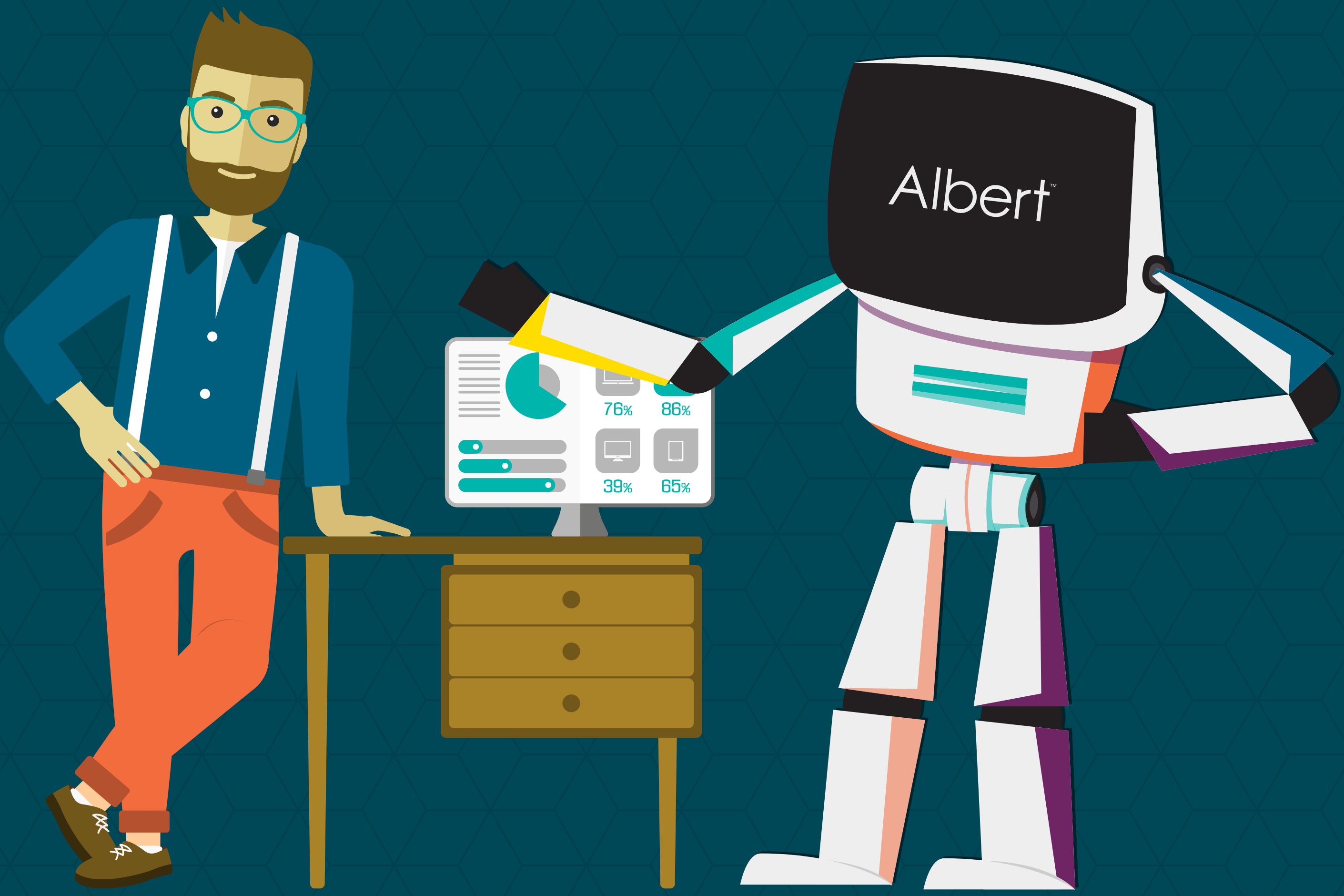
Albert™

Annual Report

for the year ended 31 December 2017



ALBERT, THE WORLD'S FIRST FULLY AUTONOMOUS DIGITAL MARKETER

Albert drives digital marketing campaigns from start to finish for some of the world's leading brands, liberating businesses from the data and technology complexities of digital marketing.

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COMPANY AT A GLANCE

Albert Technologies Ltd. (formerly Adgorithms Ltd.) was founded in 2010 by Or Shani, the Company's CEO, and is headquartered in Tel Aviv, Israel. Having worked for leading online advertising companies such as Online365 (now WebForce), and recognising the limitations of manual campaign management and changing market dynamics, Or's vision was to develop an intelligent, software-based solution to make the process more efficient. And so Albert – our artificial intelligence-based marketing platform – was born!

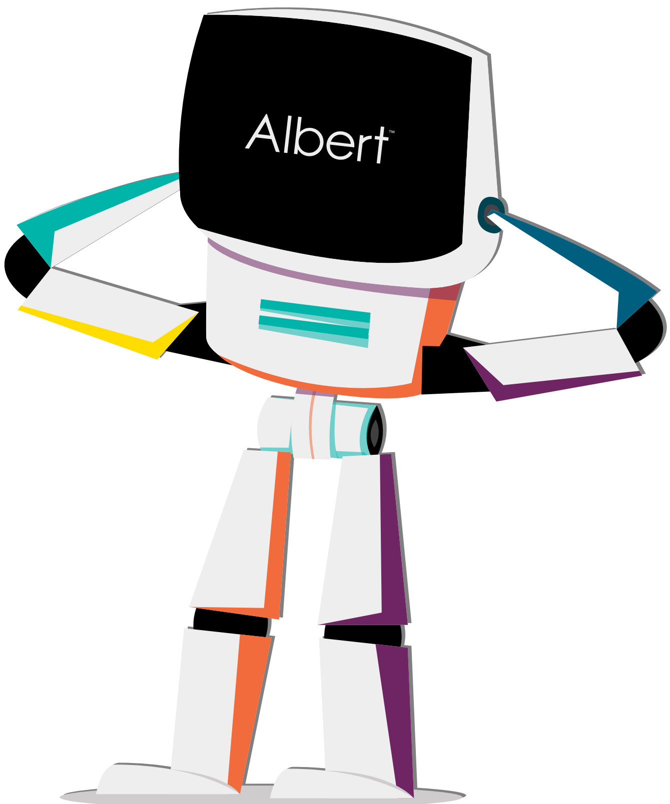
We employ software engineers and experts in the fields of artificial intelligence, data analysis, statistics, applied mathematics and behavioral sciences to develop our software. Among the team members are a few former employees of the Israeli Army Elite Cyber Security Intelligence Unit, an organisation into which only a small number of the country's most talented individuals are recruited each year (one of whom is Tomer Naveh, our CTO).

Following eight years of research, development and investment, Albert is now being sold and marketed as an enterprise grade SaaS platform. Albert offers a single multi-channel end-to-end digital marketing solution from media buying to execution, optimization and analysis.

Albert replaces the human campaign manager in managing brands' online advertising campaigns. A brand provides Albert with access to its Google, Facebook, Bing, Twitter and other online marketing channels. When a brand manager wishes to launch a new online advertising campaign, all that is needed is to simply log into Albert and deploy that new campaign, which is usually no more than a 15-minute task.

Albert autonomously creates thousands of micro campaigns across all relevant online marketing channels then reviews these micro campaigns every few minutes and optimises each of them as needed. Albert works in very much the same way that a human campaign manager would, making correlation and cost/benefit-based decisions.

Where an experienced campaign manager could possibly make circa 100 decisions per day, Albert can make thousands per minute. Albert's ability to launch hundreds of micro strategies and review and amend them all every few minutes typically brings about a significant increase in ROI. In addition, all learnings from the decisions made remain in-house, giving the brand full transparency of its own data, enabling it to easily scale up marketing activities through larger budgets or applications to new brands and new geographies, without hiring new expert campaign managers.



FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial Highlights, continuing operations (SaaS)

- Revenues increased 8x to $1.7m (2016: $0.2m)
- Monthly recurring revenues (MRR) increased 9x to $0.3m in December 2017 (December 2016: $0.03m)
- 6x increase in average monthly revenue per customer during the period December 2016 to December 2017
- Adjusted EBITDA* loss from continuing operations of $11.4m (2016: $8.4m)
- Operating loss from continuing operations of $11.8m (2016: $9.3m)
- Net cash of $11.1m at year end (2016: $22.6m)

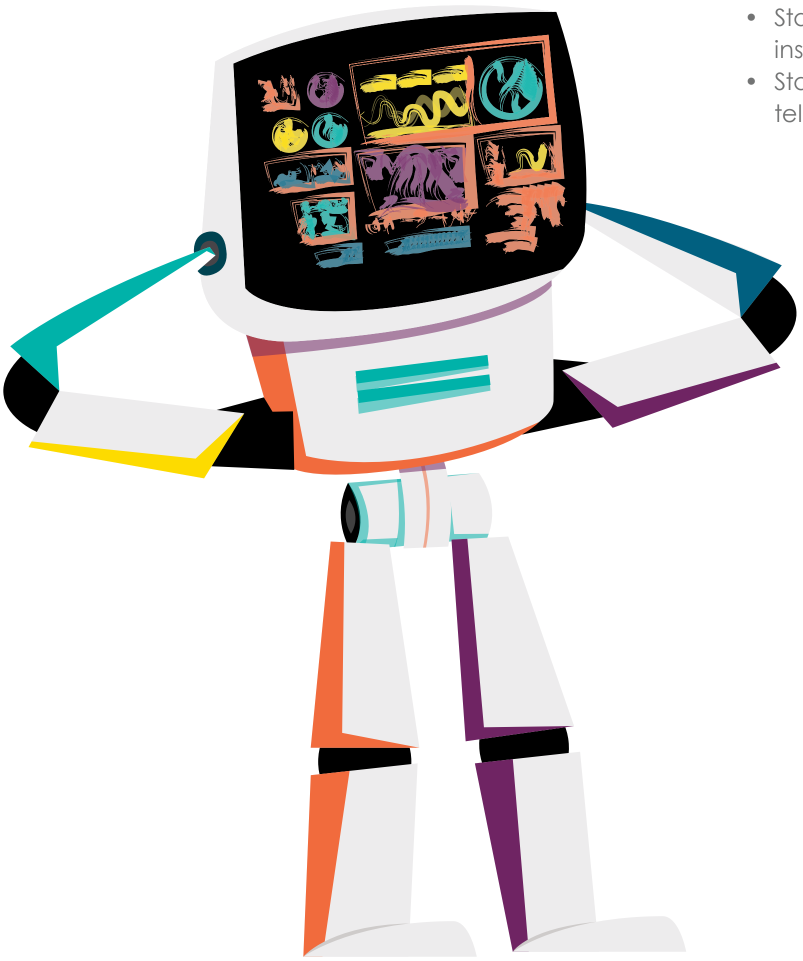
	2017 $'000	2016 $'000	Diff
Revenues	1,733	230	1,503
Cost of revenues*	(284)	(33)	(251)
Gross profit	**1,449**	**197**	**1,252**
% of revenues	*84%*	*86%*	
Research and Development expenses*	(5,560)	(3,459)	(2,101)
Selling and Marketing expenses*	(5,360)	(3,863)	(1,497)
General and Administrative expenses*	(1,910)	(1,226)	(684)
Total operating expenses	**(12,830)**	**(8,548)**	**(4,282)**
Operating loss*	**(11,381)**	**(8,351)**	**(3,030)**

* Non-IFRS and unaudited, excludes share based compensation expenses of $361K (R&D-$197K, S&M-$109K and G&A-$55K) and $874K (R&D-$349K, S&M-$366K and G&A-$159K) in 2017 and 2016, respectively, depreciation expenses of $80K (Cost of revenues-$1K, R&D-$66K, S&M-$5K and G&A-$8K) and $62K (Cost of revenues-$1K, R&D-$45K, S&M-$9K and G&A-$7K) in 2017 and 2016, respectively, and relocation bonus to the CTO, included in R&D expenses, in the amount of $50K in 2016.

Operational Highlights, continuing operations (SaaS)

Significant progress deploying SaaS artificial intelligence marketing platform in the period:

- 2.5x increase in number of paying customers
- Signed a 12-month rolling contract with a leading global nutrition company
- Entered into strategic partnership with leading business services group in Australia and New Zealand
- Expansion of sales, marketing and R&D activity to support current business opportunities and future growth
- Industry recognition for Albert technology – Gartner names Albert as "2017 Cool Vendor" in advertising



Financial and Operational Highlights, discontinued operations (Indirect)

- Ceased Indirect business activity at the end of 2017
  – Net loss from discontinued operations of $1.2m in 2017 (2016: $0.2m net profit)

Current trading

- 2018 trading has begun positively and in line with expectations
- Continued momentum in deploying Albert and increased traction from global media agencies post period-end
- Signed pilot agreement with one of the top 5 global advertising agencies
- Secured a 12-month contract with one of the top 25 independent advertising agencies in North America
- Started a pilot project with one of the world's biggest insurance companies
- Started a pilot project with one of Europe's leading telecommunications companies

STRATEGIC REPORT

Overview of the year

2017 was a significant year of transition and evolution for Albert Technologies. Albert, our AI marketing platform, gained further traction in the market with a growing number of brands and agencies choosing to use Albert, in recognition of his technological superiority and cost-efficient and results-driven performance. As a result, revenue grew significantly in 2017 to $1.7m (2016: $0.3m) with a monthly revenue run rate of $0.3m by the year end and increased customer pipeline.

During 2017, the Company began to successfully deploy its growth strategy of moving from small-to-medium-sized business customers to large brands and global enterprises, as well as establishing strategic partnerships and relationships with global advertising agencies and distribution partners.

We continued to increase investment in Sales and Marketing and R&D activities in order to support business development. During the year we strengthened our sales team in the United States, as well as increased our R&D efforts to enhance the scalability and performance of our SaaS solution.

As previously announced, at the end of 2017 we ceased our Indirect business operations due to continued losses, thereby allowing us to focus on capitalising on the growing momentum in our SaaS business.

Market review

The AI Marketing space is a nascent market. As of 18 months ago, the leading technology research firms were not covering the space as it did not exist. The technology adoption is in its early stages, and the market requires significant education on the value that AI and autonomous tools can bring to businesses. Yet the AI Marketing space is acknowledged to represent immense growth opportunities. In fact, a recent MarketsandMarkets report in which IBM, SAP, Google, Microsoft and Albert were each profiled, predicts the market for AI technology is predicted to grow to $40B by 2025.

Currently, our direct sales and marketing efforts are primarily focused on the North American market. Partners, such as The Big Red Group in Australia and New Zealand, are leveraged to drive Albert's penetration of global territories.

Chairman's statement

This has been a transformative year for the Company; a year in which Adgorithms became Albert Technologies, and in which we exited our indirect business to focus on our ever more exciting eponymous SaaS product.

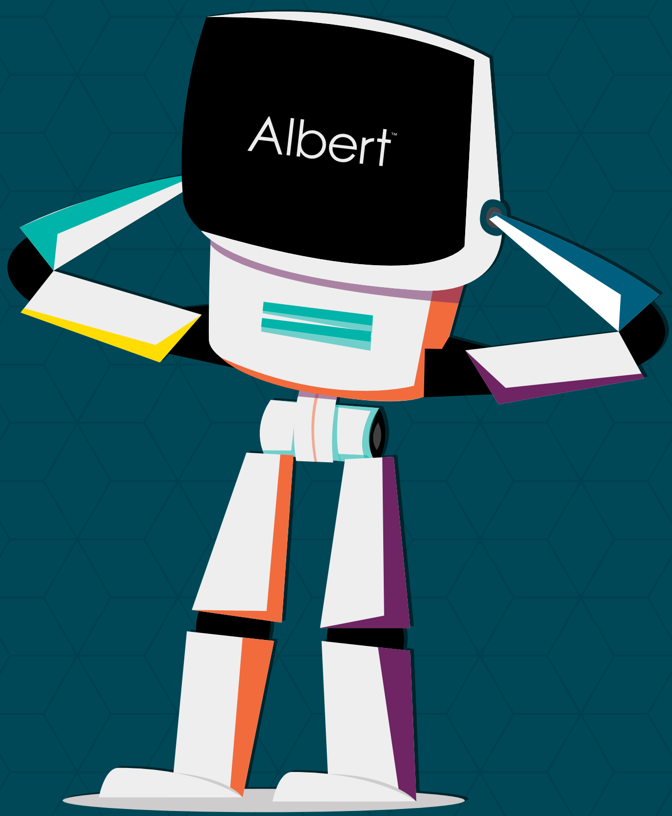
We started the year with a small but high-quality group of early adopters as customers. Through dedication and hard work, our marketing team spread the word and our talented New York sales team built on this until we ended the year with a much larger, high-quality portfolio, as demonstrated by our recent major contract wins.

We've also improved the client experience with considerable enhancements to Albert and our AI technology over the year, as well as upgraded onboarding processes.

Albert has continued to earn significant industry recognition, with Gartner naming Albert a 2017 Cool Vendor. Overall, the Company and the management team received 18 awards in 2017, including an International Stevie Award for "Best New Product of the Year," the "Market Disruptor" Award from the Masters of Marketing, and "AI Application of the Year" at the Global Annual Achievement Awards for AI.

We welcomed a new CFO, Yoram Freund, at the beginning of the year, who has further strengthened management. I'd like to thank him and everyone in the company for their efforts in such a landmark year. Our achievements would not have been possible without such talented, motivated people.

John Allwood
Independent Non-Executive Chairman



Operational review

After launching Albert, our SaaS product, in 2016 and establishing a sales and marketing infrastructure for market penetration, we began to see increased traction throughout 2017. During the period we increased our customer base by 2.5x, securing significant contract wins with consumer brands as well as signing strategic partnerships with large advertising agencies and international distribution partners.

In addition to the increase in the number of paying customers, the profile of our customers has also changed. We have succeeded in transitioning from small-medium businesses (with low marketing budgets) to enterprise customers with global reach. This strategic focus has enabled us to grow revenues rapidly and gain increased market profile, thereby showcasing Albert's technology and the significant value he can generate.

In March 2017, we secured a 12-month rolling contract with one of the world's largest nutrition, health and wellness companies. As part of this agreement, Albert Technologies deployed Albert across all online advertising campaigns of one of its leading brands within its largest South American market. This contract win followed a four-month pilot in which Albert was directly evaluated against the customer's existing advertising agency, which is a subsidiary of a leading global network. During the pilot, Albert consistently delivered superior return on investment metrics when compared to previous campaigns managed by the incumbent agency. In addition, Albert provided greater transparency, control and valuable marketing insights during the pilot.

In July 2017, we announced a strategic partnership with The Big Red Group, a leading business services group in Australia and New Zealand. Under the agreement, Big Red has the right to distribute Albert to brands directly and also to agencies, while guaranteeing minimum SaaS revenues of $0.8m for the first year of activity, and carries the potential to become a significant revenue opportunity in the second and third years of activity.

As with the contract win outlined above, this partnership was agreed following a successful trial period. Within 24 hours of deployment, Albert identified and executed thousands of marketing actions, which could have taken a human marketing expert up to a year. Furthermore, the partner's customer acquisition costs were reduced by more than a quarter within 30 days.

After the period end, in February 2018, we announced an agreement with one of the top 5 global advertising agencies for a pilot project. The onboarding process is currently under way, and indicates our steady progress in marketing the power of our AI platform to drive transformative performance and value in digital marketing. The agency pilot, which involves several brands in different geographies, is expected to complete during the second half of 2018, and if successful will be followed by a long-term commercial agreement.

As part of our drive to build out Albert's international partnerships and channels and expand our global presence, we appointed Mao Keo as Global VP, Alliances & Channel Development in January 2018. Keo joined Albert with more than 15 years of experience in senior business development and strategic roles, including at Adobe and Oracle, where she focused on international markets and revenue growth.

Our total number of employees increased by almost 50% during 2017, mainly in R&D which includes resource dedicated to client integration. At the end of 2017 our total headcount was 100 employees, including 62 R&D employees and 17 in sales and marketing.

As previously announced, at the end of 2017 we ceased our Indirect business due to continued structural decline in revenues and margins, which resulted in losses from this business in 2017. The Company's full focus and resources are now invested in our SaaS business.

Executing our strategy

In 2017 we made good progress in securing significant new customer wins, which has translated into meaningful growth in our SaaS revenues.

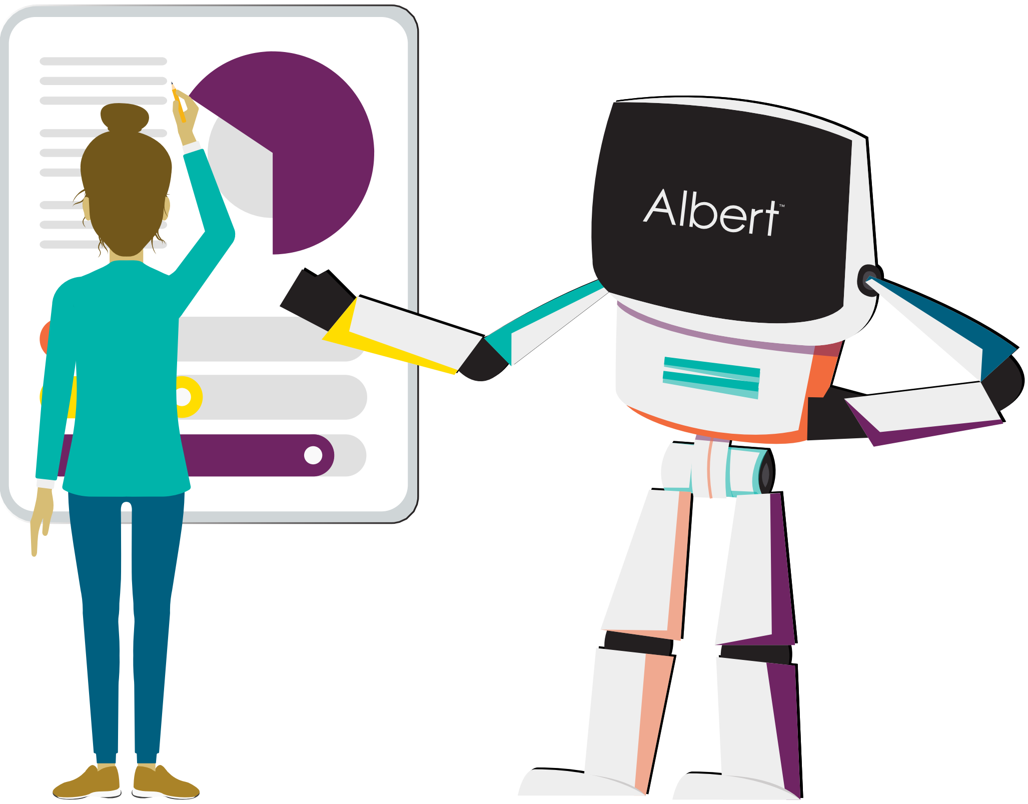
In addition to successfully onboarding new customers, we have also seen our "land and expand" strategy bear fruit. This progress has been supported by the proven ease of onboarding clients, in terms of the speed, cost and technical integration of Albert into their own systems. The value of our "land and expand" strategy is greatest when we engage with large global enterprises or global advertising agencies, where the "expand" opportunities are much greater.

In the second half of the year we began to execute a clear strategy of partnering with advertising agencies, and have invested sales and marketing effort in promoting this strategy, which has resulted in recent contract wins, pilot projects and increased interest from large global advertising agencies as they face continued technological disruption and challenges to their traditional operating model.

Summary and outlook

During 2017 we achieved some important milestones in our execution strategy, including a significant increase in the number of customers and spend per customer, contract wins with large enterprises, partnership agreements with advertising agencies, as well as meaningful pilot projects which provide clear proof of the benefits of our product offering as well as the structural market demand for technology-led efficient marketing solutions like Albert.

We invest for long-term growth and as we continue to develop Albert's customer base and conduct pilots with leading global brands and global advertising agencies, we expect to report further progress in the rollout of Albert in the coming year. The new business pipeline is strong and we anticipate further strategic contract wins over the coming months. The Board is focused on building shareholder value and remains confident in the overall long-term growth prospects of the Company.



Financial review

Introduction

During 2017 we made significant progress in growing our SaaS revenues. We have continued to invest in R&D and sales and marketing initiatives to enable our current and future growth, resulting in increased operating expenses. At the end of 2017 we ceased the Indirect business activity and these results are presented as discontinued operations.

Revenues

Revenues from continuing operations amounted to $1.7m for 2017, an increase of 8x compared to revenues of $0.2m in 2016. Monthly recurring revenues increased 9x and reached $0.3m in December 2017, compared to $0.03m in December 2016.

The increase in revenues was achieved by increasing the client list, coupled with a 6x increase in the average monthly revenue per customer during the period December 2016 to December 2017, due to the strategic focus on shifting to larger customers.

Revenues from our Indirect business are set out in note 9 of our consolidated financial statements below.

Loss from continuing operations

Operating loss from continuing operations for 2017 totalled $11.8m, compared to $9.3m in 2016.

Excluding share-based compensation expenses of $0.3m and depreciation expenses of $0.1m, adjusted operating loss totalled $11.4m, compared to $8.4m loss in 2016 (excluding share-based compensation expenses of $0.8m, depreciation expenses of $0.1m and relocation bonus of $0.1m).

The increase in our operating loss is attributed to the increase in our R&D and S&M expenses due to the recruitment of additional employees and the resources invested in our US operations.

Loss from discontinued operations

Following the cessation of our Indirect business at the end of 2017, the indirect business results were classified as discontinued operations. Loss from discontinued operations totalled $1.2m in 2017, compared to profit of $0.2m in 2016.

Cash flows

Cash, cash equivalents and short-term bank deposits at 31 December 2017 were $11.1m (31 December 2016: $22.6m). The decline in our cash position is attributed to our operating activities. We continue to maintain close cash control. In addition, Company management and the Board of Directors believe that the Company's existing financial resources are adequate to satisfy its expected liquidity requirements through the end of 2018. In addition, the Company has adopted a contingency plan, which was approved by the Board, to be effected, in whole or in part, at its discretion, to preserve cash to allow the Company to continue its operations and meet its obligations, to the extent required for at least one year from the date of approval of the consolidated financial statements.

Adjusted* Financial Review for continuing operations

	2017 $'000	2016 $'000	Diff
Revenues	1,733	230	1,503
Cost of revenues*	(284)	(33)	(251)
Gross profit	**1,449**	**197**	**1,252**
% of revenues	*84%*	*86%*	
Research and Development expenses*	(5,560)	(3,459)	(2,101)
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GOVERNANCE

Board of Directors

John Allwood
Independent Non-Executive Chairman

John Allwood is a non executive director of TalkTalk plc and Chairman of IMImobile plc. He has spent his career in media and telecoms holding a number of senior executive positions including Chief Executive of Orange UK and Chief Executive and Finance Director at Mirror Group plc. He also worked at News International plc, Mecom plc and Telegraph Media Group. He was appointed Independent Non-Executive Chairman of Albert Technologies Ltd. in June 2015.

Or Shani
Chief Executive Officer

Or Shani founded Albert Technologies Ltd. in 2010. He has significant leadership experience from the online advertising industry, previously serving as the Head of Online Marketing at Online365 (now WebForce), Director of Trading Business Development at SupersonicAds and Head of Affiliates and Media Team at ValueNet. Previously, he worked at Mansion Group, an online gaming operator, in a Media Buying capacity. Or also served as an officer in the Israeli Air-Force for 8 years.

Yoram Freund
Chief Financial Officer

Yoram Freund has significant financial leadership experience within the technology industry. He served as VP Finance at Radware Ltd., a large NASDAQ listed company, for 6 years and had been with Radware Ltd for 17 years. Among his expertise: M&A, Global Operations, SEC Regulations. Prior to this Yoram worked at KPMG. Yoram is a qualified accountant.

Lisa Gordon
Independent Non-Executive Director

Lisa Gordon brings over 23 years of industry experience to Albert Technologies Ltd. She was a founder Director and Corporate Development Director at Local World, a large regional media network which was acquired by Trinity Mirror Plc in November 2015. She previously served on the board of Chrysalis Group plc, and at the time was the youngest female director of a listed UK company, as Corporate Development Director and latterly CEO of Chrysalis New Media. Lisa has also served as a board member of Future Plc, a specialist magazine publisher. She started her career in the City as an equities analyst and part of the No 1 Extel rated Media and Leisure team for County Natwest. She was appointed as Independent Non-Executive Director of Albert Technologies Ltd. in June 2015 and is currently also a Non-Executive Director at both Alpha FX Plc and Magic Light Pictures.

Barak Salomon
Independent Non-Executive Director and External Director

Barak Salomon has extensive experience in private equity investments in the technology and industrial sectors. Barak is a Founding Partner at Q3P, an investment group focusing in industrial investments, and serves as board member at Amir Marketing & Investments, an Israel-based public company, as well as a board member at MaxQ AI, an Israeli based venture backed medical AI Company. Previously, Barak was with Viola Private Equity, a technology growth capital and buyout fund, managing the fund"s investment team and executing investments in the technology and industrial sectors. Prior to Viola, Barak worked in the Technology group of Apax Partners in Israel. Barak holds an MBA from the MIT Sloan School of Management and a Bachelor's degree in mathematics and computer science (cum laude) from Bar Ilan University in Israel.

Ofir Gomeh
Independent Non-Executive Director and External Director

Ofir Gomeh has been a certified public accountant in Israel for the past 18 years. Ofir currently serves as Senior VP, Head of Operations of the Agriculture Division at LR Group, a multi-national project company. Up until recently, Ofir was the CEO of Clal Sun (the renewable energy arm of Clal Industries), leading major solar projects from development through to financing, construction and operation. Previously, Ofir was the CFO of Clal Sun. Prior to Clal Sun, Ofir was the CFO of Rafael Development Company (RDC), a subsidiary of the renowned Israeli defence company, Rafael, focused on leveraging its technologies for civilian use. In his role, Ofir co-led the process of incubating a dozen start-up companies in various fields, from healthcare to communications. He was concurrently the CFO of RDC's subsidiary, Medingo, which was sold to Roche for $200m. Ofir has also held positions in the finance department of NASDAQ-listed Elron Electronic Industries, as well as at KPMG. Ofir holds a BA in Economics and Accounting from the Hebrew University of Jerusalem and is also a graduate of the Tel-Aviv University, where he attained his MBA in Finance and Accounting.

Directors' report

The Directors present their report and consolidated financial statements of the Company for the year ended 31 December 2017.

Results and review of the business

The Directors' Report should be read in conjunction with the full 2017 annual audited consolidated report and financial statements.

Dividends

The Board determined that it would be prudent not to pay a dividend for 2017. The Board expects to re-evaluate this decision once the Company returns to profitability. The Directors will continue to monitor the profitability of the Company; the level of cash retained within the business as well as investment opportunities available to the Group and, from time to time, review the continued appropriateness of such policy.

Directors

The Directors and their interests in the ordinary share capital and outstanding options of the Company as of 31 December 2017 were as follows:

Director	Number of ordinary shares	Outstanding options
John Allwood, Independent Non-Executive Chairman	35,000	67,100
Or Shani, Chief Executive Officer	29,177,431	–
Yoram Freund, Chief Financial Officer	–	617,253
Lisa Gordon, Independent Non-Executive Director	53,000	43,615
Barak Salomon, Independent Non-Executive Director and External Director	–	–
Ofir Gomeh, Independent Non-Executive Director and External Director	–	–

Number of ordinary shares

On 31 December 2017 the Company had 62,390,708 shares issued.

Share capital

The authorised and issued share capital of the Company, together with details of the shares allotted during the relevant period are shown in Note 8 of the financial statements.

Major shareholders

At 31 December 2017, the Company was aware of the following interests of shareholders in excess of 3%.

Shareholder	Percentage of issued Shareholder share capital
Or Eliezer Shani (1)	46.77%
Schroder Investment Management Limited	13.16%
Tomer Naveh	5.98%
Or Russo	5.81%
Rafael Zoldan	4.08%
Inflection Point Investments LLP	4.01%
Alon Michaely	3.52%
Rathbone Investment Management Limited	3.06%

(1) Held through the Or Shani Irrevocable Trust.

Corporate Governance

The Directors acknowledge the importance of high standards of corporate governance. The Directors intend to comply with the requirements of the Corporate Governance Code to the extent that they consider it appropriate and having regard to the Company's size, board structure, stage of development, resources and jurisdiction of incorporation. The Board consists of six Directors, four of whom are independent Directors.

The Board held twelve meetings in 2017 by phone or in person to discuss the Company's strategy, budget, corporate actions and major items of capital expenditure. The Board also met in Tel Aviv twice yearly to carry out full business reviews.

Remuneration committee

The remuneration committee is comprised of Barak Salomon, Ofir Gomeh and Lisa Gordon and is chaired by Barak Salomon. The remuneration committee reviews the performance of the executive Directors and makes recommendations to the Board in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The remuneration committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

Share option schemes

The Directors believe that the Company's success is dependent on the quality and loyalty of its staff. The Directors consider that, to assist in the recruitment, retention and motivation of high quality staff, the Company must have an effective remuneration strategy and that an important part of it is the ability to award equity incentives.

The Company has granted options over its Ordinary Shares to certain of the Directors, existing employees and consultants under the Share Option Plan. Options granted under the Plan generally vest over three years (1/3 at each year) and expire 10 years from the vesting commencing date.

As of 31 December 2017, 5,631,316 options are outstanding and 2,114,942 of such outstanding options are exercisable. For more information please refer to Note 8 in the financial statements.

Directors' remuneration

The Directors' remuneration for the year ended 31 December 2017 is set out in the table below (in $US).

	Employer cost
John Allwood	81,025
Or Shani	475,219
Ron Stern (*)	80,564
Yoram Freund (*)	113,493
Lisa Gordon	63,016
Barak Salomon	28,271
Ofir Gomeh	28,271

* Yoram Freund replaced Ron Stern in April 2017 as the Company's Chief Financial Officer.

Audit committee

The audit committee is comprised of Ofir Gomeh, Barak Salomon and Lisa Gordon and is chaired by Ofir Gomeh (CPA). The audit committee has primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Company is properly measured and reported on. The audit committee, inter alia, determines and examines matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It receives and reviews reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Company. The audit committee have unrestricted access to the Company's external auditors.

Internal controls

The Directors are responsible for the Company's internal controls, and have established a framework intended to provide reasonable assurance against material financial misstatement or loss. Shortly after the IPO, the Company hired a full time financial controller, who is a certified accountant and is a veteran of Ernst & Young. The Company also engaged an internal auditor, Shlomi Drori (CPA), who conducted a risk survey upon which the audit committee approved a multiple year audit plan and serves as the Company's internal auditor. The Company's internal auditor established an internal audit plan with an adequate number of internal audit hours, which is reviewed and revised by the Audit Committee from time to time. The internal auditor has been granted access to all company financial reporting files and employees and reports only to the Audit Committee and the Board of Directors.

Financial reporting

The Company's trading performance is monitored on an ongoing basis. An annual budget is prepared and specific objectives and targets are set. The budget is reviewed and approved by the Board. The key trading aspects of the business are monitored daily and internal management and financial accounts are prepared periodically and at least once a quarter and are shared with the Board of Directors. The results are compared to a monthly budget and prior year performance.

Directors' report *continued*

Procedures
The Company's procedures are documented and set out for all employees to review. The Company's management is responsible for the implementation of these procedures and compliance is monitored.

Financial instruments
The Company's financial instruments are discussed in Note 11 to the financial statements.

Share dealing code
The Company has adopted a share dealing code for Directors and applicable employees of the Group for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Company's securities. The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

The Company continues to take appropriate steps to ensure compliance by the Directors and applicable employees with the terms of the share dealing code and the relevant provisions of the AIM Rules.

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for approving the annual reports and Company's financial statements in accordance with applicable law and regulations.

Under that law, and as required by the AIM Rules for Companies, the Directors have elected to prepare the Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). In preparing these financial statements, the Directors are required to:

- Present fairly the Company's financial position, financial performance and cash flows;
- Select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgments that are reasonable;
- Provide additional disclosures when compliance with the specific requirements in IFRSs (as adopted by the EU), is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- State whether the Group and company financial statements have been prepared in accordance with IFRSs (as adopted by the EU), subject to any material departures disclosed and explained in the financial statements.

Directors' statement as to disclosure of information to auditors
- The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 10 and 11.
- Having made enquiries of fellow Directors and of the Company's auditors each of these Directors confirms that:
  - To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
  - Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Employees
The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Group's aims and objectives, are communicated in an open and regular manner. Management frequently briefs staff of the Group's performance and activities and discusses matters of concern or interest. Our employee initiatives include a confidential employee helpline. The Group's employees participate in the 2013 Israeli Share Option Plan. The Company provides equal opportunity in employment for all qualified persons and prohibits discrimination in employment on the basis of race, colour, religion, sex, sexual orientation, gender identity, national origin, creed, ancestry, age, veteran status, military service or other protected status.

Training programmes are held for all levels of staff. These are aimed at increasing skills and contribution.

Going concern

The Company management and the Board of Directors believe that the Company's existing financial resources are adequate to satisfy its expected liquidity requirements through the end of 2018. In addition, the Company has adopted a contingency plan, which was approved by the Board, to be effected, in whole or in part, at its discretion, to preserve cash to allow the Company to continue its operations and meet its obligations, to the extent required for at least one year from the date of approval of the consolidated financial statements. For this reason, the going concern basis is considered appropriate for the preparation of financial statements.

Auditor

A resolution to reappoint Kost Forer Gabbay & Kassierer, A Member of Ernst & Young Global, as auditors of the Company will be put to the Annual General Meeting. The Directors will also be given the authority to fix the auditors' remuneration.

By Order of the Board

Hadar Harosh Fabian
Company Secretary

20 Lincoln Street
Tel Aviv 6713412
Israel

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of ALBERT TECHNOLOGIES LTD. (FORMERLY: ADGORITHMS LTD.)

We have audited the accompanying consolidated financial statements of Albert Technologies Ltd. and its subsidiaries (formerly: Adgorithms Ltd., "the Company"), which comprise the consolidated statements of financial position as of 31 December 2017 and 2016, and the related consolidated statements of operations and other comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements, which, as described in Note 2 to the consolidated financial statements, have been prepared on the basis of International Financial Reporting Standards as adopted by the European Union.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union; 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.

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

Opinion

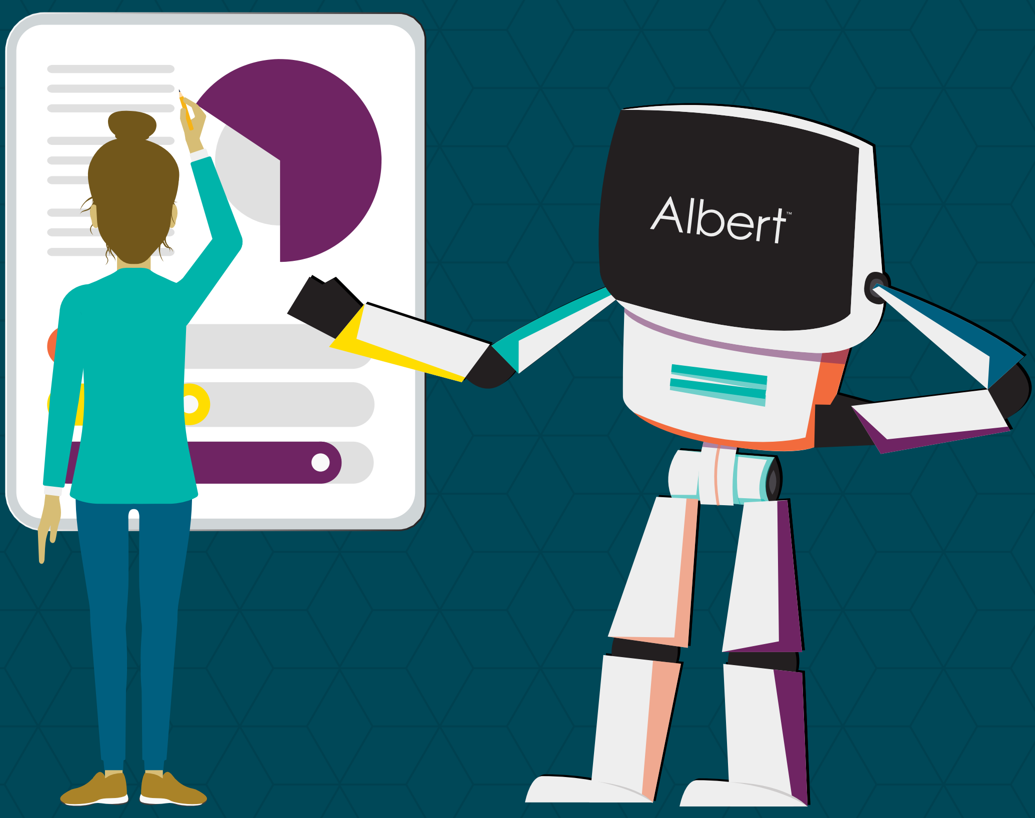
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of 31 December 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Kost Forer Gabbay and Kasierer

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel Aviv, Israel
9 March 2018

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

US dollars in thousands

	Note	31 December 2017 $'000	31 December 2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,955	22,577
Short-term bank deposits		7,105	–
Restricted cash		101	187
Trade receivables, net	3	2,175	3,239
Other accounts receivable and prepaid expenses		747	361
Total current assets		**14,083**	**26,364**
NON-CURRENT ASSETS			
Property and equipment, net	4	254	228
Total non-current assets		**254**	**228**
TOTAL ASSETS		**14,337**	**26,592**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables		1,618	2,306
Other accounts payable and accrued expenses	5	2,013	981
Total current liabilities		**3,631**	**3,287**
NON-CURRENT LIABILITIES			
Employee benefit liabilities, net		118	112
EQUITY	8		
Share capital:			
– Ordinary shares		162	160
– Share premium		39,559	39,146
– Capital reserve		(193)	(193)
– Accumulated deficit		(28,940)	(15,920)
Total equity		**10,588**	**23,193**
TOTAL LIABILITIES AND EQUITY		**14,337**	**26,592**

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS

US dollars in thousands (except per share data)

		Year ended 31 December	
	Note	2017 $'000	2016 $'000
Continuing operations:			
– Revenues	10	1,733	230
– Cost of revenues	12a	(285)	(34)
Gross profit		**1,448**	**196**
Operating expenses:			
– Research and development	12b	(5,823)	(3,903)
– Selling and marketing	12c	(5,474)	(4,238)
– General and administrative	12d	(1,973)	(1,392)
Total operating expenses		**(13,270)**	**(9,533)**
Operating loss		(11,822)	(9,337)
Financial income		217	105
Financial expenses		(17)	(116)
Loss before taxes on income		(11,622)	(9,348)
Taxes on income	6e	(184)	(20)
Net loss from continuing operations		(11,806)	(9,368)
Discontinued operations: – Net profit (loss) after tax from discontinued operations	9	(1,214)	154
Net loss and total comprehensive loss		**(13,020)**	**(9,214)**
Net loss per share attributable to the Company's shareholders (in $)	14		
Basic and diluted loss per ordinary share		**(0.21)**	**(0.15)**
Basic and diluted loss per ordinary share for continuing operations		**(0.19)**	**(0.15)**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

US dollars in thousands

	Share capital $'000	Share premium $'000	Capital reserve $'000	Accumulated deficit $'000	Total equity $'000
Balance as of 1 January 2016	160	38,082	(193)	(6,706)	31,343
Exercise of options	*) –	–	–	–	*) –
Cost of share-based payment, net	–	1,064	–	–	1,064
Total comprehensive loss	–	–	–	(9,214)	(9,214)
Balance as of 31 December 2016	160	39,146	(193)	(15,920)	23,193
Exercise of options	2	–	–	–	2
Cost of share-based payment, net	–	413	–	–	413
Total comprehensive loss	–	–	–	(13,020)	(13,020)
Balance as of 31 December 2017	**162**	**39,559**	**(193)**	**(28,940)**	**10,588**

*) Represents an amount lower than $1.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

US dollars in thousands

	Year ended 31 December	
	2017 $'000	**2016 $'000**
Cash flows from operating activities:		
Net loss	(13,020)	(9,214)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
– Share-based payment	413	1,064
– Tax expense	184	50
– Depreciation	107	85
– Exchange rate differences in respect of cash and cash equivalents	17	105
	721	**1,304**
Changes in asset and liability items:		
– Decrease in trade receivables	1,064	1,501
– Increase in other accounts receivable and prepaid expenses	(386)	(104)
– Decrease in trade payables	(688)	(1,511)
– Increase in other accounts payable and accrued expenses	1,211	90
– Accrued interest on short-term bank deposits	(105)	–
– Increase in employee benefit liabilities, net	6	27
	1,102	**3**
Cash paid during the year for:		
Taxes	(363)	(229)
Net cash used in operating activities	(11,560)	(8,136)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS *continued*

US dollars in thousands

	Year ended 31 December	
	2017 $'000	**2016 $'000**
Cash flows from investing activities:		
Purchase of property and equipment	(133)	(195)
Investment in short-term bank deposits	(7,000)	–
Withdrawal of (investment in) restricted cash	86	(136)
Net cash used in investing activities	(7,047)	(331)
Cash flows from financing activities:		
Exercise of options	2	*) –
IPO related expenses	–	(40)
Net cash provided by (used in) financing activities	2	(40)
Exchange rate differences in respect of cash and cash equivalents	(17)	(105)
Decrease in cash and cash equivalents	(18,622)	(8,612)
Cash and cash equivalents at the beginning of the year	22,577	31,189
Cash and cash equivalents at the end of the year	**3,955**	**22,577**

*) Represents an amount lower than $1.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

US dollars in thousands, except share and per share data

1. GENERAL

a. Company description:

Albert Technologies Ltd. (formerly: Adgorithms Ltd.) ("the Company") was incorporated under the laws of Israel and commenced operations in September 2010. The Company's registered address is 20 Lincoln Street, Tel-Aviv, Israel.

The Company offers Artificial Intelligence-based software ("Albert") to brands and advertising agencies using a SaaS model. The Company develops and deploys algorithmic solutions to provide marketers with a self-driving solution for cross-channel campaign execution, testing, optimization, analysis, and insights.

The Company's shares are admitted for trading on AIM, commencing June 2015, under the symbol "ALB" (formerly "ADGO").

b. In March 2014, the Company established a wholly-owned subsidiary in the United States, Albert Technologies Inc. (formerly: Adgorithms Inc.), which is engaged in the distribution of the Company's products and services in the United States, as well as provides the Company with advisory and management services.

In August 2016, the Company established a wholly-owned subsidiary in Israel, AA Digital Media (All Aspect) Ltd. which commenced operating in November 2016 and ceased its operations in December 2017. All Aspect was engaged in trading media in various strategies with an array of participants in the online advertising value chain ("In- direct activity" or "In-direct business").

In May 2017, the Company established a wholly-owned subsidiary in Brazil, Adgorithms Brasil Internet Ltda, which is engaged in the distribution of the Company's products and services in Brazil. (Albert Technologies Inc., AA Digital Media and Adgorithms Brasil Internet Ltda, collectively, "the Subsidiaries").

c. The Company management and the Board of Directors believe that the Company's existing financial resources are adequate to satisfy its expected liquidity requirements through the end of 2018. In addition, the Company has adopted a contingency plan, which was approved by the Board, to be effected, in whole or in part, at its discretion, to preserve cash to allow the Company to continue its operations and meet its obligations, to the extent required for at least one year from the date of approval of the consolidated financial statements.

d. On 5 December 2017, the Company publicly announced the decision of its Board of Directors to cease the In-direct business by the end of 2017. The In-direct activity is presented in the statement of operations and other comprehensive loss as "discontinued operations", including comparative data. For further information please refer to Note 9.

e. The consolidated financial statements were approved for issuance by the Board of Directors on 9 March 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *continued*

US dollars in thousands, except share and per share data

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the consolidated financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

The consolidated financial statements have been prepared on a cost basis.

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of the Company and subsidiaries that are controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and the Subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by the Company and the Subsidiaries. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

c. Significant accounting judgments, estimates and assumptions used in the preparation of the consolidated financial statements:

The preparation of the consolidated financial statements requires the management of the Company to make estimates and assumptions that have an effect on the application of accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

In the process of applying the significant accounting policies, the Company has made the following judgments which have a significant effect on the amounts recognised in the consolidated financial statements:

Development costs

The Company evaluates project development costs for capitalisation in accordance with its accounting policy. Before such costs can be capitalised, the Company needs to demonstrate that "the intangible asset will generate probable future economic benefits", among other factors. The Company does not meet the threshold requirements for capitalisation of project development costs and therefore expenses all such costs.

d. Functional currency and foreign currency:

1. Functional currency and presentation currency:

The consolidated financial statements are presented in U.S. dollars, the Company's and its Subsidiaries functional currency, and are rounded to the nearest thousand, unless stated otherwise. The functional currency best reflects the economic environment in which the Company operates and conducts its transactions.

2. Transactions in foreign currency:

Transactions denominated in foreign currency are recorded based on the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency as of the reporting date are translated into the functional currency based on the exchange rate at each reporting date. Exchange rate differences are recorded in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated into the Company's functional currency using the exchange rate as of the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency based on the exchange rate as of the date that the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

e. Cash and cash equivalents:

Cash includes cash balances available for immediate use. Cash equivalents include short-term highly liquid deposits in banks (with original maturities of three months or less) that are readily convertible into known amounts of cash and are part of the Company's cash management.

f. Restricted cash:

Restricted cash is primarily invested in deposits used as security for office leases, credit line limit and letter of credit to service providers.

g. Short-term bank deposit:

Bank deposits with maturities of more than three months but less than one year are included in short-term deposits.

h. Allowance for doubtful accounts:

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of Company's management, is doubtful. Impaired debts are derecognised when they are assessed as uncollectible.

i. Property and equipment, net:

Items of property and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, accumulated impairment losses, if any, and excluding day-to-day servicing expenses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the property and equipment (generally 3-7 years).

j. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset.

The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (less depreciation or amortisation) had no impairment loss been recognised for the asset in prior years and its recoverable amount. The reversal of the impairment loss is carried to profit or loss.

k. Employee benefits:

1. Post-employment benefits:

The Company has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law in Israel. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets").

Plan assets are comprised from assets held by a long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the Company's own creditors and cannot be returned directly to the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *continued*

US dollars in thousands, except share and per share data

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

The liability for employee benefits shown in the consolidated statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability in respect of the defined benefit plan are recognised in other comprehensive income in the period in which they occur.

On 1 January 2015 the Company agreed to adopt Section 14 to the Severance Pay Law under which the Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions only for the period commencing from1 January 2015. Contributions in respect of severance pay are recognised as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

2. Short-term benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognised as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognised when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

l. Share-based payment transactions:

The cost of equity-settled transactions with employees and others is measured at the fair value of the equity instruments granted at grant date.

The cost of share-based payments is recognised in profit or loss, with a corresponding increase in equity, over the period in which the relevant employees become fully entitled to the award. The amount recognised in profit or loss, taking the vesting conditions into account, consisting of service and performance conditions other than market conditions, is adjusted to reflect the actual number of equity instruments that are expected to ultimately vest.

m. Provisions:

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

n. Revenues:

The Company derives its revenues from campaign management SaaS ("Software as a Service") platform and until the end 2017 the Company also derived part of its revenues from sales through bids for advertising spaces on advertising exchanges ("In-direct").

Revenue is recognised in profit or loss when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the associated costs can be measured reliably. Revenue is measured at the fair value of the consideration received, net of discounts.

When the Company acts as an agent or as a broker without being exposed to the significant risks and rewards associated with the transaction, the amounts collected on behalf of the principal are not revenues, and revenues reflect the amount of the commission. When the Company acts as a principal and is exposed to the significant risks and rewards associated with the transaction, revenues reflect the gross inflows of the economic benefits.

In determining whether the Company is acting as the principal or an agent, the Company follows the accounting guidance for principal-agent considerations. While none of the factors identified in this guidance is individually considered presumptive or determinative, because the Company is the primary obligor in the arrangement and is responsible for (i) selecting and contracting with third party suppliers for the purchase of inventory, (ii) having general inventory risk over advertising spaces bought, (iii) establishing the selling price, and (iv) assuming credit risk in the transaction, with respect to In-direct revenues, the Company acts as the principal and

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

therefore reported all revenues earned and costs incurred on a gross basis.

With respect to SaaS revenues, the Company evaluated that it acts as an agent, based on the accounting guidance for principal-agent considerations, and therefore reports those revenues on net basis.

Deferred revenues

Payments received from customers, which do not meet the criteria for revenue recognition, are recorded as deferred revenues.

o. Research and development costs:

Research expenditures are recognised in profit or loss when incurred. Development costs are also recognised in profit or loss unless they can be capitalised as an intangible asset because the Company can demonstrate: the technical feasibility of completing the development of the intangible asset so that it will be available for use or sale; the Company's intention to complete the development of the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the respective expenditure asset during its development period.

p. Taxes on income:

Taxes on income in the consolidated statements of operations are comprised from current and deferred taxes. Taxes in respect of current or deferred taxes are carried to the consolidated statements of operations except to the extent that the taxes arise from items which are recognised directly in equity or in other comprehensive income.

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred tax balances are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

q. Earnings (loss) per share:

Earnings (loss) per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Basic earnings (loss) per share only include shares that were actually outstanding during the period. Potential ordinary shares are included in the computation of diluted earnings (loss) per share only when their conversion has a dilutive effect on the earnings (loss) per share. Further, potential ordinary shares that are converted during the period are included in diluted earnings (loss) per share only until the conversion date and from that date in basic earnings (loss) per share.

If the number of ordinary or potential ordinary shares outstanding changes as a result of a bonus issue or share split during the reported periods or after the reporting period but before the financial statements are authorised for issue, the calculations of basic and diluted earnings per share are adjusted retrospectively for all periods presented.

r. Disclosure of new standards in the period prior to their adoption:

IFRS 15, "Revenue from Contracts with Customers":

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers": ("IFRS 15").

IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue - Barter Transactions Involving Advertising Services".

IFRS 15 introduces a five-step model that will apply to revenue earned from contracts with customers:

Step 1: Identify the contract with a customer, including reference to contract combination and accounting for contract modifications.

Step 2: Identify the separate performance obligations in the contract.

Step 3: Determine the transaction price, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *continued*

US dollars in thousands, except share and per share data

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

Step 4: Allocate the transaction price to the separate performance obligations on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.

Step 5: Recognise revenue when the entity satisfies a performance obligation over time or at a point in time.

IFRS 15 is to be applied retrospectively for annual periods beginning on or after 1 January 2018. IFRS 15 allows an entity to choose to apply a modified retrospective approach, according to which IFRS 15 will only be applied in the current period presented to existing contracts at the date of initial application. No restatement of comparative periods is required.

The Company is still evaluating the possible impact of IFRS 15 but believes, based on an analysis performed to date, that its effect, if any, on its consolidated financial statements would be immaterial.

IFRS 9, "Financial Instruments" ("IFRS 9"):
In July 2014, the IASB issued the final version of IFRS 9 that replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 addresses all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

IFRS 9 is effective for annual periods beginning 1 January 2018. The Company believes that the adoption of IFRS 9 will not have a material impact on its consolidated financial statements.

IFRS 16, "Leases":
In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

According to the new Standard:
Lessees are required to recognise an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognise interest and depreciation expenses separately.

Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use (such as a percentage of revenues) are recognised as an expense by the lessees as incurred and recognised as income by the lessors as earned.

In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the remeasurement is an adjustment to the carrying amount of the right-of-use asset.

The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided that IFRS 15, "Revenue from Contracts with Customers", is applied concurrently.

For leases existing at the date of transition, the new Standard permits lessees to use either a full retrospective approach or a modified retrospective approach, with certain transition relief whereby restatement of comparative data is not required.

The Company is evaluating the possible effects of the new Standard. The effect of this standard is expected to be immaterial.

US dollars in thousands, except share and per share data

3. TRADE RECEIVABLES

Trade receivables are non-interest bearing and are in generally in terms of 30 to 90 days.

As of 31 December 2017 trade receivables are net of an allowance for doubtful accounts in the amount of $24 (2016 – $35).

4. PROPERTY AND EQUIPMENT, NET

	31 December	
	2017 $'000	2016 $'000
Cost:		
Office furniture and equipment	82	56
Computers and software	214	118
Leasehold improvements	214	203
	510	377
Accumulated depreciation:		
Office furniture and equipment	17	9
Computers and software	102	55
Leasehold improvements	137	85
	256	149
Depreciated cost	**254**	**228**

5. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	31 December	
	2017 $'000	2016 $'000
Accrued expenses	1,008	324
Tax payable	160	17
Other governmental authorities	277	217
Employees and payroll accruals	505	372
Other	63	51
	2,013	**981**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *continued*

US dollars in thousands, except share and per share data

6. TAXES ON INCOME

a. The Law for the Encouragement of Capital Investments, 1959:

Amendment to the Law for the Encouragement of Capital Investments, 1959 (Amendment 71):

On 5 August 2013, the "Knesset" (Israeli Parliament) issued the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 which consists of Amendment 71 to the Law for the Encouragement of Capital Investments ("the Amendment"). According to the Amendment, the tax rate on preferred income from a preferred enterprise in 2014 and thereafter will be 16% (in development area A – 9%).

The Amendment also prescribes that any dividends distributed to individuals or foreign residents from the preferred enterprise's earnings as above will be subject to tax at a rate of 20%.

In October 2014, the Company received final approval from the Israeli Tax Authorities for a "Preferred Enterprise" status according to which the Company's revenues meet the definition of "Preferred Income" under the above law. According to the approval, starting 2013, the Company's income derived from the right to use software, not including certain services as detailed in the approval, is deemed "Preferred Income" under the Law for the Encouragement of Capital Investments, 1959. The approval is limited to the period between the tax years 2013 through 2017.

The tax benefits under "Preferred Enterprise" status are conditional upon the fulfillment of the conditions stipulated by the above law and the approval received from the tax authorities.

b. Tax rates applicable:

Tax rates in Israel on income other than Preferred Income:

In January 2016, the Law for Amending the Income Tax Ordinance (No. 216) (Reduction of Corporate Tax Rate), 2016 was approved, which includes a reduction of the corporate tax rate from 26.5% to 25%, effective from 1 January 2016.

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which reduces the corporate income tax rate to 24% (instead of 25%) effective from 1 January 2017 and to 23% effective from 1 January 2018.

As there were no deferred tax balances as of 1 January and 31 December 2017, the change in the tax rates had no effect in the financial statements.

Tax rates in the U.S:

A company incorporated in the U.S. – weighted average tax at the rate of about 40% (Federal tax, State tax and City tax of the city where the company operates).

On 22 December 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act"), which among other provisions, reduced the U.S. corporate tax rate from 35% to 21%, effective 1 January 2018. At 31 December 2017, the Company is not expecting the Act to have a material effect on its consolidated financial statements as there are no deferred taxes.

Tax rate in Brazil:

Based on Brazilian laws, for Corporate Income Tax purposes, there are two methods: "Assumed Profit" or "Actual Profit". The Company has chosen the Assumed method for the year 2017. Under the Assumed Profit method, taxable income is computed by using 34% corporate tax on 32% of the gross revenue. Additional taxes in this method are PIS and COFINS, which rates are 0.65% and 3%, respectively calculated based on the gross revenue.

c. Final tax assessments:

The Israeli parent company received final tax assessments until the year 2014. The Subsidiaries have yet to receive final tax assessments since their incorporation.

d. Carryforward operating tax losses for tax purposes of the Israeli parent company amounted to approximately $18,315, as of 31 December 2017.

Carryforward operating tax losses for tax purposes of the Israeli subsidiary amounted to approximately $1,573, as of 31 December 2017.

Carryforward tax losses in Israel may be set against future taxable income. No deferred tax assets have been recorded in respect of these carryforward tax losses due to the uncertainty of their realisation.

US dollars in thousands, except share and per share data

6. TAXES ON INCOME *continued*

e. Taxes on income included in the consolidated statements of operations:

	Year ended 31 December	
	2017 $'000	2016 $'000
Current taxes	184	20
Deferred taxes	–	–
	184	**20**

f. Theoretical tax:

	Year ended 31 December	
	2017 $'000	2016 $'000
Loss before taxes on income	(11,622)	(9,348)
Statutory tax rate	*24%*	*25%*
Tax computed at the statutory tax rate	(2,789)	(2,337)
Increase (decrease) in taxes on income resulting from the following factors:		
– Effect of "Preferred Enterprise" status	831	680
– Effect of non-deductible expenses	97	267
– Effect of temporary differences and losses for which deferred taxes have not been recognised	2,046	1,387
Tax adjustment in respect of different tax rate of foreign subsidiaries	(12)	(28)
Other	11	51
Taxes on income	**184**	**20**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *continued*

US dollars in thousands, except share and per share data

7. COMMITMENTS AND CONTINGENCIES

Lease commitments:
The Company leases office facilities under operating leases, which expire in 2018. Future minimum commitments under non-cancelable operating lease agreements as of 31 December 2017 are as follows:

2018	$233

Rental expenses for the years ended 31 December 2017 and 2016 amounted to $488 and $403, respectively.

Legal contingencies:
From time to time, the Company is party to various legal proceedings incidental to its business. As of December 31 2017, the Company accrued an immaterial amount to cover probable losses from legal proceedings and threatened litigation.

On 6 September 2016, a statement of claim was filed with the Magistrate Court of Tel-Aviv, Israel (the "Court") against the Company, Albert's CEO and founder, Mr. Or Shani, and the Company's then CFO, Mr. Ron Stern (the "Defendants") by Mr. Tal Saar (the "Plaintiff"), a former service provider of the Company. The statement claims, among other things, that the Defendants are liable for certain fees due to such service provider and demanding to receive information with respect to payments made to Mr. Stern by the Company (the "Claim").

A statement of defense and a motion to dismiss the Claim were filed by the Defendants with the Court on 20 November 2016 and 30 December 2016, respectively. The plaintiff claims he is entitled to a payment of NIS 600 thousands (approximately $171, based on the exchange rate as of 31 December 2017). During 2017 the Defendants filed a response to the Plaintiff' statement and the Plaintiff filed an amended statement of claim. Pre-trial hearing scheduled for 16 April 2018.

No provision in respect of the Claim was recorded in the financial statements as of 31 December 2017, as the Company's current position is that all allegations are groundless and it is unlikely that any allegations brought against the Company, Mr. Shani and Mr. Stern will be accepted by the Court.

US dollars in thousands, except share and per share data

8. EQUITY

a. Composition of share capital:

	31 December 2017		31 December 2016	
	Authorised	Issued and outstanding	Authorised	Issued and outstanding
	Number of shares		Number of shares	
Ordinary Share of NIS 0.01 par value	100,000,000	62,390,708	100,000,000	61,725,271

b. Share-based payments:

In October 2013, the Board of Directors of the Company adopted the Company's 2013 Share Option Plan ("Plan"). The Plan provides for the grant of options to purchase Ordinary shares of the Company to employees, officers, directors, consultants and advisors of the Company.

The share-based payments that the Company granted to its employees and non-employees are described below.

There have been no modifications to any of the options during 2016 and 2017, other than the modification mentioned below.

In June 2016 the CEO and founder, Mr. Or Shani, waived his rights with respect to all of his existing options over 2,012,999 Ordinary shares. As a result of the aforementioned waiver, an acceleration was recognised and accordingly, the Company recorded in its consolidated statement of operations an expense amounting to $146.

Options issued to employees:

Options granted under the Plan expire 10 years from the vesting commencing date. The options generally vest over three years (1/3 at each year).

In June 2016, the Company granted 3,072,981 options to its employees (the "June 2016 grant"). The June 2016 grant included 1,302,085 options that in addition to a service condition require the employees to meet certain non-market performance goals. Of these options, the performance goals for 246,795 options were achieved as of 31 December 2017, and the related compensation costs, subject to service vesting conditions, were recorded in the financial statements. For the remaining 1,055,290 performance-based options, not met as of 31 December 2017, and accordingly, no compensation costs in respect of these options are being recorded in the financial statements. On 9 March 2018 the Board of Directors approved the retroactive modification of the performance goals for 555,290 options (of the 1,055,290 options referred to above). In 2017, the Company granted 1,620,253 options to its employees subject to service vesting conditions.

The following table lists the number of share options, the weighted average exercise prices of share options and change in the number of outstanding options during the year:

	Year ended 31 December			
		2017		2016
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	5,395,912	0.489	4,536,448	1.399
Granted	1,620,253	0.318	3,072,981	0.219
Exercised	(665,437)	0.003	(26,418)	0.003
Forfeited	(1,384,891)	0.949	(2,187,099)	1.504
Outstanding at end of year	4,965,837	0.370	5,395,912	0.489
Exercisable at end of year	1,634,385	0.539	1,217,125	0.606

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *continued*

US dollars in thousands, except share and per share data

8. EQUITY *continued*

The Company estimates the fair value of stock options granted to its employees and non-employees using the Black-Scholes-Merton option-pricing model ("B&S"). The B&S requires a number of assumptions, of which the most significant estimates are as follows:

- **Volatility** – in 2016 and 2017 the Company's Ordinary shares had not been publicly traded for long enough to accurately evaluate volatility, and therefore the volatility assumption is based on the volatilities of other publicly-traded companies that management considered as comparable to the Company.
- **Expected option term** – the expected term of the options represents the period of time that the options are expected to be outstanding.
- **Risk-free interest** – the risk-free interest rate is based on the exercise price currency, based on the US daily treasury yield curve rate with an equivalent term to the expected life of the option.

The following table lists the inputs to the B&S model used for the fair value measurement of equity-settled share options for the above plan:

	2017	2016
Dividend yield (%)	–	–
Expected volatility of the share prices (%)	50	25
Risk-free interest rate (%)	1.99-2.33	1.94-1.31
Expected life of share options (years)	6	5.83-6.25
Share price ($)	0.34-0.44	0.244
Exercise price ($)	0.22-0.42	0- 0.231

The options outstanding under the Company's Plans as of December 31, 2017 and 2016 have been separated into ranges of exercise price as follows:

	31 December	
Ranges of exercise price	2017	2016
$0-0.26	3,222,117	4,188,112
$0.27-0.42	1,206,920	–
$0.42-1.73	536,800	1,207,800
	4,965,837	5,395,912

The weighted average fair values of options granted for the years ended 31 December 2017 and 2016, were $ 0.283 and $ 0.132, respectively.

The weighted average remaining contractual life of the outstanding options as of 31 December 2017 and 2016, were 8.41 and 8.77 years, respectively.

For the options exercised during 2017 and 2016, the weighted average market price of the Company's shares at the time of exercise was $0.38 and $0.25, respectively.

US dollars in thousands, except share and per share data

8. EQUITY *continued*

Options issued to non-employees:

The Company's outstanding options to non-employees as of 31 December 2017 and 2016 were as follows:

	Year ended 31 December			
	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	506,975	0.003	506,975	0.003
Granted	158,504	0.003	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding at end of year	665,479	0.003	506,975	0.003
Exercisable at end of year	480,557	0.003	242,801	0.003

The following table lists the inputs to the B&S model used for the fair value measurement of equity-settled share options for the above plan:

	2017
Dividend yield (%)	–
Expected volatility of the share prices (%)	50
Risk-free interest rate (%)	2.01
Expected life of share options (years)	6
Share price ($)	0.44
Exercise price ($)	0

The cost of share based payments from continuing operations recognised in profit or loss for services received from employees and consultants is shown in the following table:

	Year ended 31 December	
	2017	2016
Research and development	197	349
Selling and marketing	109	366
General and administrative	55	159
	361	874

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *continued*

US dollars in thousands, except share and per share data

9. DISCONTINUED OPERATIONS

On 5 December 2017, the Company publicly announced the decision of its Board of Directors to cease the In-direct business by the end of 2017. At 31 December 2017, In-direct business was classified as discontinued operations. The results of the In-direct business for the years 2017 and 2016 are presented below:

	Year ended 31 December	
	2017 $'000	2016 $'000
Revenues	6,682	16,173
Expenses	(7,877)	(15,957)
Operating income (loss)	(1,195)	216
Financial expenses	(19)	(32)
Profit (loss) before taxes on income	(1,214)	184
Taxes on income	–	(30)
Net profit (loss) from discontinued operations	**(1,214)**	**154**
Basic and diluted profit (loss) per Ordinary share for discontinued operations (*)	**(0.019)**	**0.002**

(*) See Note 14 for the weighted average number of Ordinary shares used in the computation.

10. REPORTABLE SEGMENTS

a. Based on the management reporting system, the Company operates in a single operating segment as provider of on-line marketing services.

b. Revenues from continuing operations, based on the location of customers, are as follows:

	Year ended 31 December	
	2017	2016
America	1,285	101
EMEA	234	129
APAC	214	–
	1,733	230

c. The Company's non-current assets are mostly located in Israel.

d. In 2017, revenues from two customers individually represented 20% and 12% of the Company's revenues. Revenues from all other customers individually represented less than 10% of the Company's revenues.

In 2016, revenues from four customers individually represented percentages higher than 10% of the Company's revenues (between 11% to 15% for each customer).

11. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies:

The Company is exposed to market risk and credit risk, as following:

a. Market risk:
Market risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in market prices. Market risk is comprised from three types of risks: interest rate risk, currency risk and other price risk. As of 31 December 2017 and 2016, the Company considers the exposure to market risk to be immaterial.

b. Credit risk:
Credit risk is the risk that counterparty will not meet its obligations as a customer or under a financial instrument leading to a loss to the Company. The Company is exposed to credit risk from its operating activity (primarily trade receivables) and from its financing activity, including deposits with banks and other financial institutions and foreign currency transactions.

1. Trade receivables:
Customer credit risk is managed in the Company subject to the Company's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on a credit analysis and rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

The Company's trade receivables are derived from sales to customers located in different countries, primarily in the United States. The Company performs ongoing credit evaluations for its customers and an impairment analysis is performed at each reporting date on an individual basis for the Company's customers. The maximum exposure to credit risk as of the reporting date is the carrying value of trade receivables (see Note 3).

The Company does not hold collateral as security for these receivables. The Company evaluates the concentration of risk with respect to trade receivables as low.

2. Cash, cash equivalents and restricted deposits:
Credit risk from balances with banks and financial institutions is managed by the Company's management in accordance with the Company's policy. Cash, cash equivalents and restricted cash are deposited with major banks in Israel and in the US that are of high quality.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *continued*

US dollars in thousands, except share and per share data

12. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS FROM CONTINUING OPERATIONS

	2017 $'000	2016 $'000
a. Cost of revenues:		
Salaries and benefits	261	20
Other	24	14
	285	**34**
b. Research and development expenses:		
Salaries and benefits	4,771	2,929
Cost of share-based payment	197	349
Subcontractors	327	275
Other	528	350
	5,823	**3,903**
c. Selling and marketing expenses:		
Salaries and benefits	3,467	2,410
Cost of share-based payment	109	366
Advertising and promotion	1,191	702
Travel	273	140
Other	434	620
	5,474	**4,238**
d. General and administrative expenses:		
Salaries and benefits	616	320
Cost of share-based payment	55	159
Public company costs	342	345
Legal	308	196
Travel	77	34
Other	575	338
	1,973	**1,392**

US dollars in thousands, except share and per share data

13. COMPENSATION TO KEY MANAGEMENT PERSONNEL

	2017 $'000	2016 $'000
Salaries	1,741	1,953
Bonus	278	–
Relocation Bonus	–	50
Post-employment benefits	29	50
Share-based compensation	98	399
	2,146	**2,452**

14. NET LOSS PER SHARE

Details of the number of shares used in the computation of basic and diluted net loss per share:

	2017 $'000	2016 $'000
Denominator for basic net earnings per share	61,985,174	61,703,256
Effect of dilutive securities:		
– Options	–	–
Weighted average number of ordinary shares used in the computation of diluted net earnings per share	**61,985,174**	**61,703,256**

In 2016 and 2017, all outstanding options have been excluded from the calculation of the diluted net loss per share because they are anti-dilutive (decrease net loss per share).

COMPANY INFORMATION

Albert's shares are traded on AIM, a market operated by the London Stock Exchange.

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