Ruby Life Inc.

Report on Customer Statistics
For the Calendar Year 2017

EY
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working world

Attention: Ruben Buell

16 February 2018

Report on Customer Statistics for the Calendar Year 2017

Dear Mr. Buell:

As instructed, attached please find our report for your attention.

The report is based on fieldwork done to February 2018 on certain customer statistics for the calendar year 2017.

The report was provided to you for your purposes and any reliance a third party may make is entirely at its own risk. We reserve the right to supplement or amend our report upon the receipt of additional information.

Very sincerely,

Ernst & Young LLP

Mike Savage

Partner

Attachment

Contents

Background

On December 6, 2017, EY was retained by Ruby Life Inc. (the "Client") to provide advisory services in connection with the annual statistics for male and female Ashley Madison Active Customer Accounts, as defined below in this report.

This report summarizes our approach and the procedures we performed to confirm the statistics.

Summary of Findings

We confirmed that for calendar year 2017:

▶ New registrations totalled 5,673,024 and on average, there were 472,752 new Ashley Madison accounts registered monthly during 2017 (Further detail by region is tabulated in Appendix A):

　▶ The low and high months for registrations were April (average of 10,715 daily) and October (average of 20,518 daily) respectively.

▶ We focused on a sub-set of registered accounts as an indicator of activity (Further detail by region is tabulated in Appendix B). Not all registered accounts were actively used:

　▶ The global ratio between male Active Customer Accounts and female Active Customer Accounts for Ashley Madison was 1:1.13; and

　▶ The ratio is based on active accounts registered in 2017 and excluded activity from accounts registered in prior years.

▶ The Client had used Bot programs to generate message activity with paying customers in prior years. The Bot programs were decommissioned in 2015 and our procedures related to calendar 2017 found no evidence that the use of Bot programs previously operated had been reinstated.

Approach

Management's assertion

Registrations

Management provided a schedule asserting the statistics for customer registrations.

Management identified the customer accounts based on criteria to measure customer activity. More specifically, the customer registrations were those which:

▶ Registered in 2017 on Ashley Madison with or without a heterosexual preference;

▶ Certain customer accounts were excluded (to avoid overstating the true level of activity), for reasons that included, for example:

　▶ The account was flagged as irregular in the course of ongoing transaction monitoring. Irregular accounts are flagged based on criteria, such as those sending spam mail, or soliciting customers to join other sites;

　▶ The account was internally generated, for example for quality control testing;

► The account was a security account used for the penetration testing program; or

► The account was clearly operated by a person with another account. For example, where the two accounts had certain information in common.

<u>Active Customer Accounts</u>

Management provided a schedule asserting the statistics for active customer accounts ("Active Customer Accounts"), based on the customer registrations and applying additional criteria to measure Active Customer Account activity.

More specifically, to identify the Active Customer Accounts to be included in the Male/Female ratios, the additional criteria applied to registered customer accounts included:

► Registered in 2017 on Ashley Madison with a heterosexual preference;

► Customers logged in again more than 24 hours after registration (as evidence of activity); and

► In the case of male accounts, had purchased credits (as further evidence of activity).

EY procedures

We discussed the schedule with management to better understand the basis on which it was prepared and then independently designed and performed procedures to confirm the statistics.

 Our procedures were designed with the following objectives:

► To confirm that management's listing of customer accounts was based on, and consistent with, customer specific records located in the working databases;

► To confirm that the definition of Active Customer Accounts was accurately and consistently applied; and

► To test the 2017 customer registrations and Active Customer Accounts for accounts that should have been excluded based on the nature of the account activity, whether or not they were flagged at the time for exclusion by management, including testing for the presence of the previously operated Bot programs.

By way of example, the additional procedures included, among others:

► Re-performance of calculations in management's assertion;

► Document, data and information requests;

► Observation, enquiry and interviews of employees;

► Reviewing processes;

► Transaction walkthroughs;

► Searches for electronic information;

► Scenario testing; and

► Pattern analysis and data analytics.

Our field work was performed between January 3, 2018 and the date of the report by a team of 7 investigators.

Information relied upon

In addition to management's assertions, our procedures relied primarily on information from:

- ► Interviews and meetings held with Client employees and management;
- ► The working databases and code repository copied from the live system at January 3, 2018 as made available for our analysis; and
- ► Documents and information provided by management in response to our requests. These documents included, for example, data extracts, source documents and written explanations.

Purpose of report and restrictions of use

Any disclosure of the final written report shall be subject to the following conditions:

- ► The report shall be disclosed in its original, complete and unaltered form as provided by EY;
- ► EY shall have first approved the manner and context in which EY's report is presented to any third party, or the public. Client shall use best efforts to ensure that any accompanying factual statements made by it are accurate and not misleading. Client shall not suggest that EY has been engaged for the benefit of third parties;
- ► To the extent Client seeks to release or disclose a summary of the report in addition to, or instead of, the complete report, it may disclose or release such summary only with the prior approval of EY, such approval not to be unreasonably withheld; and
- ► Any use a third party may choose to make of our report is entirely at its own risk and EY shall have no responsibility whatsoever to any such third party. Notwithstanding any EY consent to disclose the report, our work was not planned and our report was not issued in contemplation of any other use and it may not be used for any other purpose without our prior written consent.

Applicable standards

This report was prepared under the Standard Practices for Investigative and Forensic Accounting as published by CPA Canada. This report is not an external audit, review or compilation of the financial statements.

Appendices

Appendices	Appendix Description
Appendix A	Registrations by region for 2017
Appendix B	Ratio of Male to Female Active Customer Accounts by region for 2017

Appendix A – Registrations by region for 2017

Region	Average Monthly Registrations of Both Male and Female Accounts
Argentina	9,230
Australia	11,516
Brazil	138,865
Canada	17,371
Chile	7,522
Colombia	7,282
Hong Kong	2,853
Mexico	5,722
Japan	9,649
Korea	17,066
Taiwan	15,251
UK	20,824
US	152,035
Global	472,752

Appendix B – Ratio of Male to Female Active Customer Accounts by region for 2017

Region	Ratio of Male to Female Active Customer Accounts
Argentina	1 : 0.79
Australia	1 : 0.78
Brazil	1 : 1.92
Canada	1 : 0.90
Chile	1 : 1.40
Colombia	1 : 2.39
Hong Kong	1 : 0.87
Mexico	1 : 1.59
Japan	1 : 1.25
Korea	1 : 1.44
Taiwan	1 : 1.67
UK	1 : 1.03
US	1 : 1.05
Global	1 : 1.13