset being an adjustment to goodwill.

Note 3. Accounting Policies

The unaudited pro forma condensed combined financial statements do not reflect any differences in accounting policies. Veritone has completed the review of PandoLogic accounting policies and has concluded that differences between the accounting policies of the two companies are not material. However, historically PandoLogic classified certain line items under different line item names. These differences in classification were addressed in the accompanying unaudited proforma condensed combined Statement of Operations and is described in Note 6 and in the unaudited proforma condensed combined Balance Sheet and is described in Note 5.

Note 4. Estimate of Consideration Transferred and Preliminary Purchase Price Allocation

The table below represents the preliminary purchase price allocation based on estimates, assumptions, valuations and other analyses as of September 30, 2021, that have not been finalized in order to make a definitive allocation. Accordingly, the pro forma adjustments to allocate the purchase consideration will remain preliminary until management finalizes the fair values of assets acquired and liabilities assumed. The final amounts allocated to assets acquired and liabilities assumed are dependent upon certain valuations and other studies that have not yet been completed, and as previously stated could differ materially from the amounts presented in the unaudited pro forma condensed combined financial statements.

The total preliminary estimated purchase consideration as shown in the table above is allocated to the tangible and intangible assets and liabilities of PandoLogic based on their estimated fair values as if the Acquisition had occurred on June 30, 2021, which is the assumed acquisition date for purposes of the unaudited pro forma condensed combined balance sheet:

Acquisition Consideration:		
Cash consideration at closing	$	58,733
Equity consideration at closing		31,500
Contingent earn-out		26,400
Total	$	116,633
Preliminary estimate of purchase price allocation		
Cash	$	25,580
Accounts receivable		27,668
Prepaid and other current assets		797
Property and equipment		620
Intangible assets		86,000
Other assets		1,253
Total assets acquired		141,918
Accounts payable		13,244
Accrued expenses and other current liabilities		5,747
Deferred tax liability		11,909
Total liabilities assumed		30,900
Identifiable net assets acquired		111,018
Goodwill		5,615
Total preliminary purchase consideration	$	116,633

The fair value of the intangible assets has been estimated using a combination of the income and cost approaches. Under the income approach, the after-tax cash flows associated with the asset are discounted to present value. The key assumptions include the Company's estimates of the projected cash flows and discount rates. Under the cost approach, the replacement cost is used to estimate the value of the asset. The key assumptions include the Company's estimates of the direct and indirect costs required to replace the asset. The valuation of the intangible assets acquired from PandoLogic along with their estimated useful lives, is as follows (in thousands):

		Estimated Fair Value	Estimated Useful Lives (in years)
Customer relationships		68,000	7
Developed technology		16,000	4
Trade name		2,000	5
Total intangible assets	$	86,000	

The preliminary purchase price allocation above, which is as of the acquisition date of September 30, 2021, has been used to prepare the transaction accounting adjustments in the unaudited pro forma condensed combined balance sheet and unaudited pro forma condensed combined statement of operations.

Note 5. Notes to Unaudited Pro Forma Condensed Combined Balance Sheet

(a) Cash consideration transferred

Represents the adjustment to record the cash portion of the consideration of $58.7 million

(b) Accounts Receivable

To Reclassify “Trade Receivable” to “Accounts Receivable” of $27.7 million

(c) Prepaid expenses and other current assets

To Reclassify “Other Receivables” to “Prepaid expenses and other current assets” of $0.8 million

(d) Intangible assets

Represents the adjustment to record the intangible assets at their estimated fair value of $86 million Represents the adjustment to record the purchase price paid in excess of the preliminary estimated fair value of assets acquired and liabilities assumed. See Note 4 for further details on the purchase price allocation and goodwill. Adjustment is offset by elimination of historical intangibles of $2.1 million

(e) Goodwill

Represents the adjustment to record the purchase price paid in excess of the preliminary estimated fair value of assets acquired and liabilities assumed as of June 30, 2021 and elimination of PandoLogic’s pre-acquisition goodwill. See Note 4 for further details on the purchase price allocation and goodwill.

(f) Other assets

To Reclassify “Long Term Deposits” to “Other assets” of $0.1 million

Represents the adjustment to recognize indemnification assets for escrowed contingent earnout.

(g) Accounts Payable

To Reclassify “Trade payables” to “Accounts payable” of $13.2 million

(h) Contingent consideration

Represents the adjustment to recognize contingent consideration earnout of $17.9 million in short term and $8.5 million in long term

(i) Other accrued liabilities

Represents the adjustment to recognize deferred tax liability of $11.9 million

(j) Transaction costs

Represents the adjustment to record estimated remaining transaction costs of $1.4 million that were not previously recorded in the historical combined financial statements. This is a non-recurring adjustment. It has been included in the Statement of Operations in the 12 months ended December 31, 2020.

(k) Equity

Represents the adjustment to eliminate historical equity of $21.1 million convertible preferred shares, $11.8 million additional paid-in capital and $8.4 million retained earnings offset by the recognition of the fair value of Veritone equity issued in connection with the transaction of $31.5 million.

Note 6. Notes to Unaudited Pro Forma Condensed Combined Statement of Operations

The following is a description of preliminary transaction accounting adjustments reflected in the unaudited pro forma condensed combined statement of operations.

(l) General & administrative

Represents the adjustment to recognize post acquisition recognition of the portion of contingent consideration that is deemed compensation of $0.9 million in the six months ended June 30, 2021 and $3.0 million in the twelve months ended December 31, 2020 respectively

(m) Amortization

Represents

the adjustment to recognize post acquisition recognition of amortization expense of intangible assets recognized in the transaction of $7.2 million in the six months ended June 30, 2021 and $14.6 million in the twelve months ended December 31, 2020 and as well as removing historical amortization of $0.1 million related to retired assets from each period.

To Reclassify from “Sales & marketing”, “Research and Development”, and “General & administrative” to “Amortization” of $0.1 million

(n) Income Tax

The adjustment reflects the tax effect of the transaction accounting adjustments as well as the tax provision of $1.0 million in the six months ended June 30, 2021 and $2.1 million in the twelve months ended December 31, 2020 based on the historical PandoLogic income before provision for income taxes. The estimate was determined based on the combined federal and state statutory tax rate in effect during the period presented.

(o) Shares outstanding

Represents the adjustment to recognize shares issued in conjunction with the transaction of 1.7 million